COMPANIES: New Balance Athletics Inc.
COUNTRY: Vietnam
ASSESSMENT DATE: 08/14/18
ASSESSOR: One Step Vietnam
PRODUCTS: Accessories [items, such as handbag clasps, that are affixed to other products]
NUMBER OF WORKERS:
Summary of Code Violations

Companies that join the FLA agree to uphold the FLA Workplace Code of Conduct throughout their entire supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and defines labor standards that aim to achieve decent and humane working conditions.

While it is important to note when violations of the FLA Workplace Code of Conduct occur, the purpose of these assessments is not simply to test compliance against a particular benchmark, but rather to develop an understanding of where and how improvements can be made to achieve sustainable compliance. Code of Conduct violations can be found throughout the course of an assessment of the employment and management functions, and are addressed in companies’ action plans.

Findings and Action Plans

FINDING NO.1

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation
1. The factory does not provide workers with ongoing training with the goal of raising or broadening their skills in order to advance workers in their careers within the factory or beyond. [ER.28]
2. Office staff do not receive the written results of their annual performance evaluations. [ER.29]
3. The factory conducts performance evaluations for workers after their probation periods and when their fixed-term employment contracts expire. However, workers are not provided with the written results of the performance evaluations, are not able to provide feedback, and do not sign the evaluations. In addition, the performance evaluation results do not correspond with whether the workers are hired after the end of their probation period or rehired after their contract expires. These decisions are made based on the supervisor’s judgement. [ER.29, ER.30]
4. The factory management said that they conducted the skill-based tests during the hiring process; however, there is no document to support it. [ER.3]
5. The factory has not developed written policies and procedures regarding performance evaluations for production workers. [ER.29]
6. The factory hires its security guards and canteen workers through service providers. The factory does not keep these workers’ payroll records, time records, labor contracts, or other related documents. Thus, assessors were unable to verify whether the workers’ employment contracts, hours of work, or compensation comply with local law and FLA requirements. [ER.2, ER.11, ER.23, C.15]

Local Law or Code Requirement
FLA Workplace Code (Employment Relationship Benchmarks ER.2, ER.3, ER.11, ER.23, ER.28, ER.29, and ER.30; Compensation Benchmark C.15)

COMPANY ACTION PLANS

Action Plan no 1.

Description
13.1 Develop policy & procedure to motivate employee to improve their skill to enjoy the benefits
13.2 Revise the format of Personnel Appraisal for staff comment after evaluation
13.3 Improve the format to evaluate the worker after probation to connect to the result & provide with the written result & let them comment
13.4 Create the format to evaluate skill based test during the hiring process
13.5 Write policy & procedure regarding performance evaluations for production workers
13.6 Develop a written procedure to work with contractors
13.6.1 Train for these contractors
13.6.2 Monitor their employees list: age, payment etc

**Planned completion date**
11/15/18

**Company Action Plan Update**
13.1 Developed policy & procedure to motivate employee to improve their skill to enjoy the benefits
13.2 Revised the format of Personnel Appraisal for staff comment after evaluation
13.3 Improved the format to evaluate the worker after probation to connect to the result & provide with the written result & let them comment

**FINDING NO.2**

**IMMEDIATE ACTION REQUIRED**

**FINDING TYPE:** Hours of Work

**Finding Explanation**
1. Not all workers receive 24 consecutive hours of rest in every seven-day period. Approximately 30% of workers worked on one or two Sundays per month over the last 12 months. [HOW.2]
2. Approximately 78% of workers worked 31-102 hours of overtime per month in the last 12 months, which does not comply with local law. [HOW.1, HOW.8]
3. Approximately 42% of workers worked 61-69 hours per week in the last 12 months. [HOW.1, HOW.8]
4. Assessors sampled the working hours records of pregnant and breastfeeding workers and found that three workers who were at least seven months pregnant and one worker who was nursing a child under the age of 12 months worked eight regular working hours plus two to four hours of overtime per day instead of seven hours per day as legally required. [HOW.4, ND.8]

**Local Law or Code Requirement**

**Recommendations for Immediate Action**
1. Ensure that all workers receive 24 consecutive hours of rest in every seven-day period.
2. Do not require or allow workers to work more than 30 hours of overtime per month.
3. Do not require or allow worker to work more than a total of 60 hours per week (regular plus overtime hours).
4. Do not require or allow workers who are at least seven months pregnant or nursing a child under the age of 12 months to work more than seven hours per day.

**COMPANY ACTION PLANS**

**Action Plan no 1.**

**Description**
12.1 Ensure No work Sunday
12.2 Control monthly overtime to meet legal requirement
12.3 Control overtime to meet FLA requirement
12.4 Board of Management will set up the meeting with Production Manager, Supervisors and Line Leader to stop arranging overtime for 7-month-of-pregnancy worker & nursing child under 12 months old even though these workers have a application or volunteer for working overtime.

**Planned completion date**
11/15/18

**Company Action Plan Update**
12.4 Board of Management set up the meeting with Production Manager, Supervisors and Line Leader to stop arranging overtime for 7-month-of-pregnancy worker & nursing child under 12 months old even though these workers have a application or volunteer for working overtime.

**FINDING NO.3**
IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation
1. Assessors randomly checked the workers’ employment contracts and found that the factory signed 30-day probation contracts with three new workers. The probation period was from June 19, 2018 to July 18, 2018 and the probation salary was VND 3,530,000 (around USD 160). On July 19, 2018, the factory signed one-year employment contracts with the workers. The contracts listed a salary of VND 3,965,955 (around USD 189). However, the factory paid the workers their probation salary for the whole month of July 2018. Thus, these workers did not receive the proper basic monthly wage or overtime payments during the period of July 19, 2018 – July 31, 2018. [C.1, C.5, C.7]
2. The factory calculated the 2017 annual leave payments to new workers (workers who were hired in 2017) and resigned workers (workers who resigned in 2017) based on one day of annual leave per month worked. For example, if a worker was hired in July 2017, the factory provided them 6 days of annual leave. However, the number of days of annual leave should have been calculated as follows: (14 days of annual leave/12 months) * 6 months = 7 days of annual leave. In addition, if the decimal number of the result is equal to or greater than 0.5, it should be rounded up to the next whole day. [C.1, C.5, HOW.11]
3. The regulations regarding the provision of social insurance included in the factory’s Company Regulation documents are not updated to reflect the local law. The regulations were last updated before the law was revised in June 2017. [C.1]
4. The factory does not submit their insurance documents (e.g. maternity leave, sick leave, pre-natal leave, and paternity leave documents) to the local social insurance department within ten days of receiving them from the workers as legally required. The factory submitted insurance documents once in June 2018 and twice in July 2018. Thus, the benefits regarding insurance are delayed due to late submitting. [C.1]

Local Law or Code Requirement
Law on Social Insurance 2014, Art. 102; Labor Code 2012, Art. 96; Decree No. 45/2013/ND-CP, Art. 6; FLA Workplace Code (Hours of Work Benchmark HOW.11; Compensation Benchmarks C.1, C.5 and C.7)

Recommendations for Immediate Action
1. Compensate workers’ wages correctly. Do not continue to pay probation wages after the probation period is over.
2. Calculate new workers' and resigned workers' annual leave as required by local law.
3. Revise the Company Regulation to reflect with the legal requirements
4. Submit the insurance documents to the local social insurance department on-time.

COMPANY ACTION PLANS

Action Plan no 1.

Description
11.1 The factory will pay based on actual contract salary date
11.2 The factory will improve to pay based on 14days of annual leave/12months
11.3 The factory will update employee hand book as well as policy to follow the insurance law
11.4 The factory will submit document to social insurance within 10days of receiving from the worker after the audit

Planned completion date
11/15/18

Company Action Plan Update
11.1 The factory pays based on actual contract salary date
11.2 The factory improved to pay based on 14days of annual leave/12months
11.3 The factory already updated employee hand book as well as policy to follow the insurance law
11.4 The factory submitted document to social insurance within 10days of receiving from the worker after the audit

FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation
1. The factory does not provide workers with a copy of the Collective Bargaining Agreement (CBA). [ER.16]
2. The factory does not have policies and procedure on the free election of worker representatives to the Trade Union. All five of the
Trade Union's board members were appointed by factory management instead of being elected by workers. [ER.1, ER.25, FOA.11]
3. The factory conducted their labor conference on December 29, 2017 instead of during the first quarter of the year as legally required. [FOA.1]

Local Law or Code Requirement
Guidance no.: 1499/HD-TLD for Trade Unions on Participating in Organization of Workers' Meeting of and Establishing Regulation on Talks Organized by Enterprises; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, and ER.25; Freedom of Association Benchmarks FOA.1 and FOA.11)

COMPANY ACTION PLANS

Action Plan no 1.

Description
10.1 The factory will provide a copy of CBA together with employee handbook at the first day they join the company
10.2.1 Revise policy & procedure on the free election of worker representative
10.2.2 To hold up meeting with all the union members to inform about their right for election
10.3 Discuss among the Union team to set up the labor conference on first quarter instead of last

Planned completion date
11/15/18

Company Action Plan Update
10.1 The factory already provided a copy of CBA together with employee handbook at the first day they join the company
10.2.1 Revised policy & procedure on the free election of worker representative
10.2.2 Held up meeting with all the union members to inform about their right for election
10.3 Discussed among the Union team to set up the labor conference on first quarter instead of last quarter.

FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation
1. One of the fire extinguishers is not clearly marked. [HSE.6]
2. One observed fire alarm button is not marked and posted with usage instruction. [HSE.6]
3. The factory does not ensure that every shift has a fire-fighting team made up of at least five to nine staff members, one captain, and one vice-captain as local law requires. [HSE.1]

Local Law or Code Requirement
Circular No. 66/2014/TT-BCA, Art. 15; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.6)

Recommendations for Immediate Action
1. Clearly mark all fire extinguishers.
2. Identify all fire alarm buttons. Maintain all usage instruction.
3. Ensure that every shift has a fire-fighting team that meets legal requirements.

COMPANY ACTION PLANS

Action Plan no 1.

Description
9.1 The factory will mark restriction sign for this fire extinguisher and made a label, user manual for the fire alarm button.
9.2 The factory will mark and post the usage instruction
9.3 The factory will set up at least 5 staffs members for each shift

Planned completion date
11/15/18

Company Action Plan Update
9.1 The factory marked restriction sign for this fire extinguisher and made a label, user manual for the fire alarm button.
9.2 The factory marked and posted the usage instruction
9.3 The factory set up at least 5 members for each shift

FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation
1. Assessors observed at least three cases where wires were spliced with tape. [HSE.13]
2. One of the lights in the air compressor area is a normal light rather than an anti-explosion light. [HSE.13]
3. The locking device on the electrical control panel in the color mixing room is damaged. Thus, the electrical control panel cannot be locked. [HSE.13]

Local Law or Code Requirement
Law No. 27/2001/QH10, Art. 24 and FLA Workplace Code (Health, Safety & Environment Benchmark HSE.13)

Recommendations for Immediate Action
1. Do not splice electrical wiring with tape.
2. Replace the regular light in the air compressor area with an anti-explosion light.
3. Repair or replace the lock on the electrical control panel in the color mixing room.

COMPANY ACTION PLANS

Action Plan no 1.

Description
8.1 The factory will cover the electrical wiring by industrial connecting to be more safety.
8.2 The factory will change the light at the air compressor area to anti-explosion light.
8.3 The factory will repair and lock it

Planned completion date
11/15/18

Company Action Plan Update
8.1 The factory covered the electrical wiring by industrial connecting to be more safety.
8.2 The factory changed the light at the air compressor area to anti-explosion light.
8.3 The factory repaired and locked it

FINDING NO.7

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation
1. There is no secondary containment provided for the machine oil chemical containers located in the maintenance room, air compressor area. [HSE.9]
2. The factory does not have the Material Safety Data Sheets (MSDS) for a chemical named PR029 that is located in the chemical warehouse. [HSE.2, HSE.10]
3. There are no MSDS posted in the fire pump station for the oil that is located there. In addition, the oil containers are not labeled with their contents and main hazards. Remark: the factory has MSDS of this oil, but the factory does not post it at the fire pump station. [HSE.2, HSE.9, HSE.10]

Local Law or Code Requirement
Law No. 06/2007/QH12 on Chemicals (2007), Art. 29; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.2, HSE.9, and HSE.10)

Recommendations for Immediate Action
1. Provide secondary containment for all chemical containers.
2. Maintain MSDS for every chemical in use in the factory.
3. Post the relevant MSDS wherever chemicals are used or stored.
4. Label all chemical containers with their contents and main hazards.

**COMPANY ACTION PLANS**

**Action Plan no 1.**

**Description**
7.1.1 The factory will equip secondary containments for machine oils located in maintenance room and air compressor area.
7.1.2 Remind again all the person in charge to apply second container for all chemical using.
7.2 Post MSDS at the chemical warehouse
7.3.1 Post MSDS in the fire pump station
7.3.2 Post Pictogram include label & hazards
7.3.3 Remind person in charge to aware about it

**Planned completion date**
11/15/18

**Company Action Plan Update**
7.1 The factory provided secondary containments for machine oils located in maintenance room and air compressor area.
7.2 MSDS board already post at the chemical warehouse
7.3.1 Already post MSDS in the fire pump station
7.3.2 Posted Pictogram include label & hazards
7.3.3 Reminded person in charge to aware about it

**FINDING NO.8**

**IMMEDIATE ACTION REQUIRED**

**FINDING TYPE:** Health & Safety

**Finding Explanation**
1. During the assessment, at least ten sewing workers were not using the eye guards on their sewing machines while working. [HSE.14]
2. The factory has not conducted an ergonomic assessment and is not taking proactive steps to reduce repetitive-motion stress and injuries. The seated workers are not provided adjustable chairs with back-support. [HSE.17]
3. The emergency button and warning sign on the automatic drying machine are not labeled in the local language (Vietnamese) for worker reference. [HSE.14]

**Local Law or Code Requirement**
Circular No. 04/2014/TT-BLDTBXH on Guiding Implementation of Regulations on Personal Protective Equipment (2014), Art. 4; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.14 and HSE.17)

**Recommendations for Immediate Action**
1. Retrain sewing workers on the use of eye guards. Monitor workers to ensure compliance.
2. Label the automatic drying machine emergency button and warning sign in language(s) spoken by workers.

**COMPANY ACTION PLANS**

**Action Plan no 1.**

**Description**
6.1 Maintenance team re-check the using these devices on all sewing machines, If any machine is not suitable, they will be adjusted immediate and explain to workers understand the importance of this device
6.1.2 Re-educate the operators to follow company rule to protect their eyes
6.1.3 CSR team need to check & remind to maintain the best practice
6.2 The factory will translate & attach the warning by Vietnamese

**Planned completion date**
11/15/18
Company Action Plan Update
6.1 Maintenance team re-checked the using these devices on all sewing machines and adjusted immediate and explain to workers understand the importance of this devices
6.1.2 Re-educated the operators to follow company rule to protect their eyes
6.3 The factory translated & posted the warning by Vietnamese.

FINDING NO.9

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation
1. The factory has provided occupational health and safety training to employees with designated Health & Safety responsibilities. However, Group 1 (top management) did not include the General Director, Vice-Director, or Manager Director and Group 3 (employees performing strict jobs) did not include the workers who operate the cutting machine, forklift, pressing machine, and drying machine. [ER.1, HSE.1, HSE.14]

Local Law or Code Requirement
Decree No. 44/2016/ND-CP, Art. 17; FLA Workplace Code (Employment Relationship Benchmark ER.1; Health, Safety & Environment Benchmarks HSE.1 and HSE.14)

Recommendations for Immediate Action
1. Train all employees with designated Health & Safety responsibilities.

COMPANY ACTION PLANS

Action Plan no 1.

Description
The factory will coordinate with the training center whenever having class we will send these members to attend

Planned completion date
11/15/18

FINDING NO.10

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation
1. The first aid kit in the canteen area only contains ten instead of 27 items required by law. [HSE.1, HSE.6, HSE.18]
2. Food samples are only kept for 24 hours, not 72 hours. In addition, the food sample records are not accurate. The times that samples were taken and destroyed are not recorded correctly and the samples from July 11, 2018 were not recorded at all. [HSE.1, HSE.22]
3. Two medical staff members who work in the factory’s clinic only have intermediate educational levels. By law, there must be at least one doctor and one intermediate level medical staff member present during each shift. [HSE.1, HSE.18]
4. Canteen workers do not receive a health check every six months as legally required. [HSE.1]

Local Law or Code Requirement
Circular No. 19/2016/TT-BYT on Guidelines for Occupational Health and Safety Management (2016), ANNEX 4; Decree No. 39/2016/ND-CP, Art. 37; Decision No. 21/2007/QD-BYT, Art. 4; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.6, HSE.18, and HSE.22)

Recommendations for Immediate Action
1. All first aid kits shall be equipped with sufficient items as legally required.
2. The food samples shall be kept for 72 hours and accurately as per applicable standards.
3. The factory shall have sufficient doctor and medical staffs based on total employees as legally required.
4. Canteen workers shall receive a health check every six months as legally required.
COMPANY ACTION PLANS

Action Plan no 1.

Description
4.1 Provide additional missing items to maintain 27 items after auditing
4.2.1 The factory will apply to keep the sample within 72 hours
4.2.2 CSR in charge will check to maintain the improvement
4.3 The factory should hire a doctor to meet law requires
4.4 require the canteen management to have the 2nd health check for all canteen staffs

Planned completion date
11/15/18

Company Action Plan Update
4.1 Provided additional missing items to maintain 27 items after auditing
4.2.1 The factory kept the sample within 72 hours
4.2.2 CSR in charge checks to maintain
4.4 All canteen staffs had twice health check per year

FINDING NO.11

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation
1. The factory's Environmental Protection procedures do not cover the following topics:
   a. How workers can raise environmental concerns;
   b. The steps for reporting environmental emergencies;
   c. Protections for workers who allege environmental violations. [ER.1, ER.31, HSE.5]
2. The factory does not review and update its Environmental Protection policy and procedures according to local law and FLA Workplace Code and Benchmarks. [ER.1, ER.31]

Local Law or Code Requirement
FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.31; Health, Safety & Environment Benchmark HSE.5)

COMPANY ACTION PLANS

Action Plan no 1.

Description
3.1.1 Revise the environment protection procedure
3.1.2 Training all the members about their rights
3.2 Set the schedule for review & update procedure at least one a year and every time the law update

Planned completion date
11/15/18

Company Action Plan Update
3.1.1 Revised the environment protection procedure
3.1.2 Training all the members about their rights
3.2 Set the schedule for review & update procedure at least one a year and every time the law update

FINDING NO.12

SUSTAINABLE IMPROVEMENT REQUIRED
FINDING TYPE: Health & Safety

Finding Explanation
1. In 2017, the factory reported its occupational accidents for the first six months of 2017 only, they did not report for the whole year, as legally required [HSE.1]
2. The factory reported their occupational accidents on January 20, 2018 instead of before January 10, 2018 as legally required. [HSE.1]
3. The factory conducted a workplace risk assessment in 2018. However, it did not cover all of the hazards in the workplace such as the hazards in the chemical area, fire pump station, canteen area, and warehouse. In addition, it did not identify who was responsible for reducing or eliminating the risks or the deadline for doing so. [HSE.1]
4. The factory does not conduct a risk assessment whenever an occupational accident occurs. [HSE.1]
5. The factory does not notify their local Department of Labor, Invalids, and Social Affairs within 30 days before or after using machines, equipment, or materials with strict occupational safety requirements, unless. [HSE.1]
6. The factory does not follow the legally mandated procedures for handling the occupational accidents. After receiving the report on the investigation into the accident and the meeting minutes, the factory does not provide them to the accident victim or post them publicly on the announcement board. [HSE.1]
7. There are no management or union representatives on the factory’s Occupational Accident Investigation Council as legally required. [HSE.1]

Local Law or Code Requirement
Decree No. 39/2016/ND-CP, Art.13 and Art. 24; Circular No. 07/2016/TT-BLDTBXH, Art. 3 and Art. 5; Decree No. 44/2016/ND-CP, Art, 16; Law No. 84/2015/QH13, Art. 35; FLA Workplace Code (Health, Safety & Environment Benchmark HSE.1)

COMPANY ACTION PLANS

Action Plan no 1.

Description
2.1 Supplement in the missing information in annual occupational accident report.
2.2 Train the person in charge to follow strictly as the law requirement
2.2.1 Insert deadline into Annual master plan for person in charge to follow up
2.3 Send person in charge to attend Risk assessment training course
2.3.1. Re-conduct workplace risk assessment to cover all facility
2.4 Send person in charge to attend Risk assessment training course
2.4.1. Insert risk assessment into labor accident inspection to identify risks and provide proper prevention.
2.4.2 Send person in charge to attend Risk assessment training course
2.5 Train the person in charge to strictly follow for registering to Labor dept when using the machine with strict occupational safety
2.5.1 Train the person in charge to strictly follow for registering to Labor dept when using the machine with strict occupational safety
2.5.2 HSE team need to check for maintain
2.6.1 Immediate post in the bulletin board the investigation & the meeting minute after each accident happen
2.6.2 HSE team need to check for maintain
2.7 The factory shows the name of management after meeting for accident investigation council

Planned completion date
11/15/18

Company Action Plan Update
2.1.1. The factory followed the law requirement.
2.1.2 Trained the person in charge to follow strictly as the law requirement
2.2.1 Inserted deadline into Annual master plan for person in charge to follow up
2.4.1. Inserted risk assessment into labor accident inspection to identify risks and provide proper prevention.
2.5.1 Trained the person in charge to strictly follow for registering to Labor dept when using the machine with strict occupational safety
2.5.2 HSE team checked for maintain
2.6.1 Immediate posted in the bulletin board the investigation & the meeting minute after each accident happen
2.7 Already showed the name of management after meeting for accident investigation council

FINDING NO.13

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Workplace Conduct & Discipline
Finding Explanation
1. If a worker is absent for five days in a month without a reason, their labor contract is unilaterally terminated. By law, factory management must notify workers that they have violated factory rules three times in writing before terminating their employment as part of a system of progressive discipline. [ER.27]
2. If a worker arrives at work more than 60 minutes late, he or she is not allowed to begin their shift and must take a day of unpaid leave. This does not comply with legal or FLA requirements. [ER.27; H/A.2]

Local Law or Code Requirement
Decree No. 05/2015/ND-CP; FLA Workplace Code (Employment Relationship Benchmarks ER.27; Harassment and Abuse Benchmark H/A.2)

Recommendations for Immediate Action
1. Cease the practice of forcing workers to take a day of unpaid leave if they are more than 60 minutes late.

COMPANY ACTION PLANS

Action Plan no 1.

Description
1.1.1 Revise discipline procedures including termination by following strictly law requirement 1.1.2 Train person in charge of disciplinary practice 1.1.3 Communicate will all workers on the change. 1.2.1 Update the employee handbook 1.2.2 Communicate workers for their awareness on this change.

Planned completion date
11/15/18

Company Action Plan Update
1. The factory revised procedures on termination to ensure that they contact workers in advance before making discipline meeting and termination 2. Trained the staff on the revised procedure and made announcement to workers 3. Revised handbook which mentioned clearly that if workers come to work late for any time in the day, they should inform to their line leaders and start working then