



COMPANIES: VF Corporation

COUNTRY: Vietnam

ASSESSMENT DATE: 11/20/17

ASSESSOR: One Step Vietnam

PRODUCTS: Apparel

NUMBER OF WORKERS: 1024

FLA Comments

This report was submitted to the FLA and the FLA affiliated company by the assessor. Despite deadline reminders and extensions for submission of a corrective action plan, the FLA has not received a plan to address the risks and noncompliances raised in the report. Therefore, the report is posted in its current state and will be updated once a corrective action plan has been submitted to and reviewed by the FLA.

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

The factory has not established written policies and procedures regarding promotion, demotion, and job reassignment that are transparent and fair in their implementation. ER.30.1

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.30.1)

FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Review Process (Macro)

Finding Explanation

The factory does not review and train relevant employees on all HSE policies and procedures. ER.31

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.31)

FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Grievance System

Finding Explanation

During worker dialogue, one worker complained that the glasses in the bathroom were faded and needed to be repaired or replaced. However, there are no records to follow or monitor this complaint after the meeting. Additionally, the minutes of the periodical

discussions are not publicly listed in the workplace. Note that this complaint was resolved. ER.25

Local Law or Code Requirement

Decree 60/ND-CP, Article 12; FLA Workplace Code (Employment Relationship Benchmark ER.25)

FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. The factory conducted a Conference of Labor on July 4, 2017 with 167 elected representatives. However, based on worker interviews, 10 out of 36 the elected representatives confirmed that they never joined the conference of labor because they did not have sufficient time. In addition, the following documentation was lacking the following: reporting on role status of representatives participating in conferences; report of the employer; report of organization representing labor collectives at grassroots; and electing members representing for labor collectives to participate in periodical discussion. FOA.1

2. The factory does not provide copies of Collective Bargaining Agreement (CBA) to workers. ER.16.2

3. 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 that "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.2

Local Law or Code Requirement

Decree 60/ND-CP, Article 19; FLA Workplace Code (Employment Relationship Benchmark ER.16; Freedom of Association Benchmarks FOA.1 and FOA.2)

FINDING NO.5

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

The factory lacks a written policy and procedure on retrenchment. ER.32

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.32)

FINDING NO.6

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. There was a comprehensive wage and benefit policy in place. However, the factory did not clearly define the allowance named "others allowance" with VND 180,000 (USD 7.93) and VND 380,000/month/person (USD 16.74) for which job position in factory. In practice, factory provided these 2 types of allowance for some of workers without a clear explanation to ensure that this practice is transparent. C.17

2. Some information in the food service provider (Canteen) labor contract did not meet legally requirements, such as: annual leave, allowance definition, etc. C.1

Local Law or Code Requirement

Vietnam Labor Law 2012, Article 23; FLA Workplace Code (Compensation Benchmark C.1 and C.17)

FINDING NO.7

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. During the months of February 2017 (11 persons in cutting department), March 2017 (65% of the workforce), April 2017 (88% of the workforce), and May 2017 (83% of the workforce), workers had OT working hours with a maximum of 59.5 hours per month. This exceeds legal requirement which only permits 30 overtime hours per month. HOW.1

2. During April 2017 (80% of the workforce) and May 2017 (16% of the workforce), workers had total working hours with a maximum of 64 hours per week, including overtime. This exceeded the FLA requirement on working hours which only permits 60 working hours per week, including overtime. HOW.1.3, HOW.8.3

Local Law or Code Requirement

Vietnam Labor Law 2012, Article 106; FLA Workplace Code (Hours of Work Benchmarks HOW.1.3 and HOW.8.3)

Recommendations for Immediate Action

1. Ensure that monthly overtime working hours follow the legal requirements.
2. Ensure that weekly working hours follow the FLA Code and Benchmarks.

FINDING NO.8

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. Internal regulations and policies do not mention the limitations of labor discipline, deletion of discipline, reduction of execution term of labor discipline, and form of labor discipline in the case that forced labor, non-discrimination, or freedom of association violations are found. ER.27

2. The factory's disciplinary practices do not comply with local laws. The factory does not hold a meeting to verify violations as required by law. The decision to handle violations of labor discipline to employees was not issued within the statute of limitations of handling violations of labor discipline, as legally required. ER.27

3. The records of disciplinary actions are not placed to employee files. ER.27.3.4

Local Law or Code Requirement

Vietnam Labor Law 2012, Article 123; Decree 05/2015/ND-CP, Article 30; FLA Workplace Code (Employment Relationship Benchmark ER.27)

FINDING NO.9

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

An empty paint container was found in the material warehouse instead of being stored in the hazardous waste storage. HSE.1, HSE.9

Local Law or Code Requirement

Circular No. 36/2015/TT-BTNMT on Management of Hazardous Wastes (2015), Article 7; FLA Workplace Code (Health, Safety &

Recommendations for Immediate Action

Properly store hazardous waste in the designated areas, as legally required.

FINDING NO.10

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. The underground water exploitation permit expired on November 11, 2017. The factory management stated that they are in the process of obtaining a new one. HSE.1, HSE.4
2. The non-hazardous waste is not classified as recyclable and non-recyclable. HSE.1
3. The waste water testing is conducted once every six months instead of once every three months as required in their waste water discharge permit. HSE.1

Local Law or Code Requirement

Decree No. 201/ND-CP, Article 16; Decree No. 38/2015/ND-CP, Article 39; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.4)

FINDING NO.11

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

The factory conducted annual on-going trainings for all employees with the following employment functions that related to Labor policies and procedure. However, some of the contents in the training materials were not updated and/or did not meet the legal requirements, such as: legal minimum wage, mandatory insurance of employer's contribution, allowance regulation, hotline number of grievance system, etc. In addition, the factory arranged training on workplace conduct and discipline to relevant HR staff on July 21, 2017. However, the HR staff did not understand on workplace conduct, discipline policy and procedure. Moreover, the factory does not conduct an orientation training for new workers. The factory issues a test to check worker awareness. However, the test is not graded. Thus, the assessor could not check worker awareness of the training. ER.1, ER.1.2, ER.17

Local Law or Code Requirement

Law No. 84/2015/QH13, Article 7; FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.17)

FINDING NO.12

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

The factory does not have a procedure to describe the steps to ensure that all personnel, visitors, contractors, and service providers are safely evacuated. HSE.5

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmark HSE.5)

FINDING NO.13

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory conducted an annual health checkup on July 6, 2017 for all workers. However, female workers (approx. 80% total of workforce) did not receive legally required gynecological examinations. The factory explained that the female workers did not want to have a gynecological examination. The female workers signed a confirmation form stating that they did not want to have the gynecological test. HSE.1
2. The factory first aid kits only have 13 items instead of the legally required 27 items. HSE.6
3. There factory is missing a procedure and a mechanism to keep the temperature for storing the medicines at the clinic rooms below 30 degrees Celsius, per applicable standard. HSE.18.3
4. The foods samples are stored for 24 hours instead of 72 hours. Storing the food for 24 hours complies with local laws but does not comply with the FLA Workplace Code. In addition, there is no mechanism for maintaining the temperature for storing food samples at or below four degrees Celsius, per applicable standard. HSE.22.1

Local Law or Code Requirement

Decree 85/2015/ND-CP, Article 7; Circular No. 19/2016/TT-BYT, Article 6; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.6, HSE.18, and HSE.22)

FINDING NO.14

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. One of the rear-view mirrors and one of the sidelights of one of the forklifts are out-of-order and broken. HSE.14
2. The shelves in the material warehouse do not have height limitations of loaded materials. HSE.1
3. One ladder at the waste water treatment plant is higher than 1.8 meters and it does not have fall protection. HSE.1

Local Law or Code Requirement

Labor Code 2012, Article 138; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.14)