

# Fair Labor Association: Independent External Factory Assessment

Assessment Date :

**07 Aug 2023**



## Factory Information

FLA Affiliates	Fast Retailing Co., Ltd.
Country	Vietnam
Number of Workers	2685

## 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

Compensation (C)	3
Employment Relationship (ER)	3
Freedom Of Association And Collective Bargaining (FOA)	2
Health, Safety And Environment (HSE)	13
Hours Of Work (HOW)	4
Nondiscrimination (ND)	1

## Assessment Information

Assessor	OneStep Viet Co., Limited
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Assessment Date	07 Aug 2023
Assessment Purpose	

## ASSESSMENT RESULTS

### Compensation (C)

Benchmark ID	C.21.2
Benchmark Details	All benefits shall be calculated correctly
Finding Details	The factory conducted the refresher training for the fire brigade on May 23, 2023. However, the members of the fire brigade have not been received training allowance as legally required.
Recommendation for Immediate Action	Provide/pay sufficient training allowances for the fire brigade members as legally required.
Compliance Classifications	Immediate Action Required
Local Law	Decree No. 136/2020/ND-CP, Article 34
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	1. Two (2) resigned workers who resigned after taking maternity leave and resigned on May 3, 2023 were not fully paid for unused annual leaves due to incorrect unused annual leave payment calculation. The factory has not added seniority allowance into basic wage to calculate the unused annual leave payment as legally required. 2. The factory does not deduct the additional payments (such as 50% for regular pay for overtime on regular's day time, 100% for working overtime on rest-day's day time) in excess of wages to calculate the taxable incomes. Therefore, the personal income tax is deducted higher than legal requirement, which impacted to lower monthly salary received.

Recommendation for Immediate Action	1. Provide sufficient annual leave payment for all resigned workers as legally required. 2. Do not deduct the amount that is not legally required when calculating the personal income tax.
Compliance Classifications	Immediate Action Required
Local Law	1. Labor Code 2019, Article 113. 2. Circular No. 111/2013/TT-BTC, Article 3.
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	The factory is using onsite service providers: Security service (10 employees), Canteen service (15 employees), Gardening service (3 employees) and House cleaning service (3 employees). The factory only keeps the list of the employees from sub-contractor who work onsite at the facility with the copy of the ID card to identify age of legal working age. However, there are no payroll records available for review during the assessment time as per standard requirement. Thus, the information regarding wage, benefit and working hours cannot be verified.
Recommendation for Immediate Action	Monitor and keep payroll and benefit records of all onsite workers.
Compliance Classifications	Immediate Action Required
Local Law	N/A
<b>Employment Relationship (ER)</b>	
Benchmark ID	ER.1.1

Benchmark Details	Employers shall have in place written policies and practices and maintain proper and accurate records governing all aspects of employment from recruitment, hiring and probation, including written terms and conditions of employment, job descriptions, administration of compensation, and working hours for all positions, through to retrenchment and termination processes.
Finding Details	The factory does not have policies and procedures with detailed criteria and regulations regarding retrenchment.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	N/A
Benchmark ID	ER.6.1
Benchmark Details	Employers shall have written policies and procedures and implement practices that encourage ongoing training of all categories of workers with the goal of raising or broadening skills in order to advance in their careers within the factory or beyond.
Finding Details	The factory does not have skill development program for all employees.
Recommendation for Immediate Action	Develop policy, procedure and program regarding skills development.
Compliance Classifications	Immediate Action Required
Local Law	Labor Code 2019, Article 60
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. The labor contract of the worker lacks of legally required information, such as: phone number and email (if any) of the company, phone number and email (if any) of the employee and etc. 2. The factory is using onsite service providers: Security service (10 employees), Canteen service (15 employees), Gardening service (3 employees) and House cleaning service (3 employees). The factory only keeps the list of the employees from sub-contractor who work onsite at the facility with the copy of the ID card to identify age of legal working age. However, there are no labor contracts available for review during the assessment time as per standard requirement. Thus, the information regarding employment practice, wage, benefit and working hours cannot be verified.
Recommendation for Immediate Action	1. Provide labor contract with sufficient legally required information. 2. Monitor and keep labor contract of all onsite workers.
Compliance Classifications	Immediate Action Required
Local Law	1. Circular No. 10/2020/TT-BLDTBXH, Article 3. 2. N/A

## Freedom Of Association And Collective Bargaining (FOA)

Benchmark ID	FOA.1.1
Benchmark Details	Employers shall comply with all national laws, regulations and procedures concerning freedom of association and collective bargaining. national laws, rules, and procedures protecting the rights of workers to organize and bargain collectively. Where local laws and FLA standards differ, the employer is expected to follow the highest applicable standard.
Finding Details	The internal workplace democracy regulation developed on July 31, 2021 was not included the detailed regulations as legally required for dialogue at workplace. In practice, the dialogue at workplace is conducted once a year. The latest dialogue was on December 12, 2022.
Recommendation for Immediate Action	Develop the detailed democracy regulation as legally required.

Compliance Classifications	Immediate Action Required
Local Law	Decree No. 145/2020/ND-CP, Article 37
Benchmark ID	FOA.20.2
Benchmark Details	Provisions in collective bargaining agreements that contradict national laws, rules and procedures or offer less protection to workers than provisions of the FLA Workplace Code shall also be considered not applicable.
Finding Details	The factory only provides 2 health check-ups per year for those employees in the washing section. However, based on the collective bargaining agreement (CBA), the factory needs to provide one occupational health check-ups per year for those employees who perform hard, harmful and dangerous jobs, such as workers in the washing section, sewing section, and cotton-stuffing section. Remark: The factory provided occupational health check-ups for 44 workers working hazardous and heavy jobs only, instead of all workers working hazardous and heavy jobs as legally required.
Recommendation for Immediate Action	Comply with contents of the collective bargaining agreement.
Compliance Classifications	Immediate Action Required
Local Law	Labor Code 2019, Article 79

## Health, Safety And Environment (HSE)

Benchmark ID	HSE.6.2
Benchmark Details	A sufficient number of workers shall be trained in first aid and firefighting techniques. Training shall be upon hire and with periodic refresher training.
Finding Details	One (1) medical person of the factory does not have an occupational health certificate as legally required.



Recommendation for Immediate Action	Provide occupational health training for medical staff.
Compliance Classifications	Immediate Action Required
Local Law	Law No. 84/2015/QH13 on Occupational safety and hygiene, Article 73 and Decree No. 39/2016/ND-CP, Article 37, Point 3
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	1. Two (2) emergency exit doors at the spraying paint workshop are sliding doors instead of the outward pushing doors as per legal requirement. 2. The evacuation plan is missing in the temporary material warehouses No. 4.1 and 5.1. Additionally, all (4) evacuation maps of sewing workshop No. 1 are not matched with the actual layout. 3. Six (6) out of ten (10) observed evacuation passages are not marked leading signs and lines on the floor in workshop No. 1 and temporary material warehouses No. 4.1 and 5.1.
Recommendation for Immediate Action	Ensure that: 1. All emergency exit doors are open outward doors as legally required. 2. The evacuation plan with sufficient information is available. 3. Evacuation maps are matched with the actual layout 4. All evacuation passages are marked clearly.
Compliance Classifications	Immediate Action Required
Local Law	1. Technical Regulation QCVN 06:2022/BXD, Article 3, Point 3.2.3. 2. National Standard TCVN 13456:2022, Article 5, Point 5.2.9. 3. National Standard TCVN 2622:1995, Article 7, Clause 7.5.
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	Two (2) out of four (4) observed fire hoses and one (01) out of two (2) observed fire alarm call points are obstructed by materials in temporary material warehouse No. 4.1 and 5.1.
Recommendation for Immediate Action	Ensure firefighting equipment is unobstructed.
Compliance Classifications	Immediate Action Required
Local Law	National Standard TCVN 3890:2023, Article 5
Benchmark ID	HSE.5.1.4
Benchmark Details	All applicable, legally required or recommended elements of safe evacuation shall be complied with, including all the following: ensuring aisles/exits are not blocked and that workers are not blocked within their workstations
Finding Details	1. Three (3) out of ten (10) observed exit aisles are partially obstructed by machines during working hours at the sewing section in workshop No. 2. 2. Five (5) out of ten (10) observed workers are obstructed by machines and materials during working hours at the sewing section in workshop No. 2.
Recommendation for Immediate Action	Ensure exit aisles/doors are unobstructed.
Compliance Classifications	Immediate Action Required
Local Law	Technical Regulation QCVN 06:2022/BXD, Article 3, Clause 3.1, Point 3.1.1
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. All waste bins at all toilets do not have cover. 2. There is no hand-washing soap or liquid equipped at the toilet in the canteen area. 3. The food samples are not kept for at least 72 hours and not more than 4 degree Celsius as per applicable standards. They are kept within 24 hours (and 48 hours for Saturday) and at more than 10 degree Celsius as mentioned in the food sample record. Remark: This practice is compiled to local legal requirements.
Recommendation for Immediate Action	1. Equip cover for waste bins to ensure the sanitation. 2. Provide adequate soap at toilet. 3. The food samples are kept at least 72 hours and maintain the cooling temperature for storing at 4 degrees Celsius or lower than 4 degree Celsius as applicable standard.
Compliance Classifications	Immediate Action Required
Local Law	1. N/A. 2. N/A. 3. N/A.
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	The factory does not install GFCI (Ground Fault Circuit Interrupter) devices for wet environments, such as washing area. Remark: The factory has installed normal circuit breaker instead.
Recommendation for Immediate Action	Install GFCI devices for wet environment.
Compliance Classifications	Immediate Action Required
Local Law	N/A

Benchmark ID	HSE.14.1
Benchmark Details	All production machinery, equipment and tools shall be properly guarded and regularly maintained.
Finding Details	1. The factory does not mark the traffic lanes and walk paths to ensure safe driving and traffic rules on factory premises. 2. The factory does not obtain legal inspection record of one LPG pipeline system, one steam pipeline system and two compressed air distribution systems. 3. One electrician does not apply LOTO (lockout/tagout) process/procedure when maintaining the machine in the security room.
Recommendation for Immediate Action	1. Mark the traffic lanes and walk paths clearly to ensure safe driving and traffic rules on factory premises. 2. Ensure that all machinery, equipment, materials and substances subject to strict occupational safety and health requirements shall be inspected. 3. Develop and apply lockout/tagout procedure.
Compliance Classifications	Immediate Action Required
Local Law	1. N/A. 2. Decree No. 44/2016/ND-CP, Art. 16 and Circular No. 36/2019/TT-BLDTBXH, Article 2. 3. N/A.
Benchmark ID	HSE.6.1
Benchmark Details	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.

Finding Details	<p>1. Three (3) out of three (3) observed fire extinguishers and one (1) out of one (1) observed fire hoses are not located on the exit aisle in temporary material warehouse No. 4.1, are not illuminated. 2.1. The automatic firefighting system, such as the pressure boosting pump (jockey pump) and the fire water level is not checked every week by the factory. 2.2. The jockey firefighting pump is out of order at the assessment time. The factory management explains that they are aware of this issue and contacting the service provider for maintenance. 2.3. There are no fire extinguishers equipped for around 8 containers which are used to store machines, accessories near sewing workshop No. 1. 3. The eyewash station does not have a full function (low water pressure) when testing in chemical treatment areas such as chemical storage and hazardous waste area.</p>
Recommendation for Immediate Action	<p>1. Ensure firefighting equipment which is not located on the exit aisle are illuminated. 2.1. Check and test firefighting equipment regularly. 2.2. Ensure firefighting equipment is functional. 2.3. Equip firefighting equipment sufficiently. 3. Ensure emergency eyewash functional.</p>
Compliance Classifications	Immediate Action Required
Local Law	<p>1. National Standard TCVN 13456:2022, Article 5, point 5.1.6. 2.1. National technical regulation QCVN 02:2020/BCA, Article 4. 2.2. Circular No. 17/2021/TT-BCA, Article 3. 2.3. National Standard TCVN 7435-1:2004, Article 7. 3. Circular No. 19/2016/TT-BYT, Article 5.</p>
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. A small amount of wastewater (condensation water from one air compressor tank) is leaked on the ground of the air compressor room. Additionally, the wastewater from the eye wash station is leaked on the ground when being used. 2. The factory does not provide the registration for the usage of the machine, equipment and materials with strict requirements on occupational safety such as forklifts and air compressors with the local labor authority for review. 3. There are no gas detectors installed at the two LPG cylinder storages. 4. The factory develops a procedure to manage asbestos and conducts the asbestos survey. However, neither the survey nor testing for the steam piping insulation, which potentially contains asbestos, are conducted.
Recommendation for Immediate Action	1. Ensure that wastewater shall be treated before being discharged. 2. Notifies the local department and obtain dossier of technical safety of the machine, equipment and materials with strict requirements on occupational safety. 3. Install gas detector at LPG cylinder storage. 4. Take proper steps to ensure that workers are not exposed to asbestos.
Compliance Classifications	Immediate Action Required
Local Law	1. Law on Environmental protection (No. 72/2020/QH14), Article 7. 2. Decree No. 44/2016/ND-CP, Article 16, Decree No. 4/2023/ND-CP, Article 3, Clause 2 and Circular No. 36/2019/TT-BLDTBXH, Article 2. 3. N/A. 4. N/A.
Benchmark ID	HSE.17.2
Benchmark Details	Employers shall train workers in proper lifting techniques, and items such as lifting belts shall be provided.
Finding Details	The factory does not provide training to workers on ergonomics, including lifting techniques.
Recommendation for Immediate Action	Provide required safety training to designated employees.
Compliance Classifications	Immediate Action Required

Local Law	N/A
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 facility does not monitor and enforce workers to use PPE while working. For instance: Three (3) out of ten (10) observed workers do not use gloves, anti-toxic masks and goggles while working at the washing section as required by MSDS.
Recommendation for Immediate Action	Provide and monitor the usage of PPE by employees.
Compliance Classifications	Immediate Action Required
Local Law	Law No. 84/2015/QH13 on Occupational safety and hygiene, Article 23, Clause 3 and Circular No. 25/2022/TT-BLDTBXH, Article 5.
Benchmark ID	HSE.14.2
Benchmark Details	Workers shall receive training in the proper use and safe operation of machinery, equipment and tools they use.
Finding Details	The factory does not provide training to designated workers with special/high-risk responsibilities working, such as working at heights.
Recommendation for Immediate Action	Provide required safety training to designated employees.
Compliance Classifications	Immediate Action Required
Local Law	Law No. 84/2015/QH13, Article 14 and Circular No. 06/2020/TT-BLDTBXH, Article 1

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 backrests for workers performing prolonged sitting jobs (e.g. sewing section) and standing mats for workers performing prolonged standing jobs (ironing section, inspection section, etc.).
Recommendation for Immediate Action	Provide chairs with backrest (standing mats) for workers performing prolonged sitting (standing) jobs.
Compliance Classifications	Immediate Action Required
Local Law	N/A

## Hours Of Work (HOW)

Benchmark ID	HOW.1.1
Benchmark Details	Employers shall comply with all national laws, regulations and procedures concerning hours of work, public holidays and leave.
Finding Details	The excessive monthly overtime was found from January 2023 – July 2023 for approximately 30% workers as they worked up to 52 overtime hours per month in these months, instead of monthly overtime hours shall be less than 40 hours per month as legally required.
Recommendation for Immediate Action	Control the overtime hours as legally required.
Compliance Classifications	Immediate Action Required
Local Law	Labor Code 2019, Article 107



Benchmark ID	HOW.3
Benchmark Details	Employers shall provide reasonable meal and rest breaks, which, at a minimum, must comply with national laws.
Finding Details	It is confirmed by the interviewees that they did not take short break within working hours as they do not know the regulation. In addition, some workers need to attend the morning meeting (before official time-in) from 3 - 5 minutes, in 2 - 3 days a week. However, the meeting time is not recorded and paid as legally required.
Recommendation for Immediate Action	Provide sufficient break time and/or pay sufficient time defined as working hours as legally required.
Compliance Classifications	Immediate Action Required
Local Law	Labor Code 2019, Article 109 and Decree No. 145/2020/ND-CP, Article 58
Benchmark ID	HOW.11.1
Benchmark Details	Employers shall provide workers with paid annual leave as required under national laws, regulations and procedures.
Finding Details	1. Two (2) resigned workers who resigned after taking maternity leave and resigned on May 3, 2023 were not paid for public Holiday payment on May 1, 2023 as legally required. 2. The factory does not calculate unused annual leave of 2022 and unused annual leave of resigned workers correctly as legally required as the factory does not use the new requirements of having equal or more than 50% of paid days in the months shall be counted as one month to calculate annual leaves. For example: One worker joined the factory on June 15, 2022. This worker was calculated annual leave of 2022 as follows: - The factory's calculation: Worker had 6.5 months of working from June 15 – December 31, 2022 and had: $14/12 * 6.5 = 7.6$ annual leaves. - The correct calculation: Worker had 7 months of working (as this worker had equal or more than 50% paid days in June 2022) and had: $14/12 * 7 = 8.17$ annual leaves.
Recommendation for Immediate Action	1. Provide sufficient public Holiday payment as legally required. 2. Provide sufficient annual leaves as legally required.

Compliance Classifications	Immediate Action Required
Local Law	1. Labor Code 2019, Article 112. 2. Decree No. 145/2015/ND-CP, Article 66.
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 is using onsite service providers: Security service (10 employees), Canteen service (15 employees), Gardening service (3 employees) and House cleaning service (3 employees). The factory only keeps the list of the employees from sub-contractor who work onsite at the facility with the copy of the ID card to identify age of legal working age. However, there are no attendance records available for review during the assessment time as per standard requirement. Thus, the information regarding wage, benefit and working hours cannot be verified.
Recommendation for Immediate Action	Monitor and keep attendance record of all onsite workers.
Compliance Classifications	Immediate Action Required
Local Law	N/A
<b>Nondiscrimination (ND)</b>	
Benchmark ID	ND.8.1

Benchmark Details	Employers shall abide by all protective provisions in national laws and regulations benefitting pregnant workers and new mothers, including provisions concerning maternity leave and other benefits; prohibitions regarding night work, temporary reassignments away from work stations and work environments that may pose a risk to the health of pregnant women and their unborn children or new mothers and their new born children, temporary adjustment of working hours during and after pregnancy, and the provision of breast-feeding breaks and facilities.
Finding Details	The factory does not include fixed allowances (position, seniority allowances) in to basic wage in calculating menstruation break's payment (which equals to menstruation break time that the female workers do not take the break while working). Thus, the payment is paid lower than the legally required payment.
Recommendation for Immediate Action	Calculate compensation for holidays and annual leaves at the rate stipulated by local law.
Compliance Classifications	Immediate Action Required
Local Law	Article 112 of Vietnam Labor Law 2019

