



COMPANY: **Pou Chen**

COUNTRY: **Vietnam**

ASSESSMENT DATE: **10/12/15**

MONITOR: **FLA Assessor Team (Turkey)**

PRODUCTS: **Footwear**

PROCESSES: **Full [= full package]**

NUMBER OF WORKERS: **21614**

NUMBER OF WORKERS INTERVIEWED: **235**

ASSESSMENT NUMBER: **AA0000001899**

What's Included in this Report

- Understanding this Assessment Report
- Glossary
- Score by Employment Function
- Score By Management Function
- Score Summary
- Summary of Code Violations Table
- Findings and Action Plans

Understanding this Assessment Report

This is a report of a workplace assessment conducted by Fair Labor Association assessors following FLA's Sustainable Compliance methodology (SCI), which evaluates a facility's performance in upholding fair labor standards through effective management practices throughout the entire employment life cycle.

This report identifies violations and risks of noncompliance with the Fair Labor Association Workplace Code of Conduct in its assessment of the employment functions, and includes a description of the root causes of violations, recommendations for sustainable and immediate improvement, and the corrective action plan for each risk or violation as submitted by the company. This document is not a static report; rather, it reflects the most recent progress updates on remediation in the Progress Update_section for each finding.

Glossary

De minimis: A de minimis factory is a factory (1) with which the Company contracts for production for six months or less in any 24-month period; or (2) in which the Company accounts for 10% or less of the annual production of such facility.

The FLA Charter states that in no event shall de minimis facilities constitute more than 15% of the total of all facilities of a Company, and the list of facilities designated as de minimis by a Company is subject to the approval of the FLA. Please note that collegiate-producing factories cannot count as de minimis.

Facility performance: how a facility rates in terms of a particular employment or management function, with 100% being the best possible score.

Fair labor standards: the minimum requirement for how workers should be treated in a workplace, as outlined in the [FLA Workplace Code of Conduct](#).

Employment life cycle: all aspects of an employee's relationship with the employer, from date of hire to termination or end of employment.

Code violation: failure to meet standards outlined in the FLA Workplace Code of Conduct in the workplace implementation of employment or management functions.

Employment Functions: The different components of the relationship between management and employees in a factory. An employment function is a process regulating an aspect of the employment relationship, such as the recruitment of workers. All employment functions together constitute the employment relationship between an employer and an employee.

1. Recruitment, Hiring & Personnel Development (e.g., performance reviews)
2. Compensation (e.g., wages, health care)
3. Hours of Work (e.g., overtime, documentation of working hours)
4. Industrial Relations (e.g., collective bargaining agreements)
5. Grievance System (e.g., worker communication with management)
6. Workplace Conduct & Discipline (e.g., discrimination, harassment)
7. Termination & Worker Retrenchment (e.g., downsizing, resignation)
8. Health & Safety (e.g., exposure to chemicals)
9. Environmental Protection (e.g., energy saving)

Management functions: violations or risks related to an employment function could be caused by the absence – or a problem in the operation – of any one of the management functions or in more than one.

1. Policy
2. Procedure
3. Responsibility & Accountability
4. Review Process
5. Training
6. Implementation
7. Communication & Worker Involvement
8. Support & Resources (only for the in-depth level)

Finding: indicators of potential gaps between desired and actual performance of the workplace on different employment functions.

Finding type

- *Immediate action required*: discoveries or findings at the workplace that need immediate action because they not only constitute

an imminent danger, risk the workers' basic rights, threaten their safety and well-being or pose a clear hazard to the environment, but also are clear non-compliances with the FLA Workplace Code of Conduct and local laws. Examples include a finding by the assessor that crucial fire safety elements are not in place or that there is underpayment of wages and/or worker entitlements or that there is direct discharge of waste water, etc.

- *Sustainable improvement required*: findings that require sustainable and systematic actions. The factory will be asked to tackle the underlying root causes and to do so in a long-term and systematic manner to bridge the gap between actual and desired performance. Examples include a finding by the assessor that there is lack of termination policies and procedures in the workplace, lack of grievance system, etc.
- *Notable feature*: indicates a remarkable feature or best practice at a workplace. Examples might include workers' wages and benefits that are significantly above the industry average, or community benefits such as free daycare.

Local law or Code Requirement: applicable regulations and standards in a workplace, which serve as the basis for an assessment, as per local law or FLA Workplace Code of Conduct. When these two do not concur, the stricter of the two standards applies.

Root causes: a systemic failure within an employment function, resulting in a finding. Findings are symptoms of underlying problems or root causes. Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that the worker did not use the hearing protection equipment because such equipment was not provided by management. However, upon a more thorough evaluation of available information, the assessor might find that the worker was indeed supplied with hearing protection equipment and with written information about the importance of wearing hearing protection, but was not trained on how to use the equipment and that use of the equipment was not enforced in a consistent manner by management.

Company action plan: a detailed set of activities outlined by the sourcing company and/or direct employer to address FLA findings.

Findings and Action Plans

RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT**FINDING TYPE:** Immediate Action Required**Finding Explanation**

1. The employment contracts do not include information on working hours (time in and time out), weekly rest day, and annual leave details. **ER.10**
2. The factory does not have written job descriptions for all positions. **ER.1**
3. Factory management signed one to two month probation contracts with administrative staff and technical staff who have college education; however, the social security, health insurance, and annual leave benefits are not included in the wages for college graduates, as legally required. **ER.1**
4. It was observed that the duration of the probation period for different positions is not linked to the type and complexity of the job, as required by the local law. Instead it is based on the prior education/experience of the individuals. **ER.1**
5. Although none of the written documentation related to Recruitment & Hiring includes any discriminatory information, there are some discriminatory criteria followed by managerial staff involved in the recruitment process. Some staff mentioned that age, gender, having a tattoo, weight, and height are important factors for them on decision making on recruitment. Male and female candidates with a height and weight less than 1.58m/48kg (male) or 1.48m/38kg (female) respectively are rejected for recruitment. **ND.1, ND.2**
6. There are no documented guidelines and procedures in place for workers that transfer to different positions. In addition, there is no documentation showing the consent of the worker transferring, resulting in the system being vulnerable for abuse by supervisors as a form of disciplinary action/punishment. **ER.30**
7. During the records review, a list of employee names were provided to the factory, and requested for the employee's personal files. These employee files were not provided timely, as the factory spent significant time finding these personal files. As per FLA requirements, Employers shall maintain on file all documentation needed to demonstrate compliance with the FLA Workplace Code and required laws. **ER.2**
8. There is no ongoing training provided to workers on Recruitment, Hiring, & Personnel Development policies and procedures. **ER.1, ER.15, ER.17**

Local Law or Code Requirement

Decree 05/2015/ ND-CP, Article 3.7, Vietnam Labor Code 2013, Article 186.3. Vietnam Labor Code 2013, Article 27. According to the Vietnam Labor Code 2013, Article 8.1, According to the Decree 05/2015/ND-CP, Article 8.(3) and 8(3)., Circular No.23/2014/TT-BLĐTBXH, Art.7, FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.2; Nondiscrimination Benchmark ND.1)

Root Causes

1. Management has misinterpreted local law requirements during the development of all procedures. Factory management has only taken into consideration the directly translated procedures from the parent company in China rather than taking into account Vietnamese law requirements. In addition, translation issues from the procedures at the parent company in China contribute to misunderstandings and misinterpretation of procedures at the factory in Vietnam.
2. The factory's Human Resource (HR) Department's capacity is insufficient regarding manpower. Additionally, factory management is not trained on local law requirements.
3. There is no effective internal monitoring system, both at the factory and Headquarter (HQ) levels.
4. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
5. These issues have not been identified during the previous internal and external audits.

Recommendations for Immediate Action

1. Ensure that social insurance, health insurance, and annual leave is provided to workers during their probationary period, as per legal requirements for workers with college degrees. Revise the contract and wage slips for workers with college degrees to include a clause addressing the provision of social insurance, health insurance and annual leave during probationary period.

COMPANY ACTION PLANS

1. There are all function department and key feature process job description in place.

Action plan status: Completed**Planned completion date:** 12/31/15

Progress update: 09/30/16 : Complete

Completion date: 12/31/15

2. Follow the suggestion of FLA, new comer probation duration has linked to the type and complexity for different positions.

Action plan status: Completed
Planned completion date: 06/01/16
Progress update: 09/30/16 : Completed
Completion date: 06/01/16

3. Anti-discrimination requirements have already been added to recruitment, hiring and personnel development policies and procedures. HR recruiting and training staff have been trained about this requirements.

Action plan status: Completed
Planned completion date: 05/31/16
Progress update: 09/30/16 : Completed
Completion date: 05/31/16

4. 1. The procedure for position reassignment has been finalized. Before workers transfer to another department/position, supervisors need to communicate to them 3 days ahead of the reassignment. Workers shall sign their name in the transfer sheets base on workers' own voluntary. 2. Workers may feedback question to HR/SD/TU if they have any concerns.

Action plan status: Completed
Planned completion date: 01/31/16
Progress update: 09/30/16 : Completed
Completion date: 01/31/16

5. Based on the Circular No.23/2014/TT-BLDTBXH, Art.7 which mentioned that “ Employers must be responsible to manage and use the employment logbook for the right purpose and make it available whenever it is requested by the Division of Labor, War Invalids and Social Affairs; the Department of Labour, War Invalids and Social Affairs at an area where the employer’s main office, branches and representative offices are located; inspectorate of the Ministry of Labor, War Invalids and Social Affairs, and relevant regulatory agencies.” It also regulated the employment logbooks shall enclose basic information about employees. Factory has followed the local law requirement to formulate and manage the employees’ personal files, and the factory is trying to improve the efficiency of finding files. Factory will consider to reorganize the employees' personal files based on workers' names instead of recruitment date. Firstly, factory will try to come up with an IT system to match this practice. Secondly, this practice will be applied to newly recruited workers for a start, and it will be applied to all of employees step by step.

Action plan status: Planned
Planned completion date: 10/31/16

6. HR will conduct annual training plan that aim at increasing HR members' professional capability. After HR staff being trained, HR staff shall cultivate multi-functional workers' on recruitment, hiring, and personnel development policies.

Action plan status: Planned
Planned completion date: 12/31/16

7. Have internal discussion with cross function team on this requirement to include information of working hours, weekly rest day, and annual leave in employment contracts. Firstly, factory will try to communicate with workers about this policy and then try to add this information to all of workers' contracts. After that, factory would have workers to sign the revised contracts.

Action plan status: Planned

Planned completion date: 12/31/16

8. Include the require benefits (health insurance, social security, annual leave) and probation period in the employee probation contract.

Action plan status: Completed
Planned completion date: 12/31/15
Progress update: 09/30/16 : Complete
Completion date: 12/31/15

Verification Result:

1. **Finding Status (Not Remediated)**

Explanation: Employment contracts still do not include information on working hours (time in and time out), rest day, and annual leave. Additionally they do not include allowances provided to workers, types of tools, Personal Protective Equipment, and the frequency of wage increases. Bonus or some allowances are still not included in the labor contracts.

Root Causes: There is misunderstanding about the labor contract legal requirements.

2. **Finding Status (Remediated)**

Explanation: The factory has established job descriptions for all the positions available in the factory. Human Resources (HR) is also assigned to compose the new ones when needed, and to regularly review the job descriptions.

3. **Finding Status (Not Remediated)**

Explanation: The factory has defined the list of work and its probation durations. Probation contract of one to two months is offered to the staff with the wage offered to those in probation is the same as the new one who signed the labor contract with the factory. Since 2017 the factory has yet recruited any new direct production workers, but maintenance workers or office staff. However, still the social security, health insurance, and annual leave benefits are not included in their wages, as legally required.

Root Causes: The factory misunderstood the finding and also the legal requirement on payment of insurances and annual leave into wage for those in probation period.

4. **Finding Status (Partially Remediated)**

Explanation: The factory has defined the probation matrix for all supportive employees and workers. However, still probation period is still not properly set-up for some positions. There are a few positions where the probationary periods are still based on the certificates, instead of the nature or complexity of the job. For example, probation period for waste management staff is 60 days, maintenance staff, carpenter, mason, or drivers are set as 60 days; 30 days of probation is offered to loading workers,. etc.

Root Causes: The factory misunderstands the nature or the complexity of the work to define the probation.

5. **Finding Status (Partially Remediated)**

Explanation: The factory has changed the recruitment application form and procedures so that clinic staff are no longer required to measure the weight and height of candidates during the recruitment process. However, weight and height information are still required and included on the application form. Therefore there is still discrimination based on height, weight, age, gender, and tattoos.

Root Causes: The factory misunderstood the FLA requirement regarding non-discrimination.

6. **Finding Status (Partially Remediated)**

Explanation: The factory has established procedures to transfer workers from one position to another. Currently, the production line supervisors handle job transfer from one line to another or to other departments. However, the job transfers are not undertaken with written consent from the workers concerned. Workers are asked to sign on the monthly summary of job transfer sheet, but they do not have right to comment or question on the new job offered. Supervisors are currently abusing this job transfer process to move workers to harsher jobs if workers do not listen to their instruction or those who raise complaints or grievances against the supervisors.

Root Causes: The factory does not strictly monitor this process to ensure it conducted without any retaliation or

abuse.

7. **Finding Status (Remediated)**

Explanation: The factory has centrally filed the personnel profiles at the HR Department, and all requested personnel profiles can be accessible for review in the timely manner.

8. **Finding Status (Not Remediated)**

Explanation: The factory provides the workers with training on the Nike code of conduct. However, there is no ongoing training for workers on the factory procedures and policies.

Root Causes: The factory thought that Nike code of conduct training covered all of the compliance aspects.

Local Law or Code Requirement

Decree 05/2015/ ND-CP, Article 4, and Article 8; Vietnam Labor Code 2013, Article 8.1, Article 27, and Article 186.3; Circular No.23/2014/TT-BLĐTBXH, Art.7; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2, ER.10, ER.15, ER.17 and ER.30; Nondiscrimination Benchmark ND.1 and ND.2)

Recommendations for Immediate Action (if applicable)

1. Ensure that employment contracts include information on working hours (time in and time out), break time, details of annual leave, PPE offered and their shelf life, wage increment frequency and allowances aligned with workers.
2. Ensure social security, health insurance, and annual leave benefits are included in the wages for employees in the probation when the compulsory insurances not provided, as legally required.
3. Ensure that weight and height are not included on the application form.
4. Ensure that workers agree on the new job offered or transferred to. Provide training to supervisors on the proper use of transferring and ensure that there is no abuse of this system.

FINDING NO.2

COMPENSATION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. When workers come in 5 to 30 minutes late for work, 30 minutes is deducted from personal leave, while 30-60 minutes of tardiness will have a 60 minutes deduction from personal leave, posing an issue because these minutes do not actually reflect the actual time of missed work and workers lose out on minutes with this practice. **H/A.2, ER.1**
2. New salaries, when increased annually, are not reflected in the appendix attached to the labor contracts. The salary offered to workers in the labor contract is not reflected in the new wage shown on the registered wage scale, when the salary increase did not occur at the same time as the contract renewal. **ER.1, ER.10**
3. Revised wages due to performance related increases for 30% of the production workers are not attached to the employment contracts, as per legal requirements. **ER.10**
4. The probation wages of those working in hazardous or hard conditions is the same as those workers performing work under regular conditions, which is the minimum wage, instead of 5% higher for work under hazardous or hard conditions, as per legal requirements. **C.1, C.2, C.3**
5. The current performance evaluation system heavily relies on supervisors, who are able to decide bonus payments or relocate workers in different positions. Performance reviews are not conducted for all workers, but only for those nominated for promotion. Those performance reviews that are conducted depend entirely on supervisor evaluation, these reviews are not transparent for all employees. Factory management stated that they will establish/ apply the performance review by 2017. **ER.27, ND.2**
6. Insufficient annual leave is provided to workers who have less than one year of service, as the factory rounds down in annual leave calculation. For example, if a worker has four months of service is given four days of annual leave instead of five days, as legally required ($14 \times 4 / 12 = 4.6$ should be rounded up to 5). **C.1, HOW.1, HOW.14, C.6**
7. The legally required non-monetary allowance is not provided to workers exposed to poor working conditions, such as high noise levels (there are 16 areas in the production area with excessive noise). This allowance is non-

- monetary and can include benefits, such as nutritional provision of milk. Factory management is legally mandated to provide the non-monetary allowance listed in the appendix one of the Circular No. 25/2013. **C.1, C.5**
8. The legally required hard and hazardous allowance (a monetary allowance for work performed in hard or hazardous conditions) is not provided to cleaning workers in the office, who are exposed to the cleaning/sanitation chemicals. Also, the hard and hazardous allowance as outlined in the labor contracts is not permanently provided to laboratory operators and security guards; factory management only provides it to those workers when they work night shifts. **C.1, C.5**
 9. A copy of the ultra sound report is not kept to cross check pregnancy dates for the pregnancy benefit calculations and protection (Shortened working hours and prenatal checkup). **ER.1, C.5**

Local Law or Code Requirement

Vietnam Labor Code 2013, Article 101.1, Vietnam Labor Code 2013, Article 24, Decree 49/2013/ND-CP dated May 14, 2013, Article 7, point 3.c., Decree 45/2013/ND-CP on May 10, 2013, Article 7., Circular No. 25/2013/TT-BLĐTBXH, Art. 2.1, Decision 1152/2003/QĐ- BLĐTBXH on September 18, 2003, Vietnam Labor Code 2013, Article 155. FLA Workplace Code (Employment Relationship Benchmark ER.20; Hours of Work Benchmarks HOW.18 and HOW.11; Compensation Benchmark C.1)

Root Causes

1. Management has misinterpreted local law requirements.
2. There is insufficient HR capacity.
3. There is no effective internal monitoring system, both at the factory and HQ levels.
4. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
5. These issues had not been identified during the previous internal and external audits.

Recommendations for Immediate Action

1. Ensure that probation wages for workers in hazardous or hard conditions are in line with legal requirements.
2. Ensure that the annual leave provided to workers with less than one year of service is not rounded down. For workers with less than one year of service, ensure that annual leave is calculated in proportion to the duration of employment and rounded up (0.5 and up is to rounded up to 1.0).
3. Provide the hazardous and hard working condition allowance to office-cleaning workers. Additionally, provide this allowance to workers at Canteen, Quality management (QM), and security departments.

COMPANY ACTION PLANS

1. Policy and IT system have been revised. If worker comes to work for 6 minutes late, the deduction will not be 30 minutes but base on the actual late time.

Action plan status: Completed
Planned completion date: 05/31/16
Progress update: 09/30/16 : Complete
Completion date: 05/31/16

2. The new salaries, when increase annually, have already reflected in the appendix attached to the labor contracts. Factory has already revised the procedure. When salary increases annually, it will be reflected in the appendix.

Action plan status: Completed
Planned completion date: 12/31/15
Progress update: 09/30/16 : Complete
Completion date: 12/31/15

3. About the performance bonus policy in factory, the line supervisor will evaluate line workers based on performance score-card SOP. And the revised wage due to performance would not attached in the employment contract. The performance bonus is separate from the base wage, and it doesn't include in the employment contract. Based on legal requirement, revision of basic salary should be attached to the employment contract; as for

bonus, it has no need to be attached to contract according to legal requirement. Factory will add a section that includes performance bonus on the contract.

Action plan status: Completed
Planned completion date: 06/30/16
Progress update: 09/30/16 : Complete
Completion date: 06/30/16

4. The policy of probation has been modified, and probation wage for those working in hard conditions has been 5% higher than regular position. The policy of employee probation wage complies with local Vietnam labor regulation article 28, which means these probation employees who didn't have hazardous allowance still received the wage in compliance with local law. (Article 28. Wage during the probation period. The wage for an employee during the probation period must be agreed upon by the two parties but must be at least equal to 85% of the wage for the job.) However, from December of 2015 onwards, the factory has already changed the probation wage policy which the salary during probation is as same as official salary.

Action plan status: Completed
Planned completion date: 06/01/16
Progress update: 09/30/16 : Complete
Completion date: 06/01/16

5. 1. The line supervisors are responsible for deciding bonus score according to daily efficiency of productivity. 2. Daily bonus scores have been post on bulletin board of shop floor, and this shows the transparency and two way communication. Workers would feedback question to manager if there's any concern. 3. HR/SD/Costing departments would check the processes routinely to help workers to solve problems. Performance bonus review includes staff of Quality, Output, Efficiency and SD/HR. These show that the performance review doesn't only rely on supervisor's evaluation but on various aspects of performance. The factory will provide trainings for supervisors and strengthen on communicating the content of performance review with workers.

Action plan status: Completed
Planned completion date: 06/30/16
Progress update: 09/30/16 : Complete
Completion date: 06/30/16

6. The factory has already rounded up the annual leave for those workers who have less than one year of service, but it's still count on manual calculation so far. The factory will modify the system for calculation. Further, the factory will communicate this change with all workers and train HR on this revised procedure in order to ensure all of the workers know this policy.

Action plan status: Planned
Planned completion date: 11/30/16

7. 1. The factory conducted the re-inspection on 12th of April in 2016, and the inspection results of 16 production areas with excessive noise showed that the problem of noise had been solved, the 16 areas are in compliance with inspection standards now.
2. After the inspection in 2016, there are still 8 areas in F9 and F10 not meet with the standards that either the temperature or the wind velocity is below the hygiene standards. (6 temperature parameter and 2 wind parameter in RS) 3. Since 3rd of May in 2016, the factory started providing the non-monetary allowance with 1 bottle of milk and 1 bottle of soy milk. Every on-duty workers in F9 and F10 shall receive the non-monetary allowance, and the daily quantity of workers depends on the attendance situation, which are approximately 600 people.

Action plan status: Completed
Planned completion date: 06/15/16
Progress update: 09/30/16 : Complete
Completion date: 06/15/16

8. A copy of the ultra sound report of pregnant workers has kept in personal files in HR department file system.

Action plan status: Completed
Planned completion date: 05/31/16
Progress update: 09/30/16 : Complete
Completion date: 05/31/16

9. Here are clarifications for the finding: 1. According to the work description a. Cleaning workers in the office do the clean-up works, such as mop the floor, take out the garbage, or clean the toilet. b. Laboratory operators in the factory conduct the quality test for shoe materials or shoes tension test. c. The duties of security guards in factory are patrolling and safeguarding factory's security. All those workers shall not contact to the chemicals or other dangerous substance, and it means these three positions are inapplicable to the legally requirement of hard and hazardous allowance. 2. With the reason of security, there are three shifts in QM laboratory. When operators or security guards are in the night shift, the factory would provide the allowance rather than a hard and hazardous allowance for those workers spontaneously, and this way is superior to legal regulation. The contract which agree by both factory and workers of the lab staff and security guard has also showed that factory shall provide allowance when workers are in the third shift. "1. Factory follows local law No.: 1152/2003/QD-BLDTBXH to provide hazardous allowance, but these 3 positions are not on the list which means those positions are either toxic or dangerous. 2. Lab workers do not contact glues or dyes; the guards work in areas with no chemicals-exposure; the cleaning workers in the office do not touch bleach and ammonia. They use only water and mops to clean the toilet.

" Action plan status:
Completed **Planned completion**
date: 06/30/16
Progress update: 09/30/16 : Complete
Completion date: 06/30/16

Verification Result:

1. **Finding Status (Partially Remediated)**

Explanation: Currently, the factory does not deduct additional working time when workers come late. The factory changed the system in 2016, and communicated the new system to the line leaders, however, the factory has not properly communicated to workers directly. Workers are not aware of the change and still believe that if they are 5 minutes late, 30 minutes will be deducted from their time.

2. **Finding Status (Remediated)**

Explanation: Annually salary increases as shown on the registered wage scale is aligned and reflected in the appendix attached to the labor contract, with one copy delivered to worker.

3. **Finding Status (Partially Remediated)**

Explanation: Revised wages due to performance are now attached to the employment contracts, as per legal requirements. However, unfixd allowances and other bonuses are not reflected either in the labor contracts or the appendix contracts.

Root Causes: There is insufficient HR capacity. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements. There is no effective internal monitoring system, both at the factory and headquarter levels.

4. **Finding Status (Remediated)**

Explanation: The probation wages for workers in hazardous or hard conditions is 5% higher than those working in normal conditions.

5. **Finding Status (Not Remediated)**

Explanation: The performance assessment for the daily productivity bonus allocation is not

clear and transparent. There is no monitoring on the performance assessment to ensure the evaluators give fair evaluation or assessment of their subordinates. Workers are not allowed to appeal performance assessments.

Root Causes: There is insufficient HR capacity. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements. There is no effective internal monitoring system, both at the factory and headquarter levels.

6. **Finding Status (Remediated)**

Explanation: The factory adjusted the wage and benefit procedure to correctly round the annual leave calculation.

7. **Finding Status (Partially Remediated)**

Explanation: The factory only provides in-kind allowances of VND 10,000 (milk) to those who work in the hazardous working condition, but only for one portion of the legal standard, while this work is entitled to have two in-kind allowances, as shown on the working condition inspection report. The factory should be providing in-kind allowances with double value (20,000 VND).

Root Causes: There is insufficient HR capacity. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements. There is no effective internal monitoring system, both at the factory and headquarter levels.

8. **Finding Status (Not Remediated)**

Explanation: The factory has not provided hard and hazardous allowances to the cleaning workers in the office, who are exposed to the cleaning and sanitation chemicals. The factory said that those cleaning workers are not exposed to any chemicals, and that they only use water only for cleaning floor and toilets. However, as observed during the assessment, they are also use surfactant cleaning chemical and toilet cleanser.

Root Causes: Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements. There is no effective internal monitoring system, both at the factory and headquarter levels.

9. **Finding Status (Remediated)**

Explanation: A copy of the ultra sound report is kept to cross check pregnancy dates.

Local Law or Code Requirement

Decree 49/2013/ND-CP dated May 14, 2013, Article 7; Circular No. 25/2013/TT-BLĐTBXH, Art.2; Decision 1152/2003/QĐ-BLĐTBXH; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.10, and ER.27; Compensation Benchmarks C.1, C.2, C.3 and C5; Non Discrimination Benchmark ND.2; Harassment and Abuse Benchmark H/A.2)

Recommendations for Immediate Action (if applicable)

1. Communicate the updated working hour policy to workers.
2. Ensure revised wages, unfixed allowances, and other bonuses are reflected and aligned in the labor contracts.
3. Ensure that the performance assessment for daily productivity bonus allocation is clear and transparent to workers.
4. Ensure workers can appeal performance assessments.
5. Provide adequate in-kind allowances to workers.
6. Provide hard and hazardous allowances to cleaning workers in the office.

FINDING NO.3

HOURS OF WORK

FINDING TYPE: Immediate Action Required

Timing Explanation

1. The working time recording procedures do not include procedures to record overtime during the lunch break. This overtime is not recorded on the time record system with a time in and out, but manually updated for compensation. This issue affects only wastewater treatment operators, electricians, and mechanics, as they have repaired some machines during lunch breaks. **ER.23**
2. Factory has a buffer of 15 minutes for punch in-punch outs. However, some supervisors/line leaders are using this time to assign cleaning/preparatory work to the workers in their sections. This work is not considered as working time and compensated. In addition, this issue has been reported by workers through the grievance system. **ER.23; HOW.3, HOW.8**
3. The time recording system does not automatically recognize the in and out time. In case a worker changes shift, the shift schedule is manually updated in the system by HR. **ER.23; HOW.1**

Local Law or Code Requirement

FLA Workplace Code (Hours of Work Benchmarks HOW.1, HOW.3, and HOW.8; Employment Relationship Benchmark ER.23)

Root Causes

1. Limitations of existing working hours recording system prevent accurate time management.
2. There is insufficient HR capacity.
3. There is no effective internal monitoring system, both at the factory and HQ levels.
4. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
5. These issues had not been identified during the previous internal and external audits.

Recommendations for Immediate Action

1. Ensure that supervisors/line leaders are not asking workers to perform preparatory or cleaning work during the 15 minute buffer time before and after clocking in/out.

COMPANY ACTION PLANS

1. For employees who need to repair machines or conduct any issue during lunch breaks, workers have to apply OT for approval firstly, then HR staff will adjust the working time and break time for them. The factory will reinforce the communication with supervisors and interview workers about this policy implementation. Finally, the factory will constantly audit and monitor the practices to make sure it meets the regulation.

Action plan status: Completed
Planned completion date: 03/31/16
Progress update: 09/30/16 : Complete
Completion date: 03/31/16

2. Provide the training for line supervisors, managerial staff, and workers on revising working hours procedure, and make sure that no one works during the buffer time before clock in or after clock out. Factory commits to strengthen the policy by re-educating the line supervisor not to assign work during the buffer time. Communicate with workers to ensure they know their benefits and rights. Besides, the factory will regularly audit and monitor to prevent this issue from happening.

Action plan status: Completed
Planned completion date: 01/31/16
Progress update: 09/30/16 : Complete
Completion date: 01/31/16

3. Currently Pouchen HR system has been used since 1999, therefore there is a plan to roll out the new HR system to increase the efficiency and accuracy by 2017. Before implementing the new system, factory will communicate with labor union, supervisors and workers. Then trainings shall be arranged for all of the workers.

Action plan status: Planned
Planned completion date: 05/31/17

Verification Result:

1. **Finding Status (Not Remediated)**

Explanation: While the time record system is updated to provide compensation for wastewater treatment operators, electricians, and mechanics when they work during lunch breaks, the exact time in and out is not recorded. The working time recording procedures do not include procedures to record overtime during the lunch break.

Root Causes: There is insufficient HR capacity. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.

2. **Finding Status (Not Remediated)**

Explanation: Buffer time is still utilized for production preparation. Line leaders request that workers to come to their work station 15 minutes before the official starting time or leave the factory 15 minutes after working time to assign cleaning and preparatory work.

Root Causes: The training and communication to leaders/ supervisors are not effective. There is no effective and consistent Factory internal monitoring to training and communication. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements and Lack of understanding on risk assessment.

3. **Finding Status (Not Remediated)**

Explanation: The factory has not yet updated the time recording system to automatically recognize time in and out time in case a worker changes shift. HR still manually updates the shift schedule in the system.

Root Causes: The training and communication to leaders/ supervisors are not effective. There is no effective and consistent Factory internal monitoring. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.

Local Law or Code Requirement

FLA Workplace Code (Hours of Work Benchmarks HOW.1, HOW.3, and HOW.8; Employment Relationship Benchmark ER.23)

Recommendations for Immediate Action (if applicable)

1. Ensure working time during the lunch breaks recorded in time record system.
2. Ensure supervisors/line leaders do not use buffer time to assign cleaning/preparatory work to the workers, otherwise, such overtime should be voluntary and paid at the overtime rate.
3. Update the time recording system for automatically recognizing the in and out time in case a worker changes shift.

FINDING NO.4

INDUSTRIAL RELATIONS

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. **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 “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.1

2. The latest election of labor union representatives was held in 2012. While there were documentations presented on the union election process, it was insufficient and does not capture the details of the whole election process. Furthermore, 80% of the interviewed workers were unaware of the union representative election, and the current labor union representatives were previously labor union representatives. **FOA.2**
3. The legally required annual labor conference has not been conducted. **ER.25, FOA.11**
4. Although the legally required dialog meetings are conducted on a monthly basis, it not in line with local law requirements on the election of the workers ' representatives and the content of these meetings. **ER.25, FOA.11**

Local Law or Code Requirement

1. Vietnam Labor Code 2013, Article 189; Decree No. 60/2013/NĐ-CP, Article 14; Vietnam Labor Code 2013, Article 63, 64, and 65; Decree No 60/2013/NĐ-CP; FLA Workplace Code (Freedom of Association Benchmarks FOA.1, FOA.2, and FOA.11)

Root Causes

1. There is insufficient HR capacity.
2. There is no effective internal monitoring system, both at the factory and HQ levels.
3. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
4. These issues had not been identified during the previous internal and external audits.
5. Implementation of the new worker dialogue regulation and election of union/worker representatives are common issues at factories in Vietnam.
6. Management finds the election process time consuming and burdensome.
7. There is not an effective review process for Freedom of Association.
8. Management is not aware of potential benefits of having strong worker representation in the factory.

COMPANY ACTION PLANS

1. 1. The latest election of labor union representatives that the term of service is 5 years was held in 2012. There are information included meeting announcement, election regulation and procedure, and election records with the candidates and votes. Those records of election procedure shall be improved by adding more detail.
2. The election of labor union representatives was held by the labor union which is an autonomous group that the factory can't be involved. Further, labor union representatives were fairly elected by employees without any intervention by the factory. When it comes to the situation of mostly the same representatives in previous and current labor union, there were no way and must not for the factory to control the results. But the factory shall make efforts to make workers aware of the union election.

Action plan status: Planned
Planned completion date: 10/01/17

2. An annual labor conference has been held in January 2016, and it will continuously be conducted annually.

Action plan status: Completed
Planned completion date: 01/31/16
Progress update: 09/30/16 : Complete
Completion date: 01/31/16

3. The dialog meeting is being conducted in weekly basis now to communicate with employees, and this enables factory to broadly communicate with more employees. This is a bi-way communication meeting to listen to and solve the problems from workers. And factory shall elect the workers' representatives in line with the local law.

Action plan status: Planned
Planned completion date: 12/31/16

Verification Result:

1. **Finding Status (Not Remediated)**

Explanation: Due to legal requirements, this finding cannot be remediated in line with FLA and

ILO best practices. FUA.2

Root Causes: The factory's practices are in line with local legal requirements.

2. **Finding Status (Remediated)**

Explanation: The factory organized the new Labor Union representative election in July 2017. Workers are aware of the Labor Union election process.

3. **Finding Status (Remediated)**

Explanation: The factory conducted the Labor conference in December 2016 with the meeting minutes shared with workers.

4. **Finding Status (Partially Remediated)**

Explanation: Some workers were chosen randomly to participate the dialogue meeting, however, worker interviews showed, the group leaders asked them not to raise negative issues to top management in the dialogue meetings.

Root Causes: Line leaders are not aware of dialogue process. There is no effective and consistent internal factory communication and monitoring. There is a lack of understanding of the local law and FLA requirements.

Local Law or Code Requirement

Vietnam Labor Code 2013, Article 63, 64, and 65; FLA Workplace Code (Freedom of Association Benchmarks FOA.1 and FOA.11)

Recommendations for Immediate Action (if applicable)

Ensure workers can raise their concerns themselves to management whenever they want without any retaliation or restriction. Reinforce the leaders with training on industrial relation policy and procedures.

FINDING NO.5

WORKPLACE CONDUCT & DISCIPLINE

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory charges workers 45,000 VND (2 USD) for an employee card used for identification and for time tracking purposes for signing in and out, while the cost for this card is 31,000 VND (1.38 USD). The cost breakdown for this card is 21,000 VND (0.94 USD) for the card and 10,000 VND (0.31 USD) for the printing machine and the ink cost. The factory management claimed that the difference is to cover personnel cost born by the factory when the card re-printed and thereby replaced. H/A.2
2. Some line leaders use off the clock overtime as a form of disciplinary penalty. Workers in the production building F13 filed a complaint, and reported that their line leader had collected their swipe cards and swiped them out, but they were required to stay and perform overtime work 30 minutes to 1 hours without being compensated at all for the work done as a disciplinary penalty. At the time of assessment, these workers had not been reimbursed. H/A.1, H/A.2
3. Disciplinary records revealed that there have been 5 wage raise suspension cases as a means of disciplinary penalty within the last 3 months. The Factory's disciplinary procedure of wage raise suspension of up to 6 months is permitted by local law. However, this practice is not acceptable as the FLA Code forbids withholding any regularly scheduled pay increases as a form of workplace discipline. H/A.1, H/A.2
4. There is a routine daily body search/physical pat down for male workers violating FLA benchmarks that state that there should only be security searches if there is a valid reason for it. H/A.10

Local Law or Code Requirement

Vietnam Labor Code 2013, Article 101.1; FLA Workplace Code (Harassment or Abuse Benchmarks H/A.2 and H/A.10)

Root Causes

1. There is insufficient HR capacity.
2. There is no effective internal monitoring system, both at the factory and HQ levels.
3. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
4. These issues had not been identified during the previous internal and external audits.
5. Wage raise suspension and body search/physical pat downs are common issues at factories in Vietnam.

Recommendations for Immediate Action

1. Ensure that supervisors/line leaders are not asking workers to stay and continue work after the regular hours as a form of discipline.
2. Ensure that supervisors and line leaders are not collecting workers' swipe cards and swiping out on their behalf.
3. Cease the practice of wage raise suspension as a form of disciplinary action.
4. Immediately cease body search/physical pat downs for workers. Only carry out body searches at the behest of a duly authorized civil official, and not on an ongoing basis. Revise the policy on body searches and regularly communicate workers on the updated policy.

COMPANY ACTION PLANS

1. To investigate the case thoroughly, the survey was conducted to clarify whether line leaders have ever taken workers' swipe cards to force them to work overtime. The anonymous questionnaire survey for workers in production building F13 was conducted in 27th of June, and 40 questionnaires, which were 10% of workers in F13, were published and responded. The results showed that all workers had no experience of being swipe cards by line leaders and no situation of working after swiping cards.
2. Both the

grievances records and questionnaire survey showed no evidence of the non-compliance disciplinary penalty in F13. 3. Conduct training for supervisors to avoid the discipline of stay and continue work after the regular hours. "1. The factory sticks to and follows the policy of no swiping card by others and no illegal OT, and supervisors will be trained on this policy again. 2. Disciplinary actions will also be taken if any case is found. 3. The factory will communicate with workers about this policy and monitor to

prevent this issue from happening again. (In 27th of September, the anonymous questionnaire survey has been conducted for all of 500 workers in F13 again; none of them have ever had experience of being swiped cards by line leaders and no situation of working after swiping cards.)"

Action plan status: Completed
Planned completion date: 06/30/16
Progress update: 09/30/16 : Complete
Completion date: 06/30/16

2. 1. The disciplinary procedures which a practice of deferment of wage increase is included have been discussed with labor union, and approved by the Division of Labor, War Invalids and Social Affairs. 2. As per Vietnam labor code/2013, Art. 125, forms of settlement of violations of labor disciplinary regulations include the deferment of wage increase for no more than 6 months. In that way, Vietnam's legal framework is therefore not compatible with the FLA benchmark on Harassment or Abuse and, as such, it would be a common disciplinary practice for factories in Vietnam, and difficult for factory to formulate a disciplinary system different from legal requirement as this disciplinary system is required to be reviewed and approved by the Division of Labor, War Invalids and Social Affairs. The factory shall discuss with local government. Each year there are two times of salary wage adjustment, first is annual government official minimum wage adjustment in the beginning of each year; second one is salary scale adjustment. The disciplinary procedure on wage raise suspension only applies to salary scale adjustment, and this complies to Vietnam labor code/2013. (Art. 125, forms of settlement of violations of labor disciplinary regulations include the deferment of wage increase for no more than 6 months.)

Action plan status: Planned
Planned completion date: 12/31/16

3. Adjust the charge for the employee ID card replacement fee to VND 30,500. There was no excessive amount for a replacement card as previous cost included material and general administration cost. However, the factory decided to adjust the fee to only charge for material cost of ID card from 31st of May in 2016.

Action plan status: Completed
Planned completion date: 05/31/16
Progress update: 09/30/16 : Complete
Completion date: 05/31/16

4. The purpose of body search is to avoid workers from stealing or carrying factory property outside. The training would be provided to security that the security should inform the purpose of body search and ask permission from workers who are being searched. "1. Before conducting body searches, security will express the purpose and then get permission from workers. 2. The factory will try to revise the policy to meet FLA requirements."

Action plan status: Completed
Planned completion date: 12/31/15
Progress update: 09/30/16 : Complete
Completion date: 12/31/15

Verification Result:

1. **Finding Status (Partially Remediated)**

Explanation: The factory has reduced the card replacement cost to 30,500, but workers still believe that the card replacement will cost them 45,000 VND.

Root Causes: The factory does not have an effective communication and monitoring system. There is insufficient

HR capacity. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.

2. **Finding Status (Partially Remediated)**

Explanation: There is no report of this type of disciplinary action during the verification. However, there has not been any compensation provided to workers who were previously required to work unpaid time.

3. **Finding Status (Not Remediated)**

Explanation: Wage increment suspension is still applied as a disciplinary action in the factory regulations.

Root Causes: Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements. There is no effective internal monitoring system, both at the factory and HQ levels.

4. **Finding Status (Not Remediated)**

Explanation: All male workers, and some female workers, are subject to pat-downs.

Root Causes: There is no effective and consistent internal factory monitoring. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements. The factory does not consider this finding a risk related to harassment even it was found during the last assessment.

Local Law or Code Requirement

FLA Workplace Code (Harassment or Abuse Benchmarks H/A.1, H/A.2 and H/A.10)

Recommendations for Immediate Action (if applicable)

1. Ensure all wage deduction related policies and procedures are communicated to workers.
2. Do not use wage increment suspension as a disciplinary measure.
3. Cease blanket pat-downs at the factory; only conduct pat-downs when there is specific suspicion of wrong-doing.

FINDING NO.6

GRIEVANCE SYSTEM

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Workers have reported many verbal and physical harassment and mistreatment incidents to the management through the grievance channels. For example, in July 2015, there were 40 complaints of verbal and physical abuse from the middle management (Chinese supervisors) reported through the grievance system. Based on records, there is a summary generated on grievance reported to the CR team, and corresponding actions taken. However, it is not clear on what happened to the grievance reported to the union.

During the assessment, it was gathered that the Factory was investigating a harassment incident, where the middle manager had mocked the walking style of a disabled female worker many times. She felt depressed and shared this harassment with her colleague, who is also a female worker. This worker confronted the manager to stop such harassment; she was then attacked and threatened by this manager on her way to home. He used a 1.5 m stick to threaten her and damaged her motorbike while many other workers were around and witnessed the situation. **H/A.8, H/A.5,H/A.4**

2. Although written procedures refer to anonymity and safeguards against retaliation, this has not been implemented. The grievance system is neither anonymous nor protects workers from potential retaliation. **H/A.9, ER.25**

3. The grievance system does not cover all the grievances collected from workers as both factory management and the labor union are assigned to handle grievances, but factory management has not been involved in any grievance investigations for grievances received by labor union. The labor union has received more than 20 grievances in the 3 months prior to the assessment, at least five of which were not deeply investigated. Additionally, management tried to identify the workers that filed those complaints but failed to do so. Grievances that were reported through the labor union were not evaluated in a comprehensive manner. Furthermore, investigations of some complaints were not performed properly due to the absence of comprehensive procedures.**ER.25**

Local Law Or Code Requirement

Labor Code No.10/2012/QH13 (2013), Art. 8(2); FLA Workplace Code (Harassment or Abuse Benchmarks H.A.4, H.A.5, and H.A.6; Employment Relationship Benchmark ER.25)

Root Causes

1. There is insufficient HR capacity.
2. There is no effective internal monitoring system, both at the factory and HQ levels.
3. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
4. These issues had not been identified during the previous internal and external audits.
5. The grievance and disciplinary systems are not effective.

Recommendations for Immediate Action

1. Ensure that supervisors/line leaders are not verbally or physically harassing the workers.
2. Implement strict disciplinary procedures for harassment and abuse for supervisors and line leaders.

COMPANY ACTION PLANS

1. 1. There were total 72 grievance cases which 9 complaints of verbal and physical abuse were found during October 2014 to September 2015. In July 2015, there were total 30 grievance cases, and among total grievance cases had only 1 complaints of verbal and physical abuse. 2. The case that the middle manager mocked and abused the disabled worker had been handled by the CR progressively. That the complaint letter was received on September 12th by the mail from the employee, and the investigation of anonymous questionnaires was conducted on September 28th. After the interview of the persons involved and the internal process, the middle manager had received the penalty of a wage raise suspension and had compensated the worker for the loss, and it was recorded in the internal investigation report. The case was closed on October 22th. "The factory commits to follow the actions to ensure the risk is minimized, and will follow up the reminder by FLA and review the all of the file. 1. Firstly, an E-grievance system will be established to well-track and record every cases. 2. Besides, trainings for supervisors on alternative dispute handling methods and the best practice of managing workers would be arranged. 3. A system will be established to prevent harrassment and abuse. " Short-term Plan 1. Establish a workforce team, SD and HR, to lead H&A project. 2. Provide trainings for supervisors and workers on Zero Tolerance policy. 3. Communicate with workers about Zero Tolerance policy. 4. Analyze current grievance and communication channels (grievance mail boxes, consulting rooms, hot line, cell phone, SMS, letter, supervisor meeting, heart to heart meeting) to maximize the efficiency. Mid-term Plan 1. Add H&A in Employee Satisfaction Survey to regularly track. 2. Mentor and coach those supervisors who have poor emotion management abuse behavior. 3. Workforce team constantly monitor to keep H&A issues from happening. 4. Provide management skill and emotion management trainings for the supervisors. Long-term Plan 1. Interview 100 workers every month to know if there is still any H&A issue. 2. Share No H&A best practice to all of the supervisors to set up a good example and build up a No H&A working environment.

Action plan status: In Progress
Planned completion date: 06/30/16
Progress update: 09/30/16 : In Progress

2. Follow the FLA benchmark, employers shall not unreasonably restrain the freedom of movement of workers, including

movement in canteens, during breaks, using toilets, accessing water, or accessing necessary medical attention, as a means to maintain labor discipline. In line with the benchmark, curfew in the dormitories is not a mean to maintain labor discipline, rather it's a way to protect employees' safety, and there is no punishment measures when employees failure to comply the curfew.

Action plan status: Completed
Planned completion date: 01/01/16
Progress update: 09/30/16 : Complete
Completion date: 01/01/16

3. Discuss with labor union about mutual cooperation on grievance systems between factory and labor union. Factory and labor union shall work together to handle the grievance cases to enhance the efficiency and quality. There are various channels that workers can express their ideas or file for grievance at the factory. The factory will partner with labor union, regularly discuss with it and share the information with each other to increase the efficiency and ensure the grievance case is deeply investigated and solved.

Action plan status: Planned
Planned completion date: 11/30/16

4. Pay attention to the anonymity of worker's name during the grievance investigation. Provide protection to those workers who file for grievance from being retaliated. "1. When a worker applies for grievance, his/her name will be kept secret and won't be exposed. Only the investigator (SD department) will know the name. This investigator is not allowed to mention worker's name. 2. During the investigation, worker's name won't be exposed, except to reveal to related people or supervisor for the purpose of investigation or intervention when it is necessary. 3. After the cased is closed, the worker's name would not be mentioned in any document. "

Action plan status: Planned
Planned completion date: 08/30/16

Verification Result:

1. **Finding Status** (Not Remediated)

Explanation: Although the factory has taken action on some abuse reported through the grievance system, there is still significant verbal harassment and abuse at the factory. Verbal abuse is still reported by most of workers in Workshop B sewing B1, finishing B1, F4 Workshop D-5th floor, sole production, and at the Nike ID workshop. Line leaders and supervisors yell at the workers and verbally humiliate them.

Root Causes: There is insufficient HR capacity. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements. There is no effective internal monitoring system, both at the factory and HQ levels.

2. **Finding Status** (Not Remediated)

Explanation: The grievances resolution procedures do not have a mechanism to prevent retaliation. The labor union calls joint meetings to solve the problems between the parties. Line leaders and group leaders are transferring workers from light jobs to hard or hazardous as retaliation, if workers do not cooperate with them.

Root Causes: There is insufficient HR capacity Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements. There is no effective internal monitoring system, both at the factory and HQ levels.

3. **Finding Status** (Partially Remediated)

Explanation: Line leaders coach workers to only talk about good things in dialogue meetings (Heart to heart meetings). About 10% of the workers are unaware of the suggest boxes labor union grievance mechanisms. Some workers do not use the grievance mechanism, and prefer to use the labor union, as they do not believe the factory would not react to grievances raised in this manner.

Root Causes: There is insufficient HR capacity and poor communication system. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements. There is no effective internal monitoring system, both at the factory and HQ levels.

Local Law or Code Requirement

Labor Code No. 10/2012/QH13 (2013), Art. 128; FLA Workplace Code (Harassment and Abuse Benchmarks H/A.4, H/A.5, H/A.8, and H/A.9; Employment Relationship Benchmark ER.25)

Recommendations for Immediate Action (if applicable)

1. Discontinue the abuse practices and reinforce the management to respect workers.
2. Implement strict disciplinary procedures for harassment and abuse for supervisors and line leaders.
3. Ensure all the grievances obtained from different channel of grievance system are addressed and ensure anonymous and non-retaliation.

FINDING NO.7

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. There are no designated emergency assembly areas around the buildings, including the childcare building. **HSE.5**
2. Fire alarm sirens are not audible in some sections, mainly on the second floor of the production buildings. There was no assessment to check the sound level of the sirens in noisy areas. **HSE.5**
3. There was no assessment carried out to prove that existing battery for the fire alarm system is enough to cover 24 hours of standby and 5 minutes alarm in case of a power failure. **HSE.5**
4. Emergency exits were locked at the locations identified as Nike ID and F22. Additionally, padlocks were found at several emergency exits indicating that locked doors are a systematic issue. In addition, fire doors are not push-bar doors that open towards the direction of evacuation throughout the whole factory. **HSE.1, HSE.5**
5. There is no emergency illumination at the Nike ID building. The factory did not conduct an assessment to make sure that illumination is at least 10 lux throughout the evacuation routes in the factory. **HSE.1, HSE.5, HSE.13**
6. One forklift has an empty fire extinguisher, posing a risk in case of a fire. **HSE.5, HSE.6**
7. The factory has no emergency illumination in the fire pump station, posing a risk in case of evacuation. **HSE.1, HSE.5, HSE.13**
8. The current pump tests are not in line with international standards. **HSE.6**
9. There is no system in place to conduct annual sprinkler pressure tests. **HSE.4, HSE.6**
10. The emergency sliding ladders in the dormitory where Chinese supervisors live and the production warehouse pose a falling risk. **HSE.5**
11. The factory does not conduct any legally required evacuation drills for the nighttime shifts, which includes more than 1/3 of the workers. **HSE.5**
12. One of three fire detectors tested by the assessor were not functioning. **HSE.6**
13. The factory does not install any gas detectors in the liquid petroleum gas (LPG) use areas. **HSE.6**
14. The main suction and discharge valves are not locked in an open position to provide water to the sprinkler system in case of a fire. The factory did not install any chains/locks to ensure that the valves are not accidentally closed in the pump room. **HSE.6**
15. There is no written procedure to ensure all workers/visitors/subcontractors/special categories workers/children in child care facilities/dormitories are safely evacuated in case of an emergency. **HSE.5, HSE.1, ER.1**

16. The finished product and raw material warehouse areas of the factory have incorrect fire extinguishers for the fire risk; for example there are BC/CO2 type fire extinguishers where there is type A fire risk. **HSE.6**
17. There are no automatic fire extinguishers provided at the temporary chemical warehouse. **HSE.6**
18. Materials/goods stored in evacuation routes throughout the whole factory have made them too narrow to safely evacuate. **HSE.5**
19. The factory management has not carried out the "Immediate Action Items" on fire safety that were reported by the fire department during their last inspection in September 2015. **HSE.1**
20. The emergency evacuation floor markings in the warehouse area are not visible. **HSE.5**
21. Several areas do not have evacuation maps through the building Nike ID and F Building, and of those that do, some of them do not have the correct "you are here" position. **HSE.5**
22. Finished goods cartons are blocking one fire hose in the finished goods area. **HSE.5**
23. Emergency exits in the dormitory and finished goods warehouse with sliding retractable ladders are not marked as such to identify them as emergency exits. **HSE.5,HSE.6**
24. There are no fire detectors in the boiler section. **HSE.6**
25. The illumination equipment areas where flammable chemicals are in use, do not have protective covers. **HSE.9, HSE.13**
26. Materials/finished goods are stored next to columns without a safety distance. **HSE.5**
27. Fire escape masks are not provided for the evacuation/ fire- fighting teams. **HSE.7**

Local Law or Code Requirement

Decree No. 79/2014/ND-CP, Article 21; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.4, HSE.6, and HSE.25)

Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels.
2. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
3. These issues had not been identified during the previous internal and external audits.
4. Management lacks knowledge of international Health, Safety & Environmental, and fire safety standards.

Recommendations for Immediate Action

1. Ensure that all emergency exits doors are unlocked at all times, and remove padlocks from emergency exits.
2. Ensure that all emergency assembly areas, including the childcare area, are a safe distance from the buildings, and that they are properly marked.
3. Install a fire alarm that is audible in all sections of the factory.
4. Provide emergency illumination, of at least 10 Lux, throughout all evacuation routes.
5. Provide Emergency evacuation floor maps at all necessary locations.
6. Ensure that fire detectors are operational at all times.
7. Install fire detectors placed in the boiler section.
8. Keep all emergency evacuation routes clear and free from temporary product/raw material storage
9. Install automatic fire extinguishers at the temporary chemical warehouse.
10. Carry out all of the "Immediate Action Items" on fire safety that were reported by the fire department on their last inspection.
11. Replace the empty fire extinguisher on the forklift truck.
12. Place a flashlight at the entrance of the fire pump station.
13. Provide fire escape masks to the evacuation/fire fighting teams.

COMPANY ACTION PLANS

1. Ten emergency assembly areas around the buildings in the factory have been set up. In the childcare building, there is also one emergency assembly area.

Action plan status: Completed

Planned completion date:

04/30/16

Progress update: 09/30/16 : Complete

Completion date:

04/30/16

2. The volumes of fire alarm sirens have been adjusted to be audible; inaudible fire alarm sirens have been replaced. All of the them have been tested and have functioned well.

Action plan status: Completed

Planned completion date: 06/30/16

Progress update: 09/30/16 : Complete

Completion date: 06/30/16

3. Emergency exits in NiD and F22 are unlocked now. Besides, we will regularly check if there is any padlock on the exit doors to ensure the doors always remain open. Install push bar doors that open toward the direction of evacuation throughout the whole factory.

Action plan status: Completed
Planned completion date: 06/30/16
Progress update: 09/30/16 : Complete
Completion date: 06/30/16

4. Emergency illuminations have been installed in NiD. And the assessment of the illumination scale will be conducted by 8/31 to ensure the illumination is no less than 10 lux throughout the evacuation routes in the factory.

Action plan status: Planned
Planned completion date: 08/31/16

5. The extinguishers in the forklifts had been checked to make sure they are not empty and not expired. Every forklift has an extinguisher for use now.

Action plan status: Completed
Planned completion date: 03/30/16
Progress update: 09/30/16 : Complete
Completion date: 03/30/16

6. The flash light has been put in the pump station of water plant to ensure there won't be risk in the case of evacuation.

Action plan status: Completed
Planned completion date: 06/30/16
Progress update: 09/30/16 : Complete
Completion date: 06/30/16

7. Working on the schedule to test the pumps by following the international standard.

Action plan status: Planned
Planned completion date: 12/31/16

8. Working on a schedule and system to conduct annual sprinkler pressure test.

Action plan status: Planned
Planned completion date: 12/31/16

9. All of the ladders in the dorms and production warehouses has been checked to ensure there won't be any falling risk; those sliding ladders that might cause falling risk have been replaced.

Action plan status: Completed
Planned completion date: 07/31/16
Progress update: 09/30/16 : Complete
Completion date: 07/31/16

10. From this October on-wards, evacuation drill will be arranged for the workers taking night shifts.

Action plan status: Planned

Planned completion date: 12/31/16

11. Three dis-function fire detectors have been fixed, and all of the detectors in the factory would be checked again as well.

Action plan status: Completed

Planned completion date: 06/30/16

Progress update: 09/30/16 : Complete

Completion date: 06/30/16

12. Recheck the current emergency plans, and make a whole discussion to complete the emergency plan and ensure the safety evacuation in child care facilities.

Action plan status: Planned

Planned completion date: 12/16/16

13. All of the fire extinguishers in raw material and finished goods warehouses have been checked; incorrect fire extinguishers type have been identified. We will purchase correct new ones and replace the incorrect ones with new one.

Action plan status: Planned

Planned completion date: 12/31/16

14. Review our current fire extinguishers in the temporary chemical areas. After that, the evaluation would be conducted to check whether it's necessary to install automatic fire extinguishers. There are automatic fire extinguishers in the chemical warehouse. Furthermore, the third party would be contacted to conduct the fire risk review.

Action plan status: Planned

Planned completion date: 12/31/16

15. Re-layouted and re-arranged the evacuation routes to make sure evacuation routes are wide enough for safety evacuation in case any emergent situation happens. "1. Arrange training for workers on new emergency evacuation routes. 2. Manufacturing team/Material warehouse will ensure there is no material stored in the avacuation routes, and SD department will regularly audit it."

Action plan status: Completed

Planned completion date: 06/30/16

Progress update: 09/30/16 : Complete

Completion date: 06/30/16

16. The factory management already carried the "Immediate Action Items in 2015" on fire safety that were reported by the fire department on their last inspection. Fire department came to inspect this year, and they have agreed to our practice and immediate improvement.

Action plan status: Completed

Planned completion date: 06/30/16

Progress update: 09/30/16 : Complete

Completion date: 06/30/16

17. The emergency evacuation floor markings in the warehouse have been repainted to make sure they are visible.

Action plan status: Completed

Planned completion date: 06/30/16

Progress update: 09/30/16 : Complete

Completion date: 06/30/16

18. Evacuation maps are provided to all of the production buildings, and pointed out the correct "you are here" mark in the evacuation maps.

Action plan status: Completed

Planned completion date: 07/15/16

Progress update: 09/30/16 : Complete

Completion date: 07/15/16

19. Finished cartons are moved 1 meter away from fire hose in the finished goods area.

Action plan status: Completed

Planned completion date: 05/30/16

Progress update: 09/30/16 : Complete

Completion date: 05/30/16

20. Those sliding retractable ladders would be marked as emergency exits in the dorms and finished goods warehouses.

Action plan status: Planned

Planned completion date: 08/31/16

21. All of the boilers have been removed. There is no more boiler in the boiler area now.

Action plan status: Completed

Planned completion date: 05/30/16

Progress update: 09/30/16 : Complete

Completion date: 05/30/16

22. Protective covers would be installed for illumination equipment where flammable chemicals are used in order to prevent any risk from happening.

Action plan status: Planned

Planned completion date: 10/30/16

23. Re-laid out and re-arranged the space in order to keep materials/finished goods from columns for a safety distance.

Action plan status: Completed

Planned completion date: 06/30/16

Progress update: 09/30/16 : Complete

Completion date: 06/30/16

24. Purchased and provided fire escape masks for the fire fighting team.

Action plan status: Completed

Planned completion date: 06/30/16

Progress update: 09/30/16 : Complete

Completion date:

06/30/16

25. An assessment tool would be established and there shall be a schedule to test how long the existing battery for the fire system will last.

Action plan status: Planned

Planned completion date: 09/30/16

26. Gas detectors will be purchased and installed in the liquid petroleum gas use areas.

Action plan status: Planned

Planned completion date: 12/31/16

27. Locks for the main suction and discharge valves in the open position have been purchased and installed; BCT regularly checks if there is any suction and discharge valves without locks. "1. This inspection system would be added in H&S procedures, and SD department will be responsible for auditing whether this system works well. 2. This new information will be trained and communicated to the workforce."

Action plan status: Completed

Planned completion date: 07/31/16

Progress update: 09/30/16 : Complete

Completion date: 07/31/16

Verification Result:

1. **Finding Status (Remediated)**

Explanation: The factory designated 10 emergency assembly areas around the buildings and one at the childcare building.

2. **Finding Status (Remediated)**

Explanation: The factory has checked fire alarm sirens at all sections to ensure that they are audible everywhere.

3. **Finding Status (Not Remediated)**

Explanation: The factory does not have an inspection procedure to ensure that the existing battery for the fire alarm system is enough to cover 24 hours of standby and 5 minutes alarm in case of a power failure.

Root Causes: There is no effective and consistent internal factory monitoring. Management does not fully understand local law and FLA requirements. There is a lack of understanding of the risk assessment by the internal auditors, health and safety officers, and maintenance staff. Health and Safety not embedded in the factory day to day operations. These issues have not been brought to the attention of the Factory management during non-FLA audits.

4. **Finding Status (Remediated)**

Explanation: The factory keeps all exit doors open during the working time and has installed push bars for discharge doors at the Nike ID section.

5. **Finding Status (Remediated)**

Explanation: The factory has installed emergency illumination at the Nike ID building and conducted an assessment to make sure that illumination is at least 10 lux.

6. **Finding Status (Remediated)**

Explanation: The factory has equipped all forklifts with fire extinguishers.

7. **Finding Status (Remediated)**

Explanation: The factory has installed emergency illumination in the fire pump station.

8. **Finding Status (Remediated)**

Explanation: The factory has established a schedule to test the pump against international standards.

9. **Finding Status (Remediated)**

Explanation: The factory has established a system to conduct annual fire protective equipment tests. The factory conducted maintenance for the sprinkler system in June 2017.

10. **Finding Status (Not Remediated)**

Explanation: The factory has not equipped protection rings for the emergency sliding ladders in the dormitory where Chinese supervisors live and the production warehouse.

Root Causes: There is no effective and consistent internal factory monitoring. Management does not fully understand local law and FLA requirements. Lack of understanding on risk assessment. Health and Safety not embedded in the factory day to day operations. These issues have not been brought to the attention of the Factory management during non-FLA audits.

11. **Finding Status (Remediated)**

Explanation: The factory conducted the evacuation drills on day shift for all workshops in May and June 2017 and on night shift on September 22, 2017.

12. **Finding Status (Remediated)**

Explanation: The factory has inspected and repaired the fire alarm system. All fire alarms tested during the assessment were operating.

13. **Finding Status (Remediated)**

Explanation: The factory changed from gas ovens to electric heaters for cooking. Gas is no longer used at the factory.

14. **Finding Status (Remediated)**

Explanation: The factory locked the discharge valves at the main suction to ensure that valves are not accidentally closed.

15. **Finding Status (Not Remediated)**

Explanation: The factory does not have a written procedure to ensure all workers, visitors, subcontractors, special categories of workers, and children in childcare facilities are safely evacuated in case of an emergency.

Root Causes: There is no effective and consistent internal factory monitoring. Management does not fully understand local law and FLA requirements. Lack of understanding on risk assessment. Health and Safety not embedded in the factory day to day operations. These issues have not been brought to the attention of the Factory management during non-FLA audits.

16. **Finding Status (Partially Remediated)**

Explanation: The factory has equipped type A fire extinguishers at some facilities, and has begun a process to replace all fire extinguishers by the end of 2017.

Root Causes: There is no effective and consistent internal factory monitoring. Management does not fully understand local law and FLA requirements. Lack of understanding on risk assessment. Health and Safety not embedded in the factory day to day operations. These issues have not been brought to the attention of the Factory management during non-FLA audits.

17. **Finding Status (Remediated)**

Explanation: The factory no longer uses a temporary warehouse for chemicals storage.

18. **Finding Status (Remediated)**

Explanation: The factory removed the materials and goods on the evacuation routes.

19. **Finding Status (Remediated)**

Explanation: The factory carried out the all the fire safety actions that were suggested by the fire department in 2016 and 2017.

20. **Finding Status (Partially Remediated)**

Explanation: Emergency evacuation floor markings in the warehouse area are visible. However, 30% of emergency aisles in Factory 7, and the aisles to the main exit door of the Nike ID section have not been marked.

Root Causes: There is no effective and consistent internal factory monitoring. Management does not fully understand local law and FLA requirements. Lack of understanding on risk assessment. Health and Safety not embedded in the factory day to day operations. These issues have not been brought to the attention of the Factory management during non-FLA audits.

21. **Finding Status (Partially Remediated)**

Explanation: The factory updated the “you are here” position in the evacuation maps of the Nike ID building and Building F. However, the factory has not equipped the evacuation maps on the first floors at all of the workshops and one evacuation plan at Factory 14 does not have the correct “You are here” marker.

Root Causes: There is no effective and consistent internal factory monitoring. Management does not fully understand local law and FLA requirements. Lack of understanding on risk assessment. Health and Safety not embedded in the factory day to day operations. These issues have not been brought to the attention of the Factory management during non-FLA audits.

22. **Finding Status (Remediated)**

Explanation: All fire hoses are accessible.

23. **Finding Status (Remediated)**

Explanation: The factory has marked all of the emergency exits in the dormitory and finished goods warehouse.

24. **Finding Status (Remediated)**

Explanation: The factory removed the boiler from the factory.

25. **Finding Status (Remediated)**

Explanation: The factory has equipped protective covers for the illumination equipment where flammable chemicals are used.

26. **Finding Status (Remediated)**

Explanation: The factory moved all materials and finished goods a safe distance from the columns.

27. **Finding Status (Remediated)**

Explanation: The factory has equipped masks for the evacuation and firefighting teams.

Local Law or Code Requirement

Decree No. 79/2014/ND-CP, Article 21; Decision No. 2726/QĐ-BKHCN (2009), Art.5, and Art.6 and Art. 10; TCVN 2622 (1995), Art. 7; FLA Workplace Code (Employment relationship Benchmark ER.1, Health, Safety & Environment Benchmarks HSE.1, HSE.5, and HSE.6)

Recommendations for Immediate Action (if applicable)

1. Establish inspection procedures to test the existing fire alarm system battery for covering 24 hours of standby and 5 minutes alarm in case of a power failure.
2. Equip protection rings for the emergency sliding ladders in the dormitory.
3. Establish written procedure to ensure all workers, visitors, subcontractors, special categories workers, and children in child care facilities are safely evacuated in case of an emergency.
4. Equip type A fire extinguishers for all workshops.
5. Ensure all aisles and exit routes are clearly marked.

- Equip the evacuation maps at the first floors of all the workshops, and revise the position of "You are here" if need.

FINDING NO.8

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

- There is not a grounding system in place that covers all electrical machinery and equipment within the factory. However, there is one system for a few specific machines that is regularly tested from the main panels. Although the results of these measurements do not show any problems, there are no attempts to measure the grounding directly on machines. **HSE.13**
- Several electrical wires have been fixed with tape in the dormitories, production area and waste collection areas. In addition, PFC (prospective fault current) value can pose a damage/fire risk on the electrical system if fuse/switchgear protecting values are less than the PFC value. The factory has not check and take protective measures on the values of the fuse/switchgear. **HSE.25**

Local Law or Code Requirement

Decree No. 79/2014/ND-CP, Article 21; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.13 and HSE.25)

Root Causes

- There is no effective internal monitoring system, both at the factory and HQ levels.
- Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
- These issues had not been identified during the previous internal and external audits.
- Management lacks knowledge of international Health, Safety & Environmental, and fire safety standards.

Recommendations for Immediate Action

- Create a grounding system that covers all electrical system in factory, childcare, dormitory, and kitchen/canteen.
- Repair wires with heat shrink tubes instead of tape.
- Ensure that the selection of fuses/circuit breakers is in line with the potential fault current.

COMPANY ACTION PLANS

- When the factory was built in 1995, there were no related regulations for grounding system. But the factory has started the grounding system project and has investigated the status of grounding system in factory since the end of 2015. In 2016, the budget has been made for the grounding system project, and the schedule shows below:
 - Complete the investigation and design of the grounding system throughout whole factory before May, 2016.
 - Have the discussion with related department on 6/10 in 2016.
 - Open the project to public tender on 6/29 in 2016.
 - Plan to complete the grounding system throughout whole factory before the end of December, 2016.

Action plan status: Planned

Planned completion date: 12/31/16

- Based on PCG's regulation, tape is able to be wrapped around the electric wires. For the safety concern, the factory would also regularly check if the tape has been peeled off from the wires and make the immediately remediation. The heat shrink tubing would be considered to be used as a replacement of tape. Firstly, the factory will make a proposal to headquarter, and the headquarter would examine and make a strategic decision.

Action plan status: Completed

Planned completion date: 01/31/16

Progress update: 09/30/16 : Complete

Completion date: 01/31/16

Verification Result.

1. **Finding Status (Remediated)**

Explanation: All the machines are grounded and the factory has issued a measurement record at each machine.

2. **Finding Status (Remediated)**

Explanation: The factory uses shrink tubes to connect electric wire throughout the workshops, in addition, the factory regularly tests the values of the fuse and switchgear.

FINDING NO.9

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Respirators are not included in the list of Personal Protective Equipment PPE provided to the workers although there are some chemicals that require respirators, such as Loctite Bondage PC-3. In the printing section, workers were working w/o gloves and respirators. Additionally, There is no written procedure on how to select and purchase proper PPE. **HSE.7**
2. Chemical storage containers are not labelled identifying them with their content. **HSE.9**
3. Empty chemical cans/bottles in the production department are used for other purposes (dustpan, solid waste container, etc.). **HSE.8**
4. PPE are changed/modified by workers, for example the finger part of gloves in the production areas are cut. **HSE.8**
5. PPE use zones are not clearly identified and marked. Workers in these areas do not consistently use PPE; for example, some workers use earplugs while others do not. **HSE.7, HSE.8**
6. The chemical safety training provided to the workers does not identify the risks/hazards associated with the chemicals, especially in case of a direct exposure. Furthermore, the training does not include the proper handling and storage procedures for these chemicals. **HSE.9, HSE.10**
7. The vacuum suction points for some machines are not in the proper locations, and are blocked by machine parts. **HSE.14**
8. The trainer for chemical safety has not received proper training on chemical safety and is therefore not certified. **HSE.9**
9. There are bent and pierced vacuum lines on machines where chemicals are used. Some suction heads are blocked with dust/dirt, due to a lack of maintenance. **HSE.9, HSE.13**

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.4, HSE.5, and HSE.9)

Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels.
2. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
3. These issues had not been identified during the previous internal and external audits.
4. Management lacks knowledge of international Health, Safety & Environmental, and fire safety standards.

Recommendations for Immediate Action

1. Provide the correct PPE selection, as directed on the (Material Safety Data Sheet) MSDS forms.
2. Ensure that workers do not modify PPE, and are using them properly.
3. Properly label all chemical containers.
4. Cease the practice of using empty chemical cans/bottles for other purposes.

COMPANY ACTION PLANS

1. 1. working on the detailed procedures on PPE selection for all sections that a procedure on how to purchase and select proper PPE will be established. 2. All necessary PPE will be listed for all sections. The MSDS would be checked firstly, and then the factory would provide the required PPE for the workers in need.

Action plan status: Planned

Planned completion date: 10/30/16

2. Check whether all of chemical storage containers are labelled with their contents, and make the correct label.

Action plan status: Planned

Planned completion date: 09/30/16

3. 1. Those chemical cans/bottles being used as dustpans and containers have been checked and took away. 2. The training has been strengthen on forbidding to use empty chemical bottles and cans for other purposes.

Action plan status: Completed

Planned completion date: 04/30/16

Progress update: 09/30/16 : Complete

Completion date: 04/30/16

4. 1. The training was conducted to require workers not to cut and modify PPE. 2. Supervisors would also advise workers to follow the PPE rule, and SD team would constantly audit the rule to feet the needs.

Action plan status: Completed

Planned completion date: 05/31/16

Progress update: 09/30/16 : Complete

Completion date: 05/31/16

5. 1. Keep requiring and training workers to wear PPE, and cannot take it off while working.
2. Wearing PPE is listed in the daily audit check item; the shopfloor supervisor would require workers to follow the PPE rule, and SD team will constantly audit the rule.

Action plan status: Planned

Planned completion date: 09/30/16

6. Working with CED to edit the training materials and contents for the chemical safety training provided to the workers. Risks/hazards associated with the chemicals, especially in case of a direct exposure will be included and highlighted in the training materials. Besides, proper handling and storage procedures for these chemicals will also be included.

Action plan status: Planned

Planned completion date: 10/30/16

7. 1. Check all of the vacuum suction points on the machines to see if they are properly located.
2. Move the machine parts away from vacuum suction points.

Action plan status: Planned

Planned completion date: 09/30/16

8. Train a certified trainer who has chemical background and profession.

Action plan status: Planned

Planned completion date: 10/30/16

9. 1. Check all of vacuum lines on the machines to see if there is any bent and pierced and then fix them.

2. A regular maintenance plan will be required.

Action plan status: Planned

Planned completion date: 10/30/16

Verification Result:

1. **Finding Status (Partially Remediated)**

Explanation: The factory has a procedure for selecting PPE for each section; however, respirators have not been provided for workers at the printing section.

Root Causes: There is no effective and consistent internal factory monitoring. Management does not fully understand local law and FLA requirements. Lack of understanding on risk assessment. Health and Safety not embedded in the factory day to day operations. These issues have not been brought to the attention of the Factory management during non-FLA audits.

2. **Finding Status (Remediated)**

Explanation: All Chemical storage containers have labels identifying their contents.

3. **Finding Status (Remediated)**

Explanation: The factory now contracts with a vendor to clean empty chemical cans and bottles before reuse.

4. **Finding Status (Remediated)**

Explanation: The factory updated the PPE training for all workers, and workers no longer change or modify PPE in the production areas.

5. **Finding Status (Partially Remediated)**

Explanation: The PPE use zones are identified and marked; however, in some areas of Factory D, the noise is an average 86 DB and a maximum of 89 DB, but approximately 30% of workers did not wear earplugs.

Root Causes: There is no effective and consistent internal factory monitoring. Management does not fully understand local law and FLA requirements. Lack of understanding on risk assessment. Health and Safety not embedded in the factory day to day operations.

6. **Finding Status (Remediated)**

Explanation: The factory provided training for workers on the handling and storage chemicals on August 28, 2017.

7. **Finding Status (Remediated)**

Explanation: The factory has arranged the vacuum suction points at the proper locations, and they are free from the machine parts.

8. **Finding Status (Remediated)**

Explanation: Workers handling chemicals are trained and certified by the competent agency.

9. **Finding Status (Remediated)**

Explanation: The factory has established maintenance sheets and cleaned all the suction heads for machines at the vacuum lines.

Local Law or Code Requirement

Circular 04/2014/BLDTBXH, Art 3; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.7 and HSE.8)

Recommendations for Immediate Action (if applicable)

1. Provide workers at the printing section respirators.
2. Ensure workers wear earplugs at noisy areas during working time.

FINDING NO.10

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The grinding machine does not have a protective cover, and some sewing machines do not have finger guards. **HSE.14**
2. One electrical fan in production area does not have a back cover, and is within in arm reach distance. **HSE.14**
3. The factory does not have any Standard Operating Procedures on Laser Safety. In addition, the factory did not carry out a risk assessment on Laser Safety to identify proper Personal Protective Equipment PPE, such as protective glasses. In addition, there is not a general emergency stop button that controls all the machines in this section. The laser operation hazards were not evaluated in the working condition inspection. **ER.31**
4. There are no safe operation procedures for handling molds when changing the molds; there was at least one accident in 2015 when a worker was changing a mold. **ER.31**

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmark HSE.14)

Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels.
2. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
3. These issues had not been identified during the previous internal and external audits.
4. Management lacks knowledge of international Health, Safety & Environmental, and fire safety standards.

Recommendations for Immediate Action

1. Provide protective covers for the grinding machine, and finger guards for the sewing machines.
2. Install a back cover for the electrical fan in the production area.
3. Install a general stop button for the machines in the laser section.

COMPANY ACTION PLANS

1. After going through all grinding machines and sewing machines to see if any protective parts are missed, protective covers have been installed for all grinding machines, and finger guards have been installed for all sewing machines as well. And Shopfloor, TPM and SD will constantly check it.

Action plan status: Completed
Planned completion date: 04/30/16
Progress update: 09/30/16 : Complete
Completion date: 04/30/16

2. Back cover has already been installed and the electric fan has been moved away for a safety distance.

Action plan status: Completed
Planned completion date: 05/31/16
Progress update: 09/30/16 : Complete
Completion date: 05/31/16

3. 1. Risk assessment on laser safety has been done . After that, we provided goggles for the operators. 2. General emergency stop button will be considered to install in the machines in the laser section. 3. SOP on laser safety has been established by MM and SD, and a training has already been provided for the operators.

Action plan status: Completed
Planned completion date: 06/30/16
Progress update: 09/30/16 : Complete
Completion date: 06/30/16

4. 1. Work with mold department to establish safety operation procedures on handling and changing molds.
2. Provide a training for the mold operators.

Action plan status: Planned
Planned completion date: 09/30/16

Verification Result:

1. **Finding Status (Remediated)**

Explanation: The factory equips safety guards for all the grinding machines and sewing machines.

2. **Finding Status (Remediated)**

Explanation: The factory has covered all of the electrical fans in the production area.

3. **Finding Status (Remediated)**

Explanation: The factory has established safe operating procedures and posted them on the laser machines. The risk assessment is updated to ensure that workers wear glasses during laser operation. A general emergency stop button has been equipped to control all the machines in this section.

4. **Finding Status (Remediated)**

Explanation: The factory has established a safety procedure including the four steps to change molds and provided training for workers at the mold department.

FINDING NO.11

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Food samples are not kept at 0-4C in refrigerator. While the factory meets the local legal requirements of 24 hours food sample storage, it does not meet the 72 hours international standard (World Health Organization - WHO). **HSE.22**
2. There is no hand sanitizer or antibacterial mats in the kitchen. **HSE.22**
3. Cleaning chemicals are kept in the food storage area, posing a health risk. **HSE.9, HSE.22**
4. Some food in the managerial dormitory is not properly stored in closed containers. **HSE.22**

5. There is a wooden chopping board at kitchen; additionally, it does not have markings or color-coding for chopping boards different types of meat. **HSE.22**
6. The factory has no pest or rodent prevention plan. **HSE.22**
7. Some of the kitchen materials are not in good condition, for example there are worn out/rusted knives and spoons. **HSE.22**
8. The factory did not conduct an assessment to identify if any of the medicines in the health unit need to be refrigerated. **HSE.6, HSE.18**
9. There no system to ensure sure that each department has a sufficient number of first aid certified workers on each shift. **HSE.18**
10. Some kitchen staff work while wearing bracelets/rings/accessories, and there is no periodic hygiene training for these workers. **HSE.22**
11. Currently there is only 1 first aid kit for every 400 workers, posing a safety risk in case of an emergency. **HSE.1, HSE.6, HSE.18**
12. The health check for workers working in harsh and hazardous conditions was only conducted once in 2014, instead of twice, as per legal requirements for hazardous work environments. Factory management planned to do it twice in 2015 and scheduled them May and November. **ER.31, HSE.1**
13. Some drinking water dispensers are located outside and exposed to sunlight, while others are at risk for potential chemical and dust contamination. Furthermore there is no system for sanitizing the water dispensers, and they do not have ID numbers. **HSE.23**

Local Law or Code Requirement

Vietnam Labor Code 2013, Article 152.2; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.22, and HSE.23)

Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels.
2. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
3. These issues had not been identified during the previous internal and external audits.
4. Management lacks knowledge of international Health, Safety & Environmental, and fire safety standards.
5. There are significant differences between local law and international standards in this area.

Recommendations for Immediate Action

1. Remove cleaning chemicals stored in food storage areas.
2. Train kitchen staff on hygiene, and ensure that they are not wearing bracelets, rings, or other accessories.
3. Increase the number of first aid kits to 1 per 100 workers.
4. Assess the locations of the drinking water dispensers and provide extra protection against contamination. Create an ID number for all of the drinking water dispensers, and implement a system for regular sanitation.
5. Keep food samples at 0-4 C in the refrigerator for 72 hours.
6. Provide health checks to all workers that work in hazardous work environments twice per year, as per legal requirements.

COMPANY ACTION PLANS

1. As per Vietnam local regulation, Regulations on Food Safety Conditions for Food Services Business and Street Food Business

Establishments, No.5, it regulates food samples shall storage at least 24 hours.

Currently food sample has kept in the refrigerator at 0-4 degrees for 24 hours, and will take requirement of 72 hours into consideration for a future plan.

Action plan status:

Planned

Planned completion date:

12/31/16

2. Hand sanitizer has already been provided in the kitchen; anti-bacteria mats are being purchased and will be put in the kitchen.

Action plan status: Planned

Planned completion date: 08/31/16

3. Clean chemicals have already been removed away from food storage area. In food storage area, there won't be clean chemicals.

Action plan status: Completed
Planned completion date: 06/30/16
Progress update: 09/30/16 : Complete
Completion date: 06/30/16

4. Improve the food storage management and make sure food is properly stored in closed containers.

Action plan status: Completed
Planned completion date: 06/30/16
Progress update: 09/30/16 : Complete
Completion date: 06/30/16

5. There will be color codings/markings for all of the wooden chopping boards used for different type of meat in the kitchen.

Action plan status: Planned
Planned completion date: 08/31/16

6. Working on the pest and rodent prevention plan.

Action plan status: Planned
Planned completion date: 09/30/16

7. 1. All of worn out and rusted knives and spoons have been already replaced. 2. Kitchen staff will regularly check the kitchen material and ensure everything is in good condition.

Action plan status: Completed
Planned completion date: 07/31/16
Progress update: 09/30/16 : Complete
Completion date: 07/31/16

8. Conduct an assessment to identify what kind of medicine should be put in the refrigerator.

Action plan status: Planned
Planned completion date: 10/30/16

9. Train more certified first aid staff and build a system to record those certified first aid staff in the departments.

Action plan status: Planned
Planned completion date: 10/30/16

10. SD will provide hygiene training to the staff working in the kitchen to make sure staff understand the health and safety concerns in kitchen. The factory will make sure kitchen is inspected on a daily basis by the kitchen staff. Besides, SD department will audit it on a random basis.

Action plan status: Planned
Planned completion date: 10/30/16

11. Planning to purchase more first aid kits; increase the number of first aid kits to 1 per 100 workers.

Action plan status: Planned
Planned completion date: 10/30/16

12. 1. Conduct health check for workers in hazardous conditions twice per year. In 2015, two health checks have already been arranged for the workers in hazardous conditions.
2. In the first half of this year, first health check has been conducted. There will be second health check for the workers in the last- half year.

Action plan status: Planned
Planned completion date: 12/30/16

13. Establish a system for sanitizing the water dispensers and create ID number for drinking water dispensers. Firstly, the factory will identify how many dispensers which are exposed to chemical contamination. Then these dispensers will be relocated to the areas that are not exposed to chemicals.

Action plan status: Planned
Planned completion date: 10/30/16

Verification Result:

1. **Finding Status (Not Remediated)**

Explanation: The factory continue to follow the 24 hours legal requirement on storage of food samples and not the 72 hours recommended food sample storage.

Root Causes: Management does not fully understand local law and FLA requirements. Lack of understanding on risk assessment.

2. **Finding Status (Remediated)**

Explanation: Hand sanitizer or antibacterial mats have been equipped in the kitchen.

3. **Finding Status (Remediated)**

Explanation: Cleaning chemicals have been moved to the separated area outside the canteen.

4. **Finding Status (Remediated)**

Explanation: All food in the managerial dormitory is stored in closed containers.

5. **Finding Status (Remediated)**

Explanation: The factory uses plastic chopping boards in the kitchen and keeps them at marked places for different types of meat.

6. **Finding Status (Remediated)**

Explanation: The factory contracts with a competent agency to kill pests around the canteen.

7. **Finding Status (Remediated)**

Explanation: The factory changed all knives in kitchen to stainless steel.

8. **Finding Status (Remediated)**

Explanation: The factory has conducted an assessment to identify the medicines and equip a refrigerator in the healthcare unit.

9. **Finding Status (Remediated)**

Explanation: The factory provided first aid training for more workers in October 2016 to ensure that first aiders are available on each shift.

10. **Finding Status (Remediated)**

Explanation: Kitchen staff do not wear bracelets/rings/accessories at work, hygiene training was provided for these workers.

11. **Finding Status (Partially Remediated)**

Explanation: The factory equips one first aid kit in each factory and each only contains 8 instead of 27 legally required items. The factory has a plan to buy more first aid kits on September 22, 2017 and plan in place to add more first aid kits.

Root Causes: There is no effective and consistent internal factory monitoring. Management does not fully understand local law and FLA requirements. Lack of understanding on risk assessment. Health and Safety not embedded in the factory day to day operations.

12. **Finding Status (Remediated)**

Explanation: The factory provides health checks twice per year in May and November.

13. **Finding Status (Remediated)**

Explanation: The factory equips shelves to cover all drinking water dispensers located outside and has a procedure to sanitize each water dispenser with ID number regularly.

Local Law or Code Requirement

Recommendations for Immediate Action (if applicable)

1. Ensure that food samples in stored 72 hours as required by the International standard.
2. Equip first aid supplies in all first aid kits as legally required.

FINDING NO.12

HEALTH & SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Non-adjustable chairs and stools are provided for workers. Standing workers are not provided with anti-fatigue mats. The factory does not provide ergonomic breaks. The factory has not conducted a comprehensive ergonomic risk assessment. **HSE.1, HSE.17**
2. The factory has not defined the load limit for handling heavy production goods which some workers were carrying heavy loads on carts by pushing/pulling them. **HSE.1, HSE.17**

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmark HSE.17)

Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels.
2. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
3. These issues had not been identified during the previous internal and external audits.
4. Management lacks knowledge of international Health, Safety & Environmental, and fire safety standards.
5. There are significant differences between local law and international standards in this area.

COMPANY ACTION PLANS

1. A comprehensive ergonomic risk assessment would be conducted first, and then an evaluation on what should be provided to the workers based on the assessment shall be completed.

Action plan status: Planned

Planned completion date: 12/31/16

2. Load limit for handling production goods will be discussed and evaluated first. After that, the load limit for handling heavy production goods and carrying heavy goods on carts would be defined.

Action plan status: Planned

Planned completion date: 09/30/16

Verification Result:

1. **Finding Status (Partially Remediated)**

Explanation: As per factory procedure, daily ergonomics break of five minutes should be provided to all workers. However, as per workers' testimonials, they are not allowed to take this break, unless an auditor or brand representative is at the factory. Moreover, chairs provided to workers are not adjustable. The factory is planning to conduct the ergonomic test on October 25, 2017. The factory has provided workers with anti-fatigue mats. **HSE.17**

Root Causes: Lack of understanding on local law and FLA requirement. Lack of understanding on risk assessment. Health and Safety not embedded on factory day to day operations.

2. **Finding Status (Remediated)**

Explanation: The factory has defined the load limit for handling heavy production goods. Workers are limited to the capacity loads on carts by pushing and pulling them.

Local Law or Code Requirement

Vietnam Labor Code 2013, Art 138.1; FLA Workplace Code (Health, Safety & Environment Benchmark HSE.17)

Recommendations for Immediate Action (if applicable)

Ensure all chairs can be adjustable and provide workers with ergonomic breaks.

FINDING NO.13

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. There has not been an assessment carried out to make sure that the mezzanine floor carrying capacity is in line with the current storage (some areas listed as 250-500 kg/m²). **HSE.1, ER.31**

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmark HSE.1; Employment Relationship Benchmark ER.31)

Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels.
2. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
3. These issues had not been identified during the previous internal and external audits.
4. Management lacks knowledge of international Health, Safety & Environmental, and fire safety standards.
5. There are significant differences between local law and international standards in this area.

Recommendations for Immediate Action

1. Ensure that the carrying capacity of the mezzanine floors is in line with current load distribution.

COMPANY ACTION PLANS

1. 1. Ask construction technician to evaluate the carrying capacity of mezzanine floor for factory to control the weight on it.
2. According to TCQG 5.5.3, the safety of construction shall be assessed every 3-5 years, and the budget has been made for structural assessment throughout whole factory. A. Open the public tender on 4/13, 2016. B. Start the evaluation and measurement on 5/4, 2016. C. Complete the structural safety assessment before the end of December in 2016. The factory will work with headquarter staff to review current policy on construction and make sure regularly testing is implemented.

Action plan status: Planned

Planned completion date: 12/31/16

Verification Result:

1. Finding Status (Remediated)

Explanation: All the mezzanines are inspected by the external agency in May 2016 to make sure that the mezzanine floor carrying capacity is in line with the current storage

FINDING NO.14

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. No risk assessment or emergency response plans have been prepared for the childcare area. **ER.31, HSE.1**
2. One exit sign in the childcare area leads to an interior garden instead of a safe area. **HSE.27, HSE.5**
3. Emergency planning does not include terrorist threats or public unrest. **HSE.1, ER.31**
4. One staircase in childcare area does not have a handrail. **HSE.27, HSE.13**

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmark HSE.1; Employment Relationship Benchmark ER.31)

Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels.
2. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
3. These issues had not been identified during the previous internal and external audits.
4. Management lacks knowledge of international Health, Safety & Environmental, and fire safety standards.
5. There are significant differences between local law and international standards in this area.

Recommendations for Immediate Action

1. Remove the exit sign at childcare area leading to the interior garden.

COMPANY ACTION PLANS

1. A risk assessment and emergency response plan for kindergarten have been made.

Action plan status: Completed
Planned completion date: 06/30/16
Progress update: 09/30/16 : Complete
Completion date: 06/30/16

2. The arrow of exit sign has been adjusted to the right exit way.

Action plan status: Completed
Planned completion date: 06/30/16
Progress update: 09/30/16 : Complete
Completion date: 06/30/16

4. The handrail for the staircase in the kindergarten has been installed.

Action plan status: Completed
Planned completion date: 06/30/16
Progress update: 09/30/16 : Complete
Completion date: 06/30/16

Verification Result:

1. Finding Status (Remediated)

Explanation: The factory established a risk assessment and emergency response plan for the kindergarten.

2. Finding Status (Remediated)

Explanation: Exit signs in the childcare area lead to the central garden that leads outside.

3. Finding Status (Remediated)

Explanation: The factory has conducted an assessment for terrorist threats or public unrest for the childcare areas and through the whole facility.

4. Finding Status (Remediated)

Explanation: The factory equips handrails for staircases in the childcare area.

FINDING NO.15

HEALTH & SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The manometers on the pressure vessels are not marked at all. **HSE.1**
2. Safety vents on the pressure vessels are not manually tested on a regular basis. **HSE.1, HSE.13,HSE.14, HSE.4,ER.31**

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.13; Employment Relationship Benchmark ER.31)

Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels.
2. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
3. These issues had not been identified during the previous internal and external audits.
4. Management lacks knowledge of international Health, Safety & Environmental, and fire safety standards.
5. There are significant differences between local law and international standards in this area.

COMPANY ACTION PLANS

1. The working pressure levels have been marked on the pressure vessel.

Action plan status: Completed
Planned completion date: 06/30/16
Progress update: 09/30/16 : Complete
Completion date: 06/30/16

2. Scheduling to test the pressure vessel safety vents. BCT will conduct the test on yearly basis.

Action plan status: Planned
Planned completion date: 09/30/16

Verification Result:

1. Finding Status (Remediated)

Explanation: It was observed during the walkthrough that the manometer pressure is marked.

1. Finding Status (Not Remediated)

Explanation: Safety vents on the pressure vessels are not manually tested on a regular basis. A checklist is available, but the factory does not use it. Maintenance staff said that many vents and pressure vessels are too high to be checked, and no tools are available for conducting this type of inspection.

Root Causes:

1. Lack of understanding on FLA requirement.
2. Lack of understanding on risk assessment.
3. Health and Safety not embedded on factory day to day operations.

Local Law or Code Requirement

Labor Code of Vietnam, art.138; Law No. 84/2015/QH13, Art. 30 and Art.31, FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4,HSE.13, and HSE.14; Employment Relationship Benchmark ER.31)

Recommendations for Immediate Action (if applicable)

Ensure Safety vents on the pressure vessels are tested on a regular basis.

FINDING NO.16

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory does not identify and limit the amount of chemicals to be stored in the chemical warehouse areas. Furthermore, the fire extinguisher systems in these areas were not selected with respect to the estimated fire load.HSE.9, HSE.6
2. There is no defined height limit for storage warehouse sections. ER.31
3. Ladders in the warehouse areas are not appropriate, since some do not have handles or brakes. HSE.13
4. Heavy rolls of material are stored in the upper shelves of the racks in the warehouse areas, posing a risk of falling and injury. HSE.13, ER.31
5. Shelves in the fabric warehouse are not labeled with their maximum carrying capacity. Some shelves are bent and may collapse.HSE.13, HSE.1, ER.31
6. A decommissioned elevator, forklift truck and mini loader do not have labels identifying them as decommissioned/out of order. HSE.13. ER.31
7. The elevator door in the finished goods warehouse was open during the inspection.HSE.14, ER.31
8. There is no system to inspect the safety conditions of the factory's contracted trucks used for the transportation of finished goods and raw material. Several trucks had broken brake lights and worn out tires.HSE.14
9. Compressed air is used for cleaning activities. Most of the air guns are leaking air with one of them was not in good condition and improperly repaired.HSE.14
10. There is no preventive maintenance system at the factory. Some electrical fans, and vacuum motors have high vibration and noise due to bearing or coupling issues.ER.31, HSE.1, HSE.14
11. Air pipes are marked with yellow paint, instead of blue as per international standards.HSE.14
12. Accident investigations are not detailed enough to identify the root causes of work accidents.HSE.1, HSE.3
13. There are Logout/Tagout LOTO procedures at the factory, but they have not been implemented; at least one accident happened in 2015 due to incorrect log out/tag out.HSE.1, HSE.13
14. There is excessive noise in 16 sections of the production area; this noise varies from 87.2 to 94 dBA, exceeding legal limits of 87 dBA. HSE.1, HSE.13
15. Legally required basic health and safety training has not been provided to the group 4 of the production workers. Factory management plans to provide this training in 2016. HSE.1, HSE.14

Local Law or Code Requirement

Circular 27/2013/TTBLDTBXH on October 18, 2013, Article 4,5 and 6; FLA Workplace Code (Health, Safety & Environment Benchmark HSE.1; Employment Relationship Benchmark ER.31)

Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels.
2. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements. Replace fire extinguishers with respect to the fire load.
3. These issues had not been identified during the previous internal and external audits.
4. Management lacks knowledge of international Health, Safety & Environmental, and fire safety standards.
5. There are significant differences between local law and international standards in this area.
6. The ongoing production process leaves no time for training.

Recommendations for Immediate Action

1. Establish storage limits for the chemical warehouse areas and post signs for these areas. Select fire extinguishers for the chemical warehouse areas with respect to the estimated fire load.
2. Define the height limit for the storage warehouse sections.
3. Install handles and breaks for all ladders in the warehouse areas.
4. Label the maximum carrying capacities for all shelves at the warehouse area. Regularly train and communicate to workers the loading capacities.
5. Ensure that the elevator door is closed at all times. Regularly train and communicate workers the requirement to close the elevator doors.
6. Provide workers who work in the 16 sections of the production area and are exposed with excessive noise with earplugs as proper Personal Protective Equipment PPE or ensure that the noise in this area does not exceed the legal limits.
7. Provide the legally required Health & Safety training to group 4 of the production workers.

COMPANY ACTION PLANS

1. Identify and limit the amount of chemicals to be stored in the chemical warehouse. Besides, a fire extinguishing system would be built to meet the fire load requirement in these areas.

Action plan status: Planned

Planned completion date: 10/30/16

3. Installing the handles and brakes for the ladders having none of these.

Action plan status: Planned

Planned completion date: 09/30/16

4. Rearrange the storage of materials in the warehouse areas and make sure there is no risk of falling or injury.

Action plan status: Planned

Planned completion date: 09/30/16

5. Label on the shelves the maximum carrying capacity in the fabric warehouse and replace broken shelves.

Action plan status: Planned

Planned completion date: 09/30/16

6. Have the decommissioned elevator, forklift truck and mini loader be labelled as decommissioned.

Action plan status: Completed

Planned completion date: 05/31/16

Progress update: 09/30/16 : Complete

Completion date: 05/31/16

7. The Improvement has been done that elevator door has been closed all the time. Further, the workers have been trained to close the door when it is not being used.

Action plan status: Completed

Planned completion date: 03/30/16

Progress update: 09/30/16 : Complete

Completion date: 03/30/16

8. Arrange a meeting with contracted transportation company to fix this and stick to the rule. Besides, the safety condition of the contracted trucks for transportation of finished goods and materials would be constantly check.

Action plan status: Planned

Planned completion date: 09/30/16

9. Repairing the broken air guns to fix the problem of leaking or other malfunction, and conduct the regular inspection of air guns.

Action plan status: Planned

Planned completion date: 12/31/16

10. Work on the new format that detailed root cause and improvement plan are pointed out. In addition to this, weekly work injury report and follow-up would also be provided. TPM will be responsible to lead the preventive maintenance system, and SD department will regularly audit and make sure this new system works well.

Action plan status: Completed

Planned completion date: 07/15/16

Progress update: 09/30/16 : Complete

Completion date: 07/15/16

11. Reviewed LOTO policy procedure again this year, and made the training for workers. TPM and GA are required to follow LOTO policy.

Action plan status: Completed
Planned completion date: 06/30/16
Progress update: 09/30/16 : Complete
Completion date: 06/30/16

12. Excessive noise in 16 sections of production area have been Improved; all of these sections passed the environment inspection in this April.

Action plan status: Completed
Planned completion date: 05/31/16
Progress update: 09/30/16 : Complete
Completion date: 05/31/16

13. Planning to provide the health and safety training to group 4 workers this year. The factory is reviewing factory training plan and schedule to make sure all of workers from Group1 to Group4 receive proper trainings.

Action plan status: Planned
Planned completion date: 10/30/16

14. Establish a preventive maintenance system to decrease the levels of noise and vibration of electric fans and vacuum motors.

Action plan status: Planned
Planned completion date: 12/31/16

15. Change the color of air pipes to meet international standard.

Action plan status: Planned
Planned completion date: 11/30/16

Verification Result:

1. Finding Status (Remediated)

Explanation: The factory built the new chemical warehouse where fire protective equipment system is equipped.

2. Finding Status (Remediated)

Explanation: The factory arranges the high limit for storage about one meter from lightings or fire protective devices.

3. Finding Status (Remediated)

Explanation: The factory equips handles and brakes for ladders in the warehouse areas.

4. Finding Status (Not Remediated)

Explanation: Heavy rolls of material are stored in the upper shelves of the racks in the warehouse areas, posing a risk of falling and injury. **HSE.13, ER.31**

Root Causes: The warehouse staff is not aware of H&S risk.

5. Finding Status (Remediated)

Explanation: The factory posts labels with their maximum carrying capacity on shelves in the fabric warehouse.

6. Finding Status (Remediated)

Explanation: There are no out of order elevators, forklifts, or mini loaders were found in the workshops during the verification.

Root Causes: N/A

7. Finding Status (Remediated)

Explanation: The elevator door in the finished goods warehouse is closed at all time.

8. Finding Status (Partially Remediated)

Explanation: All contracted trucks found are in good condition. However, there is no system to inspect the safety conditions of these trucks. **HSE.14**

Root Causes: The factory does not identify the risk of the contracted trucks.

9. Finding Status (Remediated)

Explanation: The factory changed the leaking air guns, all of the air gun used are in good condition.

10. Finding Status (Non Remediated)

Explanation: The factory does not have a preventive maintenance system for electrical fans, and vacuum motors. **ER.31, HSE.1, HSE.14**

Root Causes: Lack of understanding on risk assessment. Preventive maintenance system of the factory is incomplete.

11. Finding Status (Partially Remediated)

Explanation: Air pipes of the factories D & F2 are painted in blue, however, air pipes of other factories are still on the process of being blue - painted. **HSE.14**

Root Causes: The factory has to arrange the production schedule.

12. Finding Status (Not Remediated)

Explanation: Root causes have not been analyzed for injuries and accidents. The factory still works out on the new format to detail the root cause until October 2017. **HSE.1, HSE.3**

Root Causes: H&S staff is not aware of root cause analysis.

13. Finding Status (Remediated)

Explanation: Logout/ Tagout (LOTO) procedures have been implemented at the factory.

14. Finding Status (Partially Remediated)

Explanation: Noise is still excessive in six sections of the production area, exceeding legal limits of 85 DBA. **HSE.1, HSE.13**

Root Causes:

1. There is no effective and consistent Factory internal monitoring.
2. Lack of understanding on local law and FLA requirement.
3. Lack of understanding on risk assessment.
4. Health and Safety not embedded on factory day to day operations.

15. Finding Status (Partially Remediated)

Explanation: The factory trained group 4 in July 2017. Until September 2017, the factory has trained for 5,200 workers out of 18,650 workers. **HSE.1, HSE.14, ER15**

Root Causes:

1. Lack of understanding on risk assessment.
2. Health and Safety not embedded on factory day to day operations.

Local Law or Code Requirement

Decree 44/2016/NDCP, Article 17 and Article 18; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1; HSE.14; Employment Relationship Benchmarks ER.15, ER.31)

Recommendations for Immediate Action (if applicable)

1. Equip fences on the upper shelves where heavy rolls of material are stored in the warehouse areas.
2. Establish and monitor the inspection procedure of the safety conditions of all the trucks used for goods transferring internally.
3. Establish the preventive maintenance system for machines and equipment.
4. Ensure air pipes of all factories are painted in blue as international standard.
5. Ensure root causes are analyzed and defined for injuries and accidents.
6. Ensure noise is managed within the legal limit.
7. Ensure all workers in group 4 are trained as legally required.

FINDING NO.17

ENVIRONMENTAL PROTECTION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Chemicals in the temporary chemical warehouse are chemicals stored without clear separation by chemical characteristics, posing a fire safety risk due to possible chemical reaction. Additionally there are no spill kits or proper secondary containment. Secondary containment for chemicals is not calculated with respect to the capacity of the original chemical containers. **HSE.9**
2. The ozone depleting refrigerant, R22 (HCFC-22) is used in the factory. **ER.31**
3. There are no dustpans, nylon bag, or gloves at the chemical warehouse. **HSE.7**
4. There is leaking water and compressed air throughout the production areas. Furthermore, there is unnecessary lighting in the production areas, which is an issue for Environmental Protection and energy efficiency. **HSE.1, ER.31**
5. The wastewater tank outside the factory buildings (wastewater tanks are used to collect wastewater and is dispose by a licensed waste collector) is not isolated from the outside environment; rainwater can enter the tank or secondary containment. Furthermore, the discharge valve on secondary containment container does not have a lock. **HSE.1, ER.31**
6. There is no secondary containment for some of the cleaning chemicals in the kitchen. **HSE.9**
7. Oil contaminated water discharged from the compressors, dryers, and air tanks is not collected, but simply discharged to the outside environment. **HSE.1, ER.31, HSE.9**

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.2, and HSE.3; Employment Relationship Benchmark ER.31)

Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels.
2. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
3. These issues had not been identified during the previous internal and external audits.
4. Management lacks knowledge of international Health, Safety & Environmental, and fire safety standards.
5. There are significant differences between local law and international standards in this area.

Recommendations for Immediate Action

1. Organize the temporary chemical warehouse to make sure that chemicals are not stored together with consideration of their chemical characteristics and possible reaction with other chemicals. Provide spill kits and proper secondary containment in the temporary chemical warehouse.
2. Provide dust pans, nylon bags, and gloves at the chemical warehouse against chemical spills.
3. Repair leaking water and compressed in the production area.
4. Use an oil-water separator to separate oil from the water discharged by the compressors, dryers, and air tanks. Treat this oil as hazardous waste, and deliver it to a licensed service provider.
5. Calculate secondary containment for chemicals based on the capacity of the original container. Provide secondary containers for applicable chemicals.

COMPANY ACTION PLANS

1. Provide proper secondary containment in the temporary chemical warehouse. Further, calculate the capacity for the chemical containers.

Action plan status: Planned

Planned completion date: 09/30/16

2. Reducing the current usage of R-22. Besides, when purchasing new machines such as refrigerators and air conditioners, it would be required without R-22.

Action plan status: Completed

Planned completion date: 03/31/16

Progress update: 09/30/16 : Complete

Completion date: 03/31/16

3. Have provided dust pans, nylon bags, and gloves at the chemical warehouse.

Action plan status: Completed

Planned completion date: 08/15/16

Progress update: 09/30/16 : Complete

Completion date: 08/15/16

4. Checking leaking water and compressed air throughout the factories and then fix it. As for unnecessary light in the production area, it will be evaluated whether it is needed.

Action plan status: Planned

Planned completion date: 10/30/16

5. Isolate the wastewater tank outside the factory from the outside environment; prevent rainwater from leaking into tank or secondary containment. The cover and roof for the wastewater tanks will be built.

Action plan status: Planned

Planned completion date: 08/31/16

6. The secondary containment for the cleaning chemicals in the kitchen has been provided.

Action plan status: Completed

Planned completion date: 06/30/16

Progress update: 09/30/16 : Complete

Completion date: 06/30/16

7. Collect the water discharged from the compressors, dryers and air tanks, and ensure the water won't be discharged to the outside environment. "1. The italicized portion of the finding has been addressed in the Action Plan 17.1 that we will separate chemicals by characteristics in the temporary chemical warehouse. Besides, proper secondary containment will be provided in the

temporary chemical warehouse. z. There will be an inspection procedure for the chemical storage area, and it will be regularly checked and audited. "

Action plan status: Planned

Planned completion date: 11/30/16

Verification Result:

1. Finding Status (Partially Remediated)

Explanation: Chemicals stored in the chemical warehouse are equipped with secondary containment, however, one secondary containment in Factory 12 is broken and the other is rusty in Factory PU. HSE.9

Root Causes:

1. The factory is lack of verification.
2. There is no effective and consistent Factory internal monitoring.
3. Lack of understanding on risk assessment.

2. Finding Status (Partially Remediated)

Explanation: The factory has only replaced 30% of the R22 (HCFC-22) ozone depleting refrigerant. ER.31

Root Causes:

1. Lack of capital plan.
2. Lack of understanding on risk assessment.

3. Finding Status (Remediated)

Explanation: The factory equips dustpans, nylon bag and gloves at the chemical warehouse

4. Finding Status (Remediated)

Explanation: The factory fixed all the leaking water and compressed air throughout the factories and turned off unnecessary lightings in the production areas.

5. Finding Status (Remediated)

Explanation: The factory equipped a roof for the wastewater tank outside the factory building and installed a lock for the discharge valve on secondary containment.

6. Finding Status (Remediated)

Explanation: the factory equips a secondary containment for all the cleaning chemicals in the kitchen.

7. Finding Status (Remediated)

Explanation: Oil contaminated water discharged from the compressors, dryers, and air tanks is collected and treated.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, and HSE.9; Employment Relationship Benchmark ER.31)

Recommendations for Immediate Action (if applicable)

1. Equip secondary containment properly for all chemicals in all workshops.
2. Change all R22 (HCFC-22) ozone depleting refrigerant.

FINDING NO.18

WORKER INTEGRATION & COMMUNICATION (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory does not regularly communicate its policies and procedures on all Employment Functions. **ER.1, ER.16, ER.30**
2. The worker integration component is missing for all Employment Functions. The factory has not established procedures for receiving worker input/feedback on the creation, implementation, and revision of its policies and procedures. Workers are neither systematically integrated nor consulted in the decision-making processes. **ER.25**
3. The factory does not periodically review its policies and procedures on all Employment Functions, ensuring that they are updated according to the local laws and FLA Code. **ER.1**

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, ER.25, and ER.30)

Root Causes

1. Ongoing production process and shift based work
2. There is insufficient HR capacity
3. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
4. There is no effective internal monitoring system, both at the factory and HQ levels.
5. These issues had not been identified during the previous internal and external audits.
6. Implementation of the new worker dialogue regulation and election of union/worker representatives are common issues at factories in Vietnam.
7. Management finds the election process time consuming and burdensome.
8. Management is not aware of potential benefits of having strong worker representation in the factory.

COMPANY ACTION PLANS

1. The factory have regular communication meeting every week with various function team (meeting with workers: 120 workers; meeting with supervisors: 92 supervisors) to communication the policies and procedures.

Action plan status: Completed

Planned completion date: 06/16/16

Progress update: 09/30/16 : Complete

Completion date: 06/16/16

2. For the new procedure or policy, the factory would consulted with management team to receive their input/feedback then work together. Currently, before implementing a new policy or procedure, the factory always internally discuss among departments. Then, the factory shall communicate with labor union. Step by step, the factory would also communicate with employees and listen to their ideas. Then all of feedbacks will be integrated to reach mutual agreements. After that, the new policy shall be implemented.

Action plan status: Completed

Planned completion date: 07/16/16

Progress update: 09/30/16 : Complete

Completion date: 07/16/16

3. Periodically review factory policies and procedures with field office staff on all employment function, and update those according to the local laws and FLA code.

Action plan status: Completed

Planned completion date: 07/16/16

Progress update: 09/30/16 : Complete

Verification Result:**1. Finding Status (Partially Remediated)**

Explanation: Workers don't know how to calculate wages and overtime. Factory doesn't communicate with workers well, so, senior workers (who has worked at the factory for at least 6 years) don't know that they are part of the trade union but they know that they have a trade union fee of VND10,000 (USD 0.45) deducted every month. Also, workers don't elect the trade union executive board, so they don't know who is the trade union leader. **ER.1, ER.16, ER.30**

Root Causes:

1. There is insufficient HR capacity.
2. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
3. There is no effective internal monitoring system, both at the factory and HQ levels.
4. Implementation of the new worker dialogue regulation and election of union/worker representatives are common issues at factories in Vietnam.
5. Management finds the election process time consuming and burdensome.
6. Management is not aware of potential benefits of having strong worker representation in the factory.

2. Finding Status (Not Remediated)

Explanation: Workers are neither systematically integrated nor consulted in the decision-making processes. **ER.25**

Root Causes:

1. There is insufficient HR capacity.
2. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
3. There is no effective internal monitoring system, both at the factory and HQ levels.

3. Finding Status (Not Remediated)

Explanation: No Management review procedure set-up and implemented. Whenever change is needed, factory just adds more terms into the current procedures. **ER.1**

Root Causes: There is insufficient HR capacity. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, ER.25, and ER.30)

FINDING NO.19**BENEFITS**

FINDING TYPE: Notable Feature

Finding Explanation

1. The factory has a designated canteen for pregnant workers where pregnant workers do not have to wait in the queue for getting their meals and can follow a special diet for their health.

NEW FINDING NO. [1]

RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory does not have the document control procedure to ensure the proper update and document management. **ER.1, ER.29.1.1, ER.30.2, ER.31.2**
2. The written procedure of reproductive health is not available although the factory has started the process of job transfer for pregnant workers from October 2016. The factory has a system to control the shortened working hours for pregnant workers from the seventh month of pregnancy, however, the job assignment to ensure reproductive health is not properly managed. Lactating workers are still exposed to chemicals. **HSE.12**
3. The factory does not have procedure and policy for accommodation for workers with chronic diseases. The factory only pays for the medical insurance although the factory has transferred some of them to easier jobs when workers raise their request. **ND.12**

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.29.1.1, ER.30.2 and ER.31.2; Health, Safety and Environment Benchmark HSE.12; Non Discrimination Benchmarks ND.12)

Root Causes

1. The factory is not aware of FLA Workplace Code.
2. Lack of understanding on risk assessment.
3. The issues have not been brought to the attention of the Factory management during past audits.

Recommendations for Sustainable Improvement:

1. Develop a document control procedure for all policies and procedure.
2. Identify and train management representative responsible for document control.
3. Develop procedure on protection of reproductive health of all workers.
4. Train relevant HR, managers, supervisors and line leaders on procedure protection of reproductive health, including job transfer and assignment.
5. Develop a system to monitor job transfer and assignment for pregnant and lactating workers.
6. Develop policy and procedure for Factory to accommodate workers with chronic disease, and align with FLA requirements (Non-Discrimination, ND.12)

NEW FINDING NO. [2]

TRAINING (Macro)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory does not implement and train Personnel Development Policy and Procedures to workers. **ER.1, ER.15**
2. The factory does not conduct ongoing training on all Policy and Procedures to workers. **ER.1, ER.16, ER.25**
3. The factory does not include Disciplinary procedure in the orientation training. **ER.15, ER.16**

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, ER.16 and ER.25)

Root Causes

1. The factory is not aware of FLA Workplace Code.
2. The issues have not been brought to the attention of the Factory management during past audits.

Recommendations for Sustainable Improvement:

1. Train workers on Personnel Development Policy and Procedures.
2. Determine worker training needs (policies and procedures), prioritize and establish training plan.
3. Monitor training effectiveness, and continue to explore creative means to effectively train workers on policies and procedures.
4. Include Disciplinary procedure on worker orientation training.

NEW FINDING NO. [3]

INDUSTRIAL RELATIONS

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory underwent three days of strike in early 2016 to protest a new policy announcement as workers were not engaged when the new policy of business management objectives was established. **ER.1.2, ER.16**
2. Workers do not elect their representatives to join the dialog meetings but HR will choose them. However if workers want to attend the dialog, they can request from HR. **ER.27, FOA.11**

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.16 and ER.27; Freedom of Association Benchmarks FOA.11)

Root Causes

1. There is no effective and consistent Factory internal monitoring and communication system
2. Lack of understanding on local law and FLA requirements.

Recommendations for Sustainable Improvement:

1. Ensure there is consultation and dialogue with workers when developing and implementing policies.
2. Ensure trade union involvement on worker engagements.
3. Establish process for workers to select their representatives in the dialog meetings.

NEW FINDING NO. [4]

WORKPLACE CONDUCT AND DISCIPLINE

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory deducts attendance bonus for sick leave more than 8 hours a month. The factory will deduct 30% of attendance bonus if workers take sick leave from 8 to 16 hours; 60% of attendance bonus if workers take sick leave from 16 to 24 hours and 100% attendance bonus if workers take sick leave for over 24 hours. **H/A.2, H/A.3**
2. It is hard to get approval for taking annual leave at workshop 7, especially with those transferred the jobs. Workers who have been transferred have to get approval from supervisors and managers of current and the previous production lines, instead of only their current supervisors and managers. **HOW.1, HOW.11, HOW.12**

Local Law or Code Requirement

FLA Workplace Code (Harassment and Abuse Benchmarks H/A.2 and H/A.3; ; Hours of Work Benchmarks HOW.1, HOW.11 and HOW.12)

Root Causes

1. Poor internal monitoring in implementation.
2. Lack of understanding on local law and FLA requirements.
3. The issues have not been brought to the attention of the Factory management during past audits.

Recommendations for Immediate Action

1. Ensure workers entitled pro rata of attendance bonus if sick leaves taken
2. Ensure that workers are not restricted to take annual leave.

NEW FINDING NO. [5]

HOURS OF WORK

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Elderly workers work 8 hours and work overtime. **HOW.1, ER.23.1**

Local Law or Code Requirement

Vietnam Labor Code, Article 166; FLA Workplace Code (Employment Relationship Benchmarks ER.23.1; Hours of Work Benchmarks HOW.1)

Root Causes

1. There is no effective and consistent Factory internal monitoring in execution.
2. Lack of understanding on local law and FLA requirement.

Recommendations for Immediate Action

1. Ensure elderly workers do not work excessive regular working hours
2. Provide short breaks for workers.

Recommendations for Sustainable Improvement:

1. Develop procedures for working arrangement of elderly workers.
2. Train HR, managers, supervisors and line leaders on procedures for working arrangement of elderly workers.
3. Establish system to monitor working arrangement of elderly workers.

NEW FINDING NO. [6]

COMPENSATION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory has not paid the recruitment health checks for workers. **C.17, ER.15.1**
2. The factory implements a wage increment after 13 months of work instead of 12 months as shown on the wage procedures. **C.17, ND.3**
3. The factory does not pay for the 13th month salary properly following the Collective Bargain Agreement (CBA). If workers leave before the payment date (normally after the previous year completed and around the Lunar New Year), the factory does not provide them the 13th month salary for them, which is required by the CBA. **C.17, FOA.1**
4. The factory does not have the written agreement from workers for the charity deduction from their wages. **C.11**
5. There is an issue with the system for severance allowance payment. Although the resigned workers have not worked, the factory has to manually key in few minutes of work time so that they can encode the severance allowance in the system. **C.5, ER.23**

Local Law or Code Requirement

Vietnam Labor Code, Article 103, Law No.84/2015/QH.13,Article 21; FLA Workplace Code (Compensation Benchmarks C.5, C.11 and C.17; Employment Relationship Benchmarks ER.15.1 and ER.23; Non Discrimination Benchmarks ND.3; Freedom of Association Benchmark FOA.1)

Root Causes

1. The factory is not aware of FLA Workplace Code and local law requirement.
2. The calculation system is not updated.
3. There is no effective and consistent Factory internal monitoring in execution

Recommendations for Immediate Action

1. Provide recruitment health checks for workers.
2. Implement wage increment when workers have worked for 12 months as shown on the wage procedure.
3. Compensate the 13th month salary for workers who complete the 12 months of service but leave the factory before the payment date as stated in the CBA.
4. Obtain the written agreement from workers for the charity deduction from their wages.
5. Revise the calculation system so the system can generate the severance allowance automatically.

Recommendations for Sustainable Improvement:

1. Develop policies and procedures on recruitment health checks for workers and train relevant management representatives on implementation.
2. Train HR personnel on wage procedures and compensation and ensure correct implementation.
3. Develop a system for periodic verification on implementation of wage procedures and correct payment of compensation.
4. Include wage deductions on training of workers.
5. Explore system upgrade to eliminate manual operations on severance allowance payment.

NEW FINDING NO. [7]

COMMUNICATION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Workers do not understand their wage calculations, especially the productivity bonus. **C.17, ER.16**

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.16; Compensation Benchmark C.17)

Root Causes

1. The factory does not have effective training.

Recommendations for Sustainable Improvement:

1. Ensure wage calculation, including productivity bonus calculation is included on the new workers training, and ongoing training for workers.
2. Provide posters, and visual materials to show wage calculation. Encourage workers to ask if wage calculation is not clear, and identify management representatives who can respond to questions.
3. Ensure that managers, supervisors and line leaders are trained and knowledgeable on wage calculation.
4. Enhance worker awareness on wage calculations by including this topic during production meeting with workers.

HEALTH AND SAFETY (FIRE AND EVACUATION)

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Approximately 10% of aisles are blocked by columns at Factory 6, while narrow aisle (about 0.85 meters) was observed at Factory C. **HSE.1, HSE.5.1**
2. Exit doors in finishing warehouse Factory B, Factory 13 and 14 is rolling door without locking device when opened (to prevent accidental closure), while one exit door of ID factory opens inward. One exit door in Factory 13 workshop in the first floor is only 1.7-1.8 meters height. **HSE.1, HSE.5.1**
3. There is only one exit for about 25-30 workers working on the first floor of Factory 13. **HSE.1, HSE.5.1**
4. Missing emergency lights for all stairs of the first floor of Factory 13 and 14. **HSE.1, HSE.5.1**
5. Missing directional exit arrows going to the main exit door at first floor of Factory ID. Approximately 30% of aisles do not have directional exit arrows at Factory 7. **HSE.1, HSE.5.1**
6. Approximately 20% of fire extinguishers are blocked and 50% of fire extinguishers are not marked at the bike park area. **HSE.1, HSE.6.1**
7. Evacuation plans on first floor of factories are not available. **HSE.1, HSE.5.1**
8. Work stations were observed to be narrow at Factory 12, 13, 14 and 15. **HSE.5.1**
9. All first aid kits are locked and are not in line with local requirement. **HSE.1, HSE.6.1**

Local Law or Code Requirement

Decision No.2726/BKHCN, Article 10.1.6; Vietnam Standard QC 06/2010/ BXD, Article 3.2.3, Art 3.2.5, Art 3.2.9, Art 3.2.10, Art 3.3.1, Art 3.3.6; TCVN 7435-1:2004, Art 5.4; Circular No.19/2016/BYT, Annex 1; FLA Workplace Code (Health, Safety, and Environment Benchmarks HSE.1, HSE5.1, and HSE6.1)

Root Causes

1. There is no effective and consistent internal monitoring system, both at the factory and HQ levels.
2. Lack of understanding on local law and FLA requirement.
3. Lack of understanding on risk assessment.
4. Health and Safety not embedded on factory day to day operations.
5. The issues have not been brought to the attention of the Factory management during past audits.

Recommendations for Immediate Action

1. Ensure aisles are clear and unobstructed at all times with minimum aisles width of 1 meter.
2. Install locking device (or safety pins) to rolling doors. The safety pin will ensure rolling doors will not slide and close when opened. Replace inward opening doors with outward opening doors.
3. Ensure minimum door height is 2 meters.
4. Ensure there is adequate number of exits in the workplace.
5. Equip stairs with emergency light.
6. Ensure aisles have directional exit arrow that leads to the nearest exit.
7. Ensure fire extinguisher are marked, access is clear and unobstructed at all times.
8. Ensure evacuation plan is posted in all workplace.
9. Unlock first aid kit, and ensure first aid kit is complete as prescribed by local authorities.

Recommendations for Sustainable Improvement:

1. Review Health and Safety procedures and ensure alignment with local laws and FLA requirement.
2. Train EHS personnel and other management personnel on local laws and FLA requirement.
3. Ensure Health and Safety is given importance and attention during re-lay out of production floor.
4. Conduct daily internal monitoring on Health and Safety.
5. Implement Health and Safety policy and procedures consistently.

- o. involve supervisors, line leaders and other production personnel on day to day management of Health and Safety.

NEW FINDING NO. [9]

HEALTH AND SAFETY (CHEMICAL SAFETY AND PERSONAL PROTECTIVE EQUIPMENT (PPE))

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Eye wash station is not available at chemical use area. Eye wash station is only available in the chemical mixing room which is about 20-30 meters from production areas. **HSE.1, HSE.13**
2. Approximately 50% of MSDS are put too high in the workshops. **HSE.10.1**
3. Currently, the lay-out plan posted at main chemical warehouse posted is based on chemical name. Need chemical segregation lay-out plan for chemical storage, based on chemical compatibility, classification and hazard **HSE.9.1**
4. No workers are wearing eye protection at the injection machine. Workers are only provided with aprons if workers request for it. No eye protection for workers using flushing machine. One workers handling chemicals is not wearing safety shoes or boots in chemical mixing room of Factory 4. All workers operating die- cutting machines do not wear safety shoes. Workers at F2 using hammers do not have any hand protection (gloves). Some areas of Factory D have noise up to 86-Max 89 DB and approximately 30% of workers did not wear earplugs. **HSE.1, HSE.7, HSE.8**
5. Missing exhaust fan at chemical weighing room at F9. There is also no signage to remind workers to wear PPE while inside the room. **HSE.13**
6. Strong chemical smell at Cementing machines and chemical mixing area. Factory do not have VOC meter. Chemical mixing operators are not wearing respirators. **HSE.13, HSE.7, HSE.8**
7. Anti-fatigue mats are not provided to workers working in standing position. **HSE.17**
8. The factory has set up all chemical warning signs as dangerous, flammable, environment and skin effect even if chemicals are water base. **HSE.9**
9. Waste classification and segregation is insufficient. Solid waste is mixed with recycle waste at Factory PU. **HSE.1**

Local Law or Code Requirement

Circular 19/2016/BYT, Article 5.2 and Article 5.3; Circular 04/2014/ BLDTBXH, Article 3 and Article 4; Law No.55/2014/QH13, Article 68.1; FLA Workplace Code (Health, Safety, and Environment Benchmarks) HSE.1, HSE.13, HSE.7, HSE.8, HSE.17, HSE.9, HSE.9.1, HSE.10.1)

Root Causes

1. There is no effective and consistent Factory internal monitoring.
2. Lack of understanding on local law and FLA requirement.
3. Lack of understanding on risk assessment.
4. Health and Safety not embedded on factory day to day operations.
5. The issues have not been brought to the attention of the Factory management during past audits.

Recommendations for Immediate Action

1. Install eye wash station on production areas where chemicals are heavily used.
2. Change placement of MSDS materials to ensure employees easy access and use.
3. Develop a chemical storage lay-out plan to ensure storage of chemicals is based on compatibility, classification and hazard.
4. Ensure workers are provided, and have continuous access to PPE.
5. Install exhaust fan on chemical weighing room
6. Investigate and provide appropriate engineering and administrative control to reduce chemical exposure on workplace where chemicals are heavily used. Ensure workers are provided with appropriate Respiratory Protective Equipment (RPE).
7. Provide anti-fatigue mats to all workers who work on standing position.
8. Ensure accurate chemical signage and warning is communicated.
9. Ensure wastes are properly classified, segregated and stored.

Sustainable Improvement

1. Review Health and Safety procedures and ensure alignment with local laws and FLA requirement.
2. Train EHS personnel and other management personnel on local laws and FLA requirement.
3. Continuously train and remind workers and management personnel on use of PPE
4. Train worker and management personnel on chemical safety.
5. Establish a system to ensure procurement of PPE is based on Chemical MSDS, hazard and risk

6. Conduct industrial hygiene survey to determine appropriate measures to manage worker safety on chemical exposure.
7. Conduct daily internal monitoring on Health and Safety.
8. Implement Health and Safety policy and procedures consistently.
9. Purchase VOC meter for factory to use and chemical monitoring.

NEW FINDING NO. [10]

Health and Safety:

FINDING TYPE: Immediate Action Required

Finding Explanation

1. 100% of all electrical panels have no rubber mats. (HSE.13)
2. Smoking sign is not posted within 15 meters at the main gate of the each workshops but at the security guard. (HSE.1)
3. One electric panel does not have inner covers for Circuit breakers at the printing section. (HSE.1, HSE.13)
4. Rolling materials are stacked high on the two shelves without fences at material warehouse. (HSE.1)
5. Warning signs of one needle detector at Factory B is not in local language.(HSE.14.3)
6. Approximately 30% of chairs do not have back support and cushion. While all chairs are not adjustable, chairs are made of different heights. (HSE.17.1)
7. 1 out of 2 conveyors at F3 has sensor malfunction, and was corrected during the assessment. (HSE.14.1)
8. Health monitoring is insufficient as illnesses are not tracked for all cases (for e.g nephric illness 102/10734 (renal cases are not tracked for medical care) (HSE.18.1)
9. Job SOP on safety is not established. (HSE.2)
10. Hot working condition at Cementing machines on the 4th floor of Building C and Building A (F2 building) compared to other cementing machine. Hot working condition observed in F4- Assembly lines Workshop B. (HSE.13)

Local Law or Code Requirement

Vietnam Standard TCVN-5507:2002; Vietnam Labor Code 2013. Article 138; Circular 19/2016/BYT, Annex 10; FLA Workplace Code (Health, Safety, and Environment Benchmarks HSE.1, HSE.2, HSE.13, HSE14.1, HSE14.3, HSE17.1, and HSE18.1)

Root Causes

1. There is no effective and consistent Factory internal monitoring.
2. Lack of understanding on local law and FLA requirement.
3. Lack of understanding on risk assessment.
4. Health and Safety not embedded on factory day to day operations.
5. The issues have not been brought to the attention of the Factory management during past audits.

Recommendations for Immediate Action

1. Place rubber mats on all electrical panels. Ensure maintenance personnel conduct routine inspection to ensure rubber mats are in-placed on electrical panels.
2. Ensure proper signage is placed on designated smoking areas. Communicate with all workers and management personnel on locations of designated smoking areas.
3. Ensure all electrical panels have inner covers. Ensure maintenance personnel conduct routine inspection to ensure inner covers is in-placed on electrical panels.
4. Ensure materials are stacked properly at materials warehouse.
5. Ensure machine warning signs are in local language. Establish system to ensure all machines undergo safety inspection.
6. Continue to upgrade production chairs, including back support, cushion and adjustable height.
7. Improve workplace ventilation.
8. Ensure periodic check on sensors of conveyors.

Recommendation for sustainable improvement

1. Ensure system to monitor and track illnesses of workers is in-placed
2. Develop job safety SOP

NEW FINDING NO. [11]

Health and Safety:

Finding Explanation

1. Workers in Workshop A-F3 and Workshop B-F5 reported that workers who violate Factory regulations are named through the paging system. **H/A.6, ER.16**
2. Production quota is too high toward old workers at Workshop 4 and Workshop 7. Before the daily quota is 1100 allocated for each line of 90 persons, but it is only for 85 persons or even less than this number now. **F.7, ER.24**
3. Workers are not free to access the toilet break or drinking water during tea break when working on the assembly lines as there is no back up person for them for the toilet break. Also, workers cannot take the toilet breaks due to running on the production lines with high quota and lack of people. **H/A.7, HSE.21**
4. For accident leaves, workers can't go to the clinic as it can be disciplined for workers and also their line leaders/ group leaders. **ER.27.2.1, H/A.2**

Local Law or Code Requirement

Vietnam Labor Code, Article 6 and Article 108.3; FLA Workplace Code (Employment Relationship Benchmarks ER.16, ER.24, ER.27.2.1; Harassment/Abuse Benchmarks H/A.2, H/A.6, H/A.7; Forced Labor Benchmarks F.7; Health, Safety, and Environment Benchmarks HSE.21)

Root Causes

Poor monitoring system and communication thru out the compliance management system of the factory

Recommendations for Sustainable Improvement

1. Cease Harassment and abuse practices on violators
2. Ensure production targets are reasonable and achievable
3. Ensure workers are free to access the toilet or drinking water without restriction.
4. Ensure disciplinary actions are in a fair manner
5. Ensure workers have tea breaks besides lunch break