



July 18, 2011

**Summary Report:
INDEPENDENT INVESTIGATION AND REMEDIATION
AT HUEY CHUEN (CAMBODIA) CO. LTD.**

Investigation Overview

On April 10, 2011, the Reuters press agency reported that a large number of workers at the Huey Chuen (Cambodia) Co. Ltd. (“Huey Chuen”) factory in Cambodia had fainted. Huey Chuen produces footwear for FLA-affiliated company PUMA, which requested the Fair Labor Association (FLA) to commission an independent investigation into the allegations.

The FLA commissioned an independent occupational safety and health expert to undertake the investigation. The investigation was conducted from May 3 to May 13, 2011. The terms of reference of the investigation were as follows:

The investigator will examine ALL allegations of violations of local and national labor laws and the FLA’s Code of Conduct as alleged in an April 10, 2011, report by Reuters and other sources, including:

- Fainting by a large number of workers during work shifts on April 9 and April 10 at the Huey Chuen factory;
- The possibility that such fainting and subsequent illness might be attributable to the use of raw materials or chemicals at the workplace without proper ventilation;
- The possibility that such fainting and subsequent illness might be attributable to exhaustion associated with excessive hours worked;
- The extent to which use, handling and storage of raw materials and chemicals at the plant are consistent with national and international law and practice, the FLA Workplace Code of Conduct and benchmarks, and the PUMA Code of Conduct and other standards; and
- Any other issues that might arise.

This is a summary report of the findings of the investigation. The full report can be found at

https://www.fairlabor.org/fla/Public/pub/Images_XFile/R462/OHSA_report.pdf.

Also included in this report is a summary of the remediation plan that PUMA has developed in order to address outstanding issues at the factory.

About Huey Chuen

The Huey Chuen factory has been in operation since 2006. It produces footwear solely for PUMA and operates from the first, second and fifth floors of rented premises, which it shares with a garment producer. It employs a total of 3,400

workers. Almost all workers are Khmer, with the exception of 44, mostly managerial and supervisory staff, from China and Taiwan.

Reports available to the investigator from the Labour Inspectorate of the Ministry of Labour and Vocational Training identified no issues on compliance. The Ministry of Environment had indicated to the factory that it should comply with rules and regulations governing the disposal of solid and liquid waste. The Department of Occupational Health and Safety had indicated that the factory should hire a qualified doctor, build 10 more toilets, and ensure that workers use personal protective equipment (masks).

Investigation Methodology

The investigation comprised:

- A review of all relevant documents and records;
- Interview of relevant persons, including factory management, workers, union representatives and PUMA staff;
- A visual factory site inspection;
- Testing for temperature, noise and lighting;
- Testing for the presence of toluene; and
- An occupational health and safety risk assessment.

Summary of Findings

This section is divided in accordance with the structure of the terms of reference for the investigation.

- *Fainting by a large number of workers during work shifts on April 9 and April 10, 2011, at the Huey Chuen factory.*

Though it was impossible for the investigator to verify the exact number of workers who fainted on April 9 and April 10, interviews and government reports indicated that on April 9, four workers initially fainted and were taken to a hospital, and that subsequently a total of 104 became distressed and fell to the ground. These workers were subsequently also taken to five different hospitals and discharged within two hours. It is unclear whether these 104 workers actually fainted. Similarly, on April 10, at approximately 6:50 a.m., initially two workers “fainted.” By 8 a.m., 121 workers were reported to have fallen on the ground, without it being clear that these workers fainted.

In addition, interviews and clinic statistics indicate that approximately 4-5 workers faint every month.

- *The possibility that such fainting and subsequent illness might be attributable to the use of raw materials or chemicals at the workplace without proper ventilation.* There is a strong possibility that the fainting and illness reported are due to the type of chemicals used in the factory and the way they are used. While there are a large number of ventilation fans, these do not appear to be effective in dispersing fumes from organic solvents in all areas of the factory. The high ambient temperature measured adds to the process of vaporization of solvents. Open pots of solvents were found in different places and – though smell is not a good indicator of the number of parts per million concentrated in the air – in some areas the chemical smell was clearly noticeable, especially in areas where the

temperature was above 40 degrees Centigrade. Finally, a chemical was found that, according to the producers' website, contains toluene – though this was not indicated on the relevant Material Safety Data Sheets (MSDS). The PUMA Environmental Handbook does not allow the use of toluene in its supplier factories.

- *The possibility that such fainting and subsequent illness might be attributable to exhaustion associated with excessive hours worked.*

There is strong likelihood that the fainting and illness might also be attributable to exhaustion associated with excessive hours worked. Management and workers indicated that for the period March 27 to April 9, workers completed four hours of overtime on weekdays as well as on March 25, April 1, and April 8. Workers on the second floor indicated they felt compelled to work all night starting at 7 a.m. on Friday morning and finishing at 7 a.m. on Saturday morning. They also indicated they worked on Sunday 27 and April 3. Workers on the first and fifth floor did not work overnight but did work four hours of overtime on weekdays and Saturdays and Sundays. The total number of hours completed by workers on the second floor in the four weeks preceding April 10, was 299.5 hours (i.e. 168 hours of regular hours and 131.5 overtime hours). The total number of hours completed by workers on the first and fifth floors in the four weeks preceding April 10, was 96 hours, with some workers completing 104 hours.

- *The extent to which use, handling and storage of raw materials and chemicals at the plant are consistent with national and international law and practice, the FLA Workplace Code of Conduct and benchmarks, and the PUMA Code of Conduct and other standards.*

The storage and handling of chemicals at the plant is not consistent with relevant rules and standards. Chemicals are stored incorrectly and are poorly labelled. Not all MSDS are available in English and/or Khmer. Workers have not been trained in the use of chemical substances, are unaware of hazards associated with their use, and are not using appropriate personal protective equipment. Toluene is used in the factory even though this is expressly prohibited by PUMA.

- *Other issues.*

A number of other factory practices were identified that are in breach of relevant laws and standards. These include:

- Leave
 - Deduction of sick leave from annual leave when workers have a medical certificate;
 - Non-provision of special leave.
- Contracts
 - Recruitment of workers on consecutive fixed duration contracts.
- Wages
 - Workers do not understand their wage calculation;
 - Unclear use of moneys collected through wage deductions.
- Occupational Safety and Health

- No Occupational Health and Safety Policy is in place;
- No systematic health and safety training;
- No fire drills have been undertaken since 2009;
- No fire safety/evacuation plan is in place;
- Electrical wiring was not always appropriately installed;
- Improper training of engineering/maintenance staff;
- Inadequate lighting;
- High noise levels in some areas;
- Not all machines were equipped with guards;
- Multiple ergonomic risks were present (some workers sitting on the floor, no back rests, slip and trip hazards, incorrect lifting, etc.);
- Insufficient number of toilets;
- Workers are not allowed to wear footwear in the toilets, even though toilets are not properly cleaned;
- High number of cases of diarrhoea reported to clinic;
- Insufficient (qualified) staff in the clinic;
- Clinic is not sufficiently supplied;
- Inappropriate distribution system of medicine;
- Inappropriate system for calling an ambulance;
- Insufficient number of first aid boxes present;
- Insufficient and possibly unsafe drinking water;
- Insufficient provision of food when working overtime.

PUMA Remediation Plan

PUMA was presented with the full independent assessment report and has accepted all its findings. In conjunction with the factory, PUMA has developed a comprehensive remediation plan that includes a clear timeline, as well as a process to verify its implementation. The full remediation plan can be found at https://www.fairlabor.org/fla/Public/pub/Images_XFile/R463/Huey_Chuen_Corrective_Action_Plan.pdf. The following are the main points of the remediation plan:

- *The factory shall update and complete all policies covered by the PUMA Code of Conduct.* Though a variety of issues are included in this remediation activity, the main areas covered are: occupational safety and health, forced labor, compensation and benefits, complaints and grievances, and minimum age. Remediation under this point requires the development of procedures to implement the various policies and the designation of persons responsible for implementation and training on all policies for managers, supervisors and workers. It also requires that all policies are available in Chinese, English and Khmer.
- *The factory shall ensure that working hours, including overtime, will not exceed 60 hours per week and that it will strictly observe the weekly rest day for workers.* Under this remediation point, the factory and PUMA have committed to ensuring that factory production decisions and PUMA sourcing decisions will be coordinated so as to safeguard the legal requirements concerning overtime and weekly rest days.
- *The factory shall develop and implement a complete Occupational Safety and Health (OSH) Management System.* This remediation point includes

the assignment of an adequately qualified, full-time OSH officer; the in-depth mapping of requirements and risks, using as a basis the Risk Assessment undertaken by the FLA investigator (under the guidance of an external service provider); and the training of responsible staff by an external service provider.

- *The factory shall abide by all legal and PUMA requirements regarding the use and handling of chemicals.* As part of this remediation point, the factory will, *inter alia*, commission external services to test VOC and other harmful chemical concentration in working areas. It will improve ventilation facilities, ensure proper labeling and storage of chemicals, discontinue the use of toluene, provide education/awareness training on chemical hazards, and provide for proper personal protective equipment (PPE) and training on the proper use of PPE.
- *The factory shall abide by all legal and PUMA requirements regarding OSH standards.* Though a variety of issues are included under this remediation point, some examples include: ensuring the safety of all machines and electrical infrastructure; ensuring temperature and noise levels are within legal limits; providing workers with an ergonomically sound work environment; and ensuring toilets are clean. Where necessary and/or appropriate, training will be provided to management and workers with regard to these issues.

Conclusions and Next Steps

The remediation plan developed by Puma and Huey Chuen is comprehensive and robust. However, the key to improvements at the factory will lie in its implementation. The FLA recommends that Puma monitor very closely the remediation plan being implemented at Huey Chuen and report back to the FLA within 90 days with an update of developments.

The FLA further recommends that Puma continue to provide additional technical guidance, support, and resources in the areas related to Occupational Health and Safety so that the factory can realize a safer workplace for its workers.