

# Fair Labor Association: Independent External Factory Assessment

Assessment Date :

**08 Aug 2022**



## Factory Information

FLA Affiliates	Fast Retailing Co., Ltd.
Country	Vietnam
Number of Workers	1313

## Understanding this Report

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.

## FLA Code Element

## Number of Violations

FLA Code Element	Number of Violations
Compensation (C)	4
Employment Relationship (ER)	1
Health, Safety And Environment (HSE)	14
Hours Of Work (HOW)	2

## Assessment Information

Assessor	OneStep Viet Co., Limited
Assessment Date	08 Aug 2022
Assessment Purpose	Factory Assessment (In-Person)



## ASSESSMENT RESULTS

### Compensation (C)

Benchmark ID	C.21.2
Benchmark Details	All benefits shall be calculated correctly
Finding Details	<p>(1) Based on a review of payroll and attendance records for the past 12 months, along with interviews with factory management and workers, the assessment found that the factory does not accurately calculate the payment for female workers who have children under 12 months old and work hazardous and heavy jobs. Such payments are governed by legal requirements that came into force in February 2021. Under these requirements, such workers must receive a 1-hour paid break each day, and have their workload reduced by one hour each day without loss of pay. For example, a female worker worked a hazardous/heavy job for 7 regular hours per day while nursing children under 12 months old. The factory paid her for 8 hours/day at 100% of the premium pay rate. The factory should, however, have paid her for 9 hours per day at that rate (7 hours worked + 1 hour paid break + 1 reduced hour of work). The factory has revised its practices to be in line with legal requirement since June 2022, but has not remediated the workers who were underpaid before this correction. (2) Female workers at the factory work during their designated menstruation breaks (30 minutes/day; up to 1.5 hours/month). The factory pays 100% premium wages to workers who work through their menstruation breaks, but calculates the premium incorrectly. The factory calculates the payment based on the basic wage instead of the workers' contract wage (basic wage + responsibility allowance + seniority allowance). Local law requires basing the payment on the contract wage.</p>
Recommendation for Immediate Action	<p>1) Accurately calculate payment for female workers who have children under 12 months old and work hazardous and heavy jobs, as legally required. 2) Apply the contract wage (basic wage, responsibility allowance, seniority allowance) when calculating payment for menstruation breaks workers as legally required.</p>

Compliance Classifications	Immediate Action Required
Local Law	1) Labor code 45/2019/QH14, Article 137, Clause 2; Decree 145/2020/ND-CP, Article 80, Clause 4 2) Labor code 45/2019/QH14, Article 137, Clause 4; Decree 145/2020/ND-CP, Article 80, Clause 3
Benchmark ID	C.7
Benchmark Details	All payments to workers, including hourly wages, piecework, fringe benefits and other incentives shall be calculated, recorded, and paid accurately.
Finding Details	Based on a review of payroll and attendance records for the past 12 months, along with interviews with factory management, the assessment found that the factory did not pay the correct monthly wages for new workers in 2022, according to its own wage scale. The factory's wage scale came into force on 1 Jan 2022. The scale states that after the probationary period, workers' contract wages will be higher than the probation wage. However, in practice, the factory paid contract wages equal to probation wages (e.g., VND 3,545,282 for thread cutting worker; VND 3,908,658 for sewing operator, etc.) after the probationary period ended.
Recommendation for Immediate Action	Employees should be paid monthly wage according to the factory's wage scale, as is legally required.
Compliance Classifications	Immediate Action Required
Local Law	Labor code 45/2019/QH14, Article 93, 94, 95
Benchmark ID	C.1.1
Benchmark Details	Employers shall comply with all national laws, regulations and procedures concerning the payment of compensation to workers.

Finding Details	The factory's records of termination payouts from the past 12 months and interviews with factory management show that the factory does not correctly calculate the unused annual leave that is paid out to resigning workers. (A) The factory rounds down the number of annual leave days if the decimal is less than 0.5. For example, a worker's balance of 1.48 annual leave days would be rounded down to 1.0. During the course of the assessment, the factory shared that they are aware of this non-compliance and have plans to revise the system beginning August 2022. (B) The factory does not follow recent legal requirements (Decree 145/2020/ND-CP) on annual leave calculation, leading to underpayment for unused annual leave when a worker resigns. For example: a sampled worker received 16.11 day's worth of annual leave instead of 16.32 [(in 2021: $14/12*10 = 11.66$ ) + (in 2022: $14/12*4 = 4.66$ ) = 16.32]
Recommendation for Immediate Action	Calculate and pay out unused annual leave days correctly when workers leave employment, as legally required.
Compliance Classifications	Immediate Action Required
Local Law	Labor code 45/2019/QH14, Article 48; Decree 145/2020/ND-CP, Article 66
Benchmark ID	C.17
Benchmark Details	Employers shall ensure that all legally required payroll documents, journals and reports are available, complete, accurate and up-to date.
Finding Details	Document review and interviews with factory management confirmed that the factory engages 2 on-site subcontractors: a security service and canteen staffing service. At the time of the assessment, there were 9 canteen staff and 30 security employees. The factory has maintained the ID of all canteen staff and security employees. However, there were no payroll records for these workers available for review. Thus, the assessment could not verify information regarding wages and benefits.
Recommendation for Immediate Action	Institute a system for ensuring compliance with labor standards among the canteen staff and security employees, including by keeping payroll records and other relevant documents.

Compliance Classifications	Immediate Action Required
Local Law	

### Employment Relationship (ER)

Benchmark ID	ER.19.1
Benchmark Details	Employers shall maintain on file all documentation needed to demonstrate compliance with the FLA Workplace Code and required laws.
Finding Details	(1) Based on document review and interviews with factory management, the assessment confirmed that the factory's policy is to never recruit juvenile workers who are under 18 years old. However, the legal working age is 15 years old, and there are no legal limits for the apparel industry on recruiting workers from 15-18 years of age. (2) The factory engages with 2 onsite subcontractors: a security service and a canteen service. The factory could not provide any labor contracts for these workers for review during the assessment. Therefore, the assessment could not verify information compliance with wage and benefit standards. There were nine canteen staff and 30 security employees working at the time of the assessment. The factory maintains the ID of all canteen staff and security employees on file.
Recommendation for Immediate Action	(1) Do not prohibit the employment of young workers aged 15 to under 18 years old, per local law. (2) Ensure that factory has a system to ensure compliance with labor standards for the canteen staff and security employees, including by keeping labor contracts and other relevant documents on file.
Compliance Classifications	Immediate Action Required
Local Law	(1) Labor code 45/2019/QH14, Article 143

### Health, Safety And Environment (HSE)



Benchmark ID	HSE.5.1
Benchmark Details	All applicable, legally required or recommended elements of safe evacuation shall be complied with, including all of the following elements: posting evacuation plans; the installation and maintenance of fire alarms; the installation and maintenance of emergency lighting; ensuring aisles/exits are not blocked and that workers are not blocked within their workstations; employee education and training; and evacuation procedures and fire drills.
Finding Details	The assessment observed some cigarette filters in the air compressor room and restroom areas where "no smoking" signs are posted.
Recommendation for Immediate Action	Ensure that the factory's smoking policy clearly designates smoking areas and non-smoking areas. Reinforce the smoking policy through training for workers.
Compliance Classifications	Immediate Action Required
Local Law	Law on occupational safety and hygiene 84/2015/QH13, Article 16
Benchmark ID	HSE.5.1.2
Benchmark Details	All applicable, legally required or recommended elements of safe evacuation shall be complied with, including all the following elements: installation and maintenance of fire alarms;
Finding Details	Eight out of 14 beam detectors (fire detectors which are part of the automatic fire alarm system) at Workshops 1 and 2 and at Finished Goods Warehouse 1 and 2 did not work during testing. The fire alarm signal is not audible throughout the sewing section at Workshop 2 (this area has 2 fire alarms). The beacon alarm at the down filling room of Workshop 1 did not work during testing.
Recommendation for Immediate Action	Fire alarm systems should be inspected, tested, and maintained as legally required.
Compliance Classifications	Immediate Action Required



Local Law	National Standard TCVN 3890:2009, Article 6
Benchmark ID	HSE.9.1
Benchmark Details	All chemicals and hazardous substances shall be properly labeled and stored in secure and ventilated areas and disposed of in a safe and legal manner, in accordance with applicable laws and international standards.
Finding Details	(1) There is no secondary containment for at least 20 chemical containers (containing paint, oil, glue, etc.) at the maintenance room. In addition, four chemical tanks for the wastewater treatment system at the printing area do not have secondary containment and the assessor observed these tanks leaking onto the ground. (2) At least 8 chemical containers (containing paint, oil, glue, etc.) do not have labels in the maintenance room.
Recommendation for Immediate Action	(1) Equip secondary containment for all chemical containers in the chemical storage area. (2) Provide labels for all chemical containers.
Compliance Classifications	Immediate Action Required
Local Law	1) Law on Chemicals 06/2007/QH12, Article 37 2) Law on Chemicals 06/2007/QH12, Article 27; Circular 32/2017/TT-BCT, Article 6
Benchmark ID	HSE.19
Benchmark Details	All facilities including workplace 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.
Finding Details	(1) The waste bins at the factory do not have a cover to ensure sanitation. (2) The restroom of the factory does not have hand-drying facilities. (3) Food samples are not kept at least 72 hours. Instead, they are kept for 24 hours, as confirmed by the person in charge during the assessment, according to legal requirements. In addition, there is no mechanism to maintain the temperature of food samples at or below 4 degrees Celsius

Recommendation for Immediate Action	(1) Equip covers on waste bins. (2) Provide hand-drying facilities at the restroom. (3) Ensure that food samples are kept at least 72 hours and maintained at or below 4 degrees Celsius.
Compliance Classifications	Immediate Action Required
Local Law	
Benchmark ID	HSE.13
Benchmark Details	All necessary ventilation, plumbing, electrical, noise and lighting services shall be installed and maintained to conform to applicable laws and to prevent or minimize hazardous conditions to workers in the facility.
Finding Details	(1) The assessment observed electrical wires in the material warehouse that are connected by tape. In addition, at least 4 electrical devices are attached on flammable wooden panels in the material warehouse. (2) Electrical sockets are installed inside of the chemical storage area, instead of being installed outside as legally required. In addition, there is a normal light fixture equipped in this storage area instead of an explosion-proof light.
Recommendation for Immediate Action	(1) All wires should be connected properly. Ensure electrical devices are not installed on flammable material. (2) Ensure that electrical sockets are installed outside the chemical storage area. Ensure that an explosion-proof light is installed in the chemical storage area.
Compliance Classifications	Immediate Action Required
Local Law	1) Decree 136/2020/ND-CP, Article 5 2) National Standard TCVN 5507:2002, Article 5.1.7
Benchmark ID	HSE.14.1
Benchmark Details	All production machinery, equipment and tools shall be properly guarded and regularly maintained.

<p>Finding Details</p>	<p>(1) The assessment observed two laser cutting devices that do not have any shields. Without these shields, workers can directly see the laser source or even interact with the laser source while the device is operating. Factory management explained that the two laser cutting devices were recently purchased and that the factory has maintained their original design. The assessment also observed one computer stitching machine in the cutting area without a full guard to protect worker’s eyes from broken needles. (2) Five LPG gas cylinders are stored in the canteen's raw material storage area without being chained. These cylinders should be stored at the designated gas cylinder storage area with a chain to prevent them from falling. The factory corrected this finding on the second day of the assessment.</p>
<p>Recommendation for Immediate Action</p>	<p>(1) Provide protection for the 2 laser cutting devices. Ensure computer stitching machines have full shields to protect worker’s eyes. (2) All compressed gas cylinders should be chained, labeled, and segregated.</p>
<p>Compliance Classifications</p>	<p>Immediate Action Required</p>
<p>Local Law</p>	<p>(1) Law on occupational safety and hygiene 84/2015/QH13, Article 16 (2) National standard TCVN 6304:1997, Article 5</p>
<p>Benchmark ID</p>	<p>HSE.6.1</p>
<p>Benchmark Details</p>	<p>All safety and medical equipment (e.g. fire fighting equipment, first aid kits) shall be available in sufficient numbers throughout the workplace, maintained and stocked as prescribed, and easily accessible to workers.</p>

<p>Finding Details</p>	<p>(1) Four fire extinguishers in the kitchen area of the canteen were obstructed by a chair and the ice box. In addition, two fire extinguishers in the office of the sample room were obstructed by an umbrella. The factory corrected this concern on the second day of the assessment. (2) The factory has an automatic fire fighting system (sprinkler system). However, two main pumps (one diesel and one electric) are turned off and not set in automatic mode. During testing of the fire hydrant, the fire hydrant did not work unless the operator manually opened the diesel pump and electric pump. Water leaked from the main pipe during this testing. In addition, the jockey pump is set in automatic mode, but the system pressure is kept at one bar, and the system cannot increase the pressure even though the pump is kept running all the times. The management explained that the issue could potentially be a leak in the underground piping. In addition, 3 pipes which supply water for the automatic fire fighting system at the material warehouse are set in stoppage mode (valves closed). While these pipes are in stoppage mode, no water will flow to the sprinklers. (3) Thirty fire extinguishers are not checked on a monthly basis. 20 fire extinguishers are kept on the floor in the maintenance room instead of being placed at least 3 cm off the floor as legally required. The 20 fire extinguishers on the floor for the maintenance room are in good condition, and the factory corrected the incorrect storage on the second day of the assessment.</p>
<p>Recommendation for Immediate Action</p>	<p>(1) Ensure that all fire extinguishers are unobstructed at all times. (2) Keep all firefighting equipment in good working order and set in the correct operation mode. Maintain back-up solutions for emergency cases and ensure that a contingency plan is in place. (3) Inspect fire extinguishers monthly and store them properly, per legal requirements.</p>
<p>Compliance Classifications</p>	<p>Immediate Action Required</p>
<p>Local Law</p>	<p>1) National Standard TCVN 3890:2009, Article 5 2) National Standard TCVN 3890:2009, Article 6 3) National Standard TCVN 7435-1:2004, Article 5.5, 5.8; National Standard TCVN 7435-2:2004, Article 4.2.1</p>
<p>Benchmark ID</p>	<p>HSE.22.2</p>

Benchmark Details	All workers handling food must be trained and/or certified to work in the facility preparing or serving food.
Finding Details	The assessment observed that the canteen service provider does not provide the Occupational Safety and Health (OSH) training for the 2 staff cooking around 1,300 portions/day. Per local law, these workers should received OSH Group 3 training.
Recommendation for Immediate Action	Provides OSH Group 3 training for cooking staff.
Compliance Classifications	Immediate Action Required
Local Law	Law on occupational safety and hygiene 84/2015/QH13, Article 14, Decree No. 44/2016/ND-CP, Article 17; Decree 140/2018/ND-CP, Article 1, Clause 5
Benchmark ID	HSE.4.1
Benchmark Details	Employers shall at all times be in possession of all legally required and valid permits and certificates related to health, safety, and environmental issues, such as: Purchase and storage of chemicals; Fire safety inspections; Machinery inspections; Waste disposal; Environmental licenses/permits; Sanitation permits, including those required for canteens; and Vehicle inspection and driver permits for all employer provided transportation.
Finding Details	The assessment found that the compressed air distribution systems and LPG systems at the canteen are not inspected and certified, as legally required.
Recommendation for Immediate Action	Engage with an authorized party to conduct inspections and certifications of all machines/equipment with specific legal requirements for inspection/certification.
Compliance Classifications	Immediate Action Required
Local Law	Decree 44/2016/ND-CP, Article 16; Circular No. 36/2019/TT-BLDTBXH

Benchmark ID	HSE.1
Benchmark Details	Employers shall comply with all national laws, regulations and procedures concerning health, safety, and the environment.
Finding Details	(1) The assessment observed at least 5 used chemical containers being stored in the maintenance room, instead of being stored in the designated hazardous waste storage. (2) A condensed mixture of water and oil (classified as wastewater) at the compressor area is discharged directly on the ground, where it flows into the rainwater drainage system, instead of being collected and treated as wastewater. In addition, some wastewater from the printing area is not collected and treated, but is discharged directly on the ground without being treated. Treated wastewater from the printing area is normally treated once at the printing area before being transferred to the main wastewater treatment plant (WWTP) system to be treated one more time before being discharged. The assessment observed, however, that the printing area's wastewater treatment system was overloaded. On the second day of the assessment, the factory equipped a collector to collect condensed water at the compressor areas. (3) Based on document review, the assessment found that the factory does not conduct an asbestos identification and assessment.
Recommendation for Immediate Action	(1) Store empty chemical containers at the designated hazardous waste storage. (2) All wastewater. should be collected and treated correctly. (3) Conduct asbestos identification and assessment.
Compliance Classifications	Immediate Action Required
Local Law	(1) Circular 02/2022/TT-BTNMT, Article 35 (2) Law on environmental protection 72/2020/QH14, Article 7
Benchmark ID	HSE.10.1
Benchmark Details	Material Safety Data Sheets (MSDS) for all chemicals and hazardous substances used in the workplace must be available at the usage and storage sites of the chemicals and hazardous substances, in the local language and the language spoken by workers, if different from the local language.

Finding Details	The assessment observed at least 20 chemical containers (containing paint, oil, glue, etc.) without Material Safety Data Sheet (MSDS) at the maintenance room. In addition, some MSDS of chemicals in the printing area do not have standard CAS numbers listed. Factory management explained that the supplier could not provide MSDS with sufficient information.
Recommendation for Immediate Action	MSDS must be posted at places where chemicals are stored or used. Provide MSDS with full information, including CAS numbers. Provide MSDS in the language/s understood by the workforce.
Compliance Classifications	Immediate Action Required
Local Law	Law on Chemicals 06/2007/QH12, Article 29; Decree 113/2017/ND-CP, Article 24; Decree 113/2017/ND-CP, Article 1
Benchmark ID	HSE.5.4
Benchmark Details	The emergency evacuation plan (EEP) includes procedures for notifying local community authorities in case of accidental discharge or release of chemical/waste products or any other environmental emergency.
Finding Details	There is no chemical spill kit equipped in the chemical storage for the printing area.
Recommendation for Immediate Action	Equip a chemical spill kit in the chemical storage for the printing area.
Compliance Classifications	Immediate Action Required
Local Law	Law on Chemicals 06/2007/QH12, Article 37
Benchmark ID	HSE.8
Benchmark Details	Workers shall be provided with training on the use and maintenance of personal protective equipment. Training shall be upon hire with periodic refresher training offered to all workers. Management will ensure use of PPE as necessary.



Finding Details	The assessment observed a worker washing chemical containers at the printing area without necessary PPE such as glasses, apron, and long gloves.
Recommendation for Immediate Action	Provide all necessary PPE. Implement and document regular checks for workers' compliance with PPE requirements to ensure utilization.
Compliance Classifications	Immediate Action Required
Local Law	Circular 04/2014/TT-BLDTBXH, Article 6
Benchmark ID	HSE.17.1
Benchmark Details	Workstations, including seating and standing arrangements and reach required to obtain tools, shall be designed and set-up in such a manner as to minimize bodily strains.
Finding Details	The factory does not provide chairs with back support or adjustable height for workers who work while sitting (sewing workers, QC workers, warehouse workers, etc.), nor does it provide anti-fatigue mats for workers who have to stand (cutting workers, etc.).
Recommendation for Immediate Action	Take proactive steps to reduce repetitive-motion stress or injuries. Provide adjustable chairs with back support for workers who work while sitting. Provide anti-fatigue mats for workers who stand.
Compliance Classifications	Immediate Action Required
Local Law	

### Hours Of Work (HOW)

Benchmark ID	HOW.22.1
Benchmark Details	Employers shall have in place policies for managing all working hour, overtime, and leave records in normal and exceptional circumstances.

Finding Details	The factory has not updated its annual leave management policy to meet the new provisions of local law (Decree 145/2020/ND-CP).
Recommendation for Immediate Action	Ensure that the factory's annual leave policy reflects the recently updates to local law.
Compliance Classifications	Immediate Action Required
Local Law	Decree 145/2020/ND-CP, Article 65, 66, 67
Benchmark ID	HOW.22.3
Benchmark Details	Time worked by all workers, regardless of wage system, shall be fully documented by time cards or other mechanical or electronic recording systems.
Finding Details	The factory engages with two subcontractors to provide security services and canteen services. The factory could not provide attendance records for these workers at the time of the assessment. Therefore, the assessment could not verify these workers' working hours.
Recommendation for Immediate Action	Ensure that factory has a system to ensure compliance with labor standards among the canteen staff and security employees, including by keeping working hours records and other relevant documents.
Compliance Classifications	Immediate Action Required
Local Law	

