



FAIR LABOR  
ASSOCIATION®

## INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Fast Retailing Co., Ltd.

COUNTRY: Vietnam

ASSESSMENT DATE: 11/29/17

ASSESSOR: One Step Vietnam

PRODUCTS: Apparel

NUMBER OF WORKERS: 760

## 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. There is no written procedure on managing promotion, demotion, and job reassignment. Additionally, the factory has only recently developed a performance review procedure that will be implemented in December 2017. ER.29, ER.30.1
2. The factory conducts skill-based tests during the selection process, but does not keep any documents for verification. ER.3.1
3. There is no system to review the performance of new workers at the end of their probation period. ER.1.1
4. The child and young labor policy states that young workers only work 7 hours/day and 42 hours/week, instead of the legal maximum of 8 hours/day and 40 hours/week. ER.1.1
5. There was no written job descriptions prepared for any positions when personnel need to be hired. ER.3
6. HR staff and the members of the Trade Union are not aware about the factory policies and procedures governing discipline, grievance system, and child and young labor. ER.17
7. The labor contracts do not include: employer passport number, work description, working hours and breaks, overtime provisions, weekly rest day, and annual leave. ER.1

##### Local Law or Code Requirement

Labor Code 2012, Art. 163; Article 4, Decree 05/2015/ND-CP; FLA Workplace Code of Conduct (Employment Relationship Benchmarks ER.1, ER.3, ER. 17, ER.29, and ER.30)

#### COMPANY ACTION PLANS

##### Action Plan no 1.

##### Description

1. Factory will establish the written procedure on managing promotion, demotion, and job reassignment.
2. Factory will establish the written procedure skill-based tests during the selection process and keep on file.
3. Factory will establish the performance reviewing for new workers at the end of their probation period
4. Factory will review the child and young labor policy to comply with legal maximum of 8 hours/day and 40 hours/week
5. Factory will establish written job descriptions prepared for any positions when personnel need to be hired
6. Factory will provide the training on the factory policies and procedures governing discipline, grievance system, and child and young labor for HR staff and members of the Trade Union
7. Factory will review and adjust labor contract with the terms as: employee passport number, work description, working hours and breaks, overtime provisions, weekly rest day, and annual leave.

## FINDING NO.2

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Compensation

##### Finding Explanation

- 1.The responsibility allowance is not included in the mandatory insurance contributions, or to calculate the overtime premium for 60 workers. C.1
- 2.Team leaders sign payroll records, instead of workers. C.14

##### Local Law or Code Requirement

Decree No. 05/2015/ND-CP; FLA Workplace Code of Conduct (Compensation Benchmarks C.1, C.14, and C.15)

##### Recommendations for Immediate Action

- 1.Correctly pay the overtime premium.
- 2.Include all compensation in the social insurance contribution calculations.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. Factory will calculate responsibility allowance for insurance contributions and to calculate the overtime premium for 60 workers.
2. HR officer will check and require worker sign directly their payroll instead of team leader.

## FINDING NO.3

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Hours of Work

##### Finding Explanation

- 1.The payroll, time records, and labor contracts for the nine security guards and six canteen workers were not provided for review during the assessment. These personnel were from the service provider who was unwilling to provide the requested information. Due to this Compensation and Hours of Work compliance could not be verified for these workers. ER.2, ER.23, C.15
- 2.Time records from November 2016 to October 2017 indicated that 50% of the workforce had average 32 overtime hours with maximum to 55 hours per month, and 350 to 500 overtime hours per year in 2016 and 2017. This exceeds the legal overtime limits, which only permit 30 overtime hours per month and 300 overtime hours per year. HOW.1.1

##### Local Law or Code Requirement

Labor Code 2012, Art. 106; FLA Workplace Code of Conduct (Hours of Work Benchmark HOW.1; Employment Relationship Benchmarks ER.2 and ER.23)

##### Recommendations for Immediate Action

- 1.Provide all required documents for review.
- 2.Ensure that the overtime-working hours follow the legal requirements.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. Factory will require security provide copy of payroll, time records, and labor contracts for security guards and canteen workers and require they update canteen's worker/ security 's document regularly.s
2. "Factory will review production plan to ensure not exceed 30 hours per month and 300 hours per year. Factory will recruit more employees."

## FINDING NO.4

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Termination & Retrenchment

##### Finding Explanation

The factory does not have retrenchment policies and procedures. ER.32

##### Local Law or Code Requirement

FLA Workplace Code of Conduct (Employment Relationship Benchmark ER.32)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

Factory will establish retrenchment policy and procedure.

## FINDING NO.5

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Industrial Relations

##### Finding Explanation

1. The required workplace dialogue meetings have not been conducted once every 3 months in 2017. In addition, the required labor conference was not conducted in 2017, the most recent labor conference was on June 23, 2016. FOA.13
2. The Trade Union committee was established on June 26, 2017 with seven members. However, factory management selected 70 representatives to vote on the Chairman, Deputy Chairman and committee members, instead of election process. FOA.11
3. Workers are automatically enrolled as members of the union when they join the factory. FOA.2
4. FLA comments: 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 60/2013/ND-CP; Union Law 12/2012/QH13 and Guidance 238/HD-TLD; FLA Workplace Code of Conduct (Freedom of Association Benchmarks FOA.2, FOA.11 and FOA.13)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. Trade Union and factory management will organize the workplace dialogue meetings every 3 months
2. Factory will apply the election process and vote on the Chairman, Deputy Chairman and committee members by all employees.
3. HR staff an Trade Union member will provide the Trade Union training form new worker and provide the Trade Union application form for new worker at the first working day.
4. N/A

## FINDING NO.6

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Workplace Conduct & Discipline

#### Finding Explanation

The factory's internal regulations and policies do not include the legally required principles and procedures of labor discipline. They do not prohibit disciplining workers when they are on sick leave, in police custody, on maternity leave, behavioral illnesses, or retaliation for raising labor violations under the Vietnamese labor code of 2012. ER.27

#### Local Law or Code Requirement

Labor Code 2012, Art. 123, 128; FLA Workplace Code of Conduct (Employment Relationship Benchmark ER.27)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

Factory will reviw the internal regulations and policies included the legally required principles and procedures of labor discipline, not prohibit disciplining workers when they are on sick leave, in police custody, on maternity leave, behavioral illnesses, or retaliation for raising labor violations under the Vietnamese labor.

## FINDING NO.7

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Grievance System

#### Finding Explanation

The grievance procedures do not include information governing the suggestion box such as: the person in-charge; time-frame for opening suggestion box, and response time. ER.25

#### Local Law or Code Requirement

FLA Workplace Code of Conduct (Employment Relationship Benchmark ER.25)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

Factory will review the grievance procedures included information governing the suggestion box such as: the person in-charge; time-frame for opening suggestion box, and response time.

## FINDING NO.8

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Environmental Protection

#### Finding Explanation

- 1.Hazardous waste, such as used chemical containers and fluorescent lights, are not stored in the designated hazardous waste storage area. In addition, the hazardous waste is not classified by type. HSE.1, HSE.9
- 2.The Material Safety Data Sheet (MSDS), secondary containment, and chemical labels were not provided for the machine oil containers located at the compressor room in Workshop One. HSE.9, HSE.10

3. There is no eyewash station at the compressor room. HSE.6.1

#### Local Law or Code Requirement

Circular No. 36/2015/TT-BTNMT on Management of Hazardous Wastes (2015), Art. 7; Law No. 06/2007/QH12 on Chemicals (2007), Art. 29; FLA Workplace Code of Conduct (Health, Safety & Environment Benchmarks HSE.1, HSE.6, HSE.9, and HSE.10)

#### Recommendations for Immediate Action

1. Properly classify and store all hazardous waste.
2. Provide MSDS, secondary containment, and chemical labels for all chemicals used in the factory.
3. Install an eyewash station in the compressor room.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Factory will classify hazardous waste by type and store in the designated hazardous waste storage area.
2. Factory will remove machine oil containers after using to hazardous waste storage area.
3. Factory will equip eyewash station at the compressor room.

## FINDING NO.9

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. The factory has not conducted health and safety training for Group 5 (medical personnel). HSE.1
2. The factory had conducted training for Group 4, however, the not all workers attended this training. Only the worker representatives attended, and they then shared the knowledge with the workers. HSE.1
3. The factory does not train the relevant workers on all necessary Health, Safety, and Environmental Protection policies and procedures. ER.31

#### Local Law or Code Requirement

Decree No. 44/2016/ND-CP, Art. 17; FLA Workplace Code of Conduct (Health, Safety & Environment Benchmark HSE.1; Employment Relationship Benchmark ER.31)

#### Recommendations for Immediate Action

1. Conduct health and safety training for medical personnel.
2. Conduct health and safety training for all workers, as legally required.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Factory will contact training center to provide health and safety training for group 5.
2. Factory will provide health and safety training for remain workers of group 4.
3. Factory will provide all Health, Safety, and Environmental Protection policies and procedures to all workers.

## FINDING NO.10

## IMMEDIATE ACTION REQUIRED

## FINDING TYPE: Health & Safety

### Finding Explanation

- 1.The gas station, wastes storage, air compressor area, generator, and maintenance area do not have fire extinguishers. HSE.5, HSE.6
- 2.There is no liquid petroleum gas detector at the gas cylinders storage in the canteen. HSE.1

### Local Law or Code Requirement

TCVN 3890:2009, Art. 5; FLA Workplace Code (Health, Safety & Environment Benchmarks, HSE.1, HSE.5, and HSE.6)

### Recommendations for Immediate Action

- 1.Equip fire extinguishers in all areas of the factory.
- 2.Install a liquid petroleum gas detector in the gas cylinder storage area.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Factory will equip fire extinguisher in gas station, wastes storage, air compressor area, generator, and maintenance area.
2. Factory will install the liquid petroleum gas detector at the gas cylinders storage in the canteen.

## FINDING NO.11

## IMMEDIATE ACTION REQUIRED

## FINDING TYPE: Health & Safety

### Finding Explanation

- 1.The staircase at the 1st floor of the finished warehouse at workshop #2 does not have an emergency light and illuminated exit. HSE.5, HSE.6
- 2.One emergency light in canteen and one in accessories warehouse are not functional. The illumination duration of the batteries were less than 2 hours. HSE.6
- 3.The evacuation map for the accessories warehouse does not match the actual layout of workshop. The evacuation map for the canteen area does not have a “you are here” marker or the first aid kit location. HSE.6
- 4.Some electrical wiring is spliced using electrical tape. HSE.13

### Local Law or Code Requirement

TCVN 3890:2009, Art. 10; Circular No. 66/2014/TT-BCA, Art. 5; Law No. 27/2001/QH10, Art. 24; FLA Workplace Code (Health, Safety & Environment Benchmarks, HSE.5, HSE.6, and HSE.13)

### Recommendations for Immediate Action

- 1.Ensure that all emergency staircase are equipped with emergency lights and illuminated exit signs.
- 2.Ensure that all emergency lights are fully functional.
- 3.Ensure that all evacuation maps to be posted with sufficient items and match the actual layout of the factory.
- 4.Repair wires using shrink tubing.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Factory will equip emergency light and illuminated exit at the staircase at the 1st floor of the finished warehouse at workshop #2
2. Factory will repair and change the new battery for emergency light in canteen and accessories warehouse to ensure they are functional and illuminate duration at least 2 hours.
3. Factory will update the layout of workshop and add “you are here” marker or the first aid kit location in evacuation map at accessories warehouse.
4. Factory will change new electrical wire.

## FINDING NO.12

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. There is no procedure and mechanism to keep the temperature for storing the medicines at the clinic rooms below 30 degree Celsius, as per applicable standard. HSE.18.3
2. The factory has signed a service contract with a medical center as a back-up solution. However, the medical center located in Binh Duong Province, which is about 50 km from the factory. HSE.18.1
3. Food samples are not kept at least 72 hours, they were kept 24 hours instead, this complies with local laws. In addition, there was no mechanism to maintain the cooling temperature for storing the food samples equal to 4 degree Celsius. HSE.22.1
4. The factory does not have a breastfeeding room for female workers. ND.8.1

##### Local Law or Code Requirement

Circular No. 19/2016/TT-BYT on Guidelines for Occupational Health and Safety Management (2016), ANNEX 4; Decree 39/2016/ND-CP, Art.37; FLA Workplace Code of Conduct (Health, Safety & Environment Benchmarks HSE.18 and HSE.22; Nondiscrimination Benchmark ND.8.1)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. The doctor will check and monitor the temperature at clinic room to ensure below 30 degree Celsius.
2. Factory will sign the medical service contract with the nearest hospital.
3. Factory will kept at least 72 hours and establish the mechanism to maintain the cooling temperature for storing the food samples equal to 4 degree Celsius.
4. Factory will set up a breastfeeding room for female workers.

## FINDING NO.13

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. Some canteen workers do not wear anti-slip shoes while working in the kitchen. In addition, some canteen workers do not wear gloves while moving the cooked food. HSE.22.1
2. A shared cup is provided for workers at the drinking area in the workshop. In the canteen area, workers use bowls to drink water. HSE.23.1
3. The pulley cover of the cutting machine was not closed. HSE.14.1
4. There are no standard operating procedures posted at the contour cutting machines. In addition, the emergency buttons are not labeled in the local language. HSE.1
5. All of the first aid kits just had 10 items instead of 27 items, as legally required. HSE.18

##### Local Law or Code Requirement

Circular 15/2012/TT-BYT, Art. 7; FLA Workplace Code of Conduct (Health, Safety & Environment Benchmarks, HSE.1, HSE.14, HSE.18, HSE.22 and HSE. 23)

##### Recommendations for Immediate Action

1. Supervise PPE use by the workers.



2. Provide workers with individual cups or bottles for drinking water
3. Ensure that the pulley cover is closed for all machines.
4. Post standard operating procedures for all machines.
5. Ensure that all first aid kits to be equipped with sufficient legal items.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. HR and compliance will check daily and remind canteen workers wear anti-slip shoes while working in the kitchen and wear gloves while moving the cooked food.
2. Factory will provide drinking cup for each employee.
3. Factory will fully cover a pulley cover of the cutting machine. Mechanic will check daily to ensure pulley cover if cutting machine is closed.
4. Factory will post the standard operating procedures posted at the contour cutting machines and label the emergency buttons in the local language.
5. Factory will equip 27 items for all first aid kits as law requirement.

## FINDING NO.14

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. The factory has not assigned part-time occupational safety and hygiene officers, as legally required. HSE.1
2. There is no loading capacity and height limitations posted at the shelves in the finished warehouse. HSE.1

#### Local Law or Code Requirement

Law No. 84/2015/QH13, Art. 74; Vietnam Labor law 2012, Art. 138; FLA Workplace Code of Conduct (Health, Safety & Environment Benchmark HSE.1)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Factory will assign 1 fulltime occupational safety and health officer as law requirement.
2. Factory will post loading capacity and height limitations at the shelves in the finished warehouse.

### Action Plan no 2.

#### Description

1. Factory will assign 1 fulltime occupational safety and health officer as law requirement.
2. Factory will post loading capacity and height limitations at the shelves in the finished warehouse.