



FAIR LABOR  
ASSOCIATION<sup>®</sup>

## INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Hugo Boss AG

COUNTRY: Vietnam

ASSESSMENT DATE: 08/03/17

ASSESSOR: One Step Vietnam

PRODUCTS: Apparel

NUMBER OF WORKERS: 318

## 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

#### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Recruitment, Hiring & Personnel Development

##### Finding Explanation

1. The existing written policies and procedures for promotion, demotion and job reassignment in the factory does not include evaluation criteria and channels for workers to provide feedbacks or comments on decisions. This risks implementation to be non-transparent and unfair. In practice, there are cases of promotion, demotion and/or re-assignment of positions, however, these were based on the personal judgment of line leaders and supervisors.
2. Through the review of 14 temporary worker contracts in May and June 2017, it was noted that the end date of the contract terms are not indicated clearly in the temporary contracts.
3. Through the review of 14 temporary worker contracts, it was noted that the factory recruited temporary workers for performing production process such as sewing, cutting and packing etc. which are not defined as regular jobs and are jobs that prohibit temporary workers from conducting.
4. Through the review of 20 labor contracts of current workers, it was noted that there is no annex in their contracts that includes employer information for current workers who started working before January 1st 2016, as required by law.
5. Through the review of five labor contracts of security staffs, it was noted that the start and end time of working shifts are not mentioned in the contracts. In addition, the labor contract of three temporary workers did not have the signature or stamp of the employer.
6. There are nine out of 11 temporary young workers who are performing hazardous and heavy jobs such as sewing, quality control, cutting and packing.
7. There are nine out of 11 temporary young workers who do not have parental consent in the labor contract to work at the factory in any position.

##### Local Law or Code Requirement

Labor Code No. 10/2012/QH13 (2013), Art. 163; Vietnam Labor Code, Article 23; Decree 05/2015/ND-CP, Article 04; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.11 and ER.30; Child Labor Benchmarks CL.3 and CL.5)

##### Recommendations for Immediate Action

- 1.Young workers between the age of 15 and 18 shall not perform hazardous and heavy jobs such as Sewing, Cutting, or QC.
- 2.Factory management must obtain parental consent for young workers to perform jobs in the factory.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

Target: The written policies and procedures for promotion, demotion and job reassignment in the factory includes evaluation criteria. Corrective action: Discussing with Mr. Phong - Human Resources Department Manager and the other department managers to determine which evaluation criteria will be considered to put into the procedures so that the factory improves and develops the existing written policies and procedures.

#### Action Plan no 2.

##### Description

The factory has indicated clear end Dates with temporary worker contracts

#### Action Plan no 3.

##### Description

The factory developed a policy of temporary workers. The policy includes regulations that the temporary workers are prohibited to perform regular jobs and they are guaranteed to give sufficient benefits such as additional compulsory insurance payment, which are paid directly to their wage.

#### Action Plan no 4.

##### Description

The HR department usually makes the new annex every beginning of the new year to update the information and the wages of all workers. Both the labor contract and the annex have been provided sufficient information of the employer and the employee since March 2015 as required by law. Please find attached. The attachment includes the record of an employee started to join the factory from May 2015.

#### Action Plan no 5.

##### Description

The start and end time of working shifts were mentioned in the labor contracts of security staff. In addition, Security guards from the security service provider working at the factory had the labor contract included the signature of both the employer and the employee.

#### Action Plan no 6.

##### Description

The young workers are still performing at the factory. However, the factory has arranged them to perform seven hours per day (they are paid as if they performed eight hours per day), to have one day-off every week and not to perform overtime as legal requirement. Those young workers have been arranged to perform as the assistants, not to perform the heavy and hazardous jobs such as Sewing, Cutting, QC, etc. since August 05, 2017. The factory built the principle for the young workers including above terms into the internal guidelines. Besides, the factory will not employ young workers to perform any positions anymore.

#### Action Plan no 7.

##### Description

The HR department has already received parental consent for young workers performing jobs at the factory. Besides, the factory will not employ young workers to perform any positions anymore. To implement this issue, the factory developed a procedure to stop from employing young workers

## FINDING NO.2

### IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Compensation

#### Finding Explanation

1. Based upon document reviewed, it was noted that the factory signed a contract with an external medical facility to provide one nurse

to do medical activities at the factory. The monthly salary of this nurse is VND 4,012,000 (USD 176.4) which is lower than the minimum wage, which is VND 4,012,500 (USD 176.5). Based on the nurse's labor contract, the nurse should receive a net salary of VND 4,012,000 (USD 176.4) per month. Additionally, the factory deducts 10.5% of mandatory insurance from the nurse's net salary resulting in a salary of VND 3,590,687 (USD 158) which is less than minimum wage.

2. Through the review of five payrolls of security guards, it was noted that overtime (OT) payment for security guards is insufficient. The factory does not calculate OT hours correctly but rather finds the difference between workers' total working hours and the standard regular working hours. This can lead to miscalculation of OT hours. For example, for the month of July 2017, total regular working hours was 208 hours. One security guard worked 200 regular hours and 30 hours OT. The total working hours for this guard was 230 hours. Instead of calculating 30 OT hours, the security company calculated using total working hours minus regular working hours (230 – 208). This means this security guard only received 22 hours of OT and did not get compensated for 30 hours of OT.

3. The payrolls of three security guards from the service providers were not available for review during the assessment. The following could not be verified: minimum wage, compulsory social insurance and annual leave benefits of these employees.

4. Based upon document review, it was noted that 16 out of 20 members of the network of occupational safety-hygiene collaborators did not receive the monthly legal allowance in May and June 2017 as required by law. The network of occupational safety-hygiene collaborators is a group of employees in the workplace in which the factory legally must give compensation.

5. Through the review of the compulsory social insurance documents, it was noted that temporary workers were not paid 21.5% of the compulsory social insurance, as required by law. In addition, the additional insurance payment for canteen staff was not guaranteed for all five canteen staff in April 2017, May 2017 and June 2017. They were paid 21% of the regular monthly rate wage instead of 22% for April and May, and 21.5% for June.

6. Based on the documentation review and confirmation of facility management, the monthly wage rate of five canteen staff in April 2017 was paid insufficiently due to wrong calculations. The facility applied the formula as monthly wage rate divided by 26, and multiplied by actual paid days instead of monthly rate wage divided by 25, and then multiplied by actual paid days.

7. Through a review of the factory's salary scale, it was noted that levels of wages are not greater than each other by at least 5%, as required by law. Currently, it is a 4.98% increment between the first level and the second level of skilled workers.

8. The time keeping documents for temporary workers were not available for review during the assessment. The factory explained that they deleted the time keeping for temporary workers every month after the payment. In addition, the time record of one canteen staff was lacking the time-in information, therefore, the wage of this canteen staff could not be verified.

#### Local Law or Code Requirement

Article 74, Law on Occupational and Hygiene No. 84/2015/QH13; Decree No. 05/2015/ND-CP on Defining and Providing Guidance on the Implementation of a Number of Contents of the Labor Code (2015), Art. 21; Decree 49/2013/ND-CP; Decree No. 153/2016/ND-CP, Art.5; Article 07, Point 03; Vietnam Labor Code, Article 97 and Article 186; FLA Workplace Code (Employment Relationship Benchmark ER.23; Compensation Benchmarks C.1, C.2, C.5, C.7, C.10, and C.15)

#### Recommendations for Immediate Action

- 1.The minimum wage shall be guaranteed as legally required.
- 2.The payroll record of the worker shall be maintained and available for review to fully assess the minimum wage and benefits.
- 3.Benefits, such as additional compulsory insurance payment, which are paid directly to the worker's wage and responsibility allowance for occupational safety-hygiene network, shall be guaranteed as legally required.
- 4.The time records shall be maintained and available for review.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

The factory will perform the corrective action from next year (2018). For detail information, the National Wage Council will declare the regional minimum wage for 2018 in December 2017. The factory will apply for the registration of new wage scale to HEPZA and will conduct when the factory receives the approval from HEPZA.

### Action Plan no 2.

#### Description

The monthly salary of the nurse was revised on her labor contract. She has been paid VND 4,012.500 (USD 176.5) since July 2017. Additionally, she has already received sufficient her salary without being deducted 10.5% of mandatory insurance

### Action Plan no 3.

#### Description

The regular working hours of the factory's security guards could be 08 hours per day or 10 hours per day and shall not be over 48 hours per week. In addition, the factory will comply with paying sufficient compensations of overtime if any, as prescribed. Based on the work schedule of security guards in November 2017, the factory has made clear between the regular working hours

and overtime for the security guards so that the factory will pay sufficient compensations for them. For example, Mr. Cao Xuan Ao has 208 hours of regular working hours and 08 hours of overtime in November 2017. He performs 02 hours of overtime per day on 09th, 10th, 13th, 14th.

The factory does not apply for the calculation of using total working hours minus regular working hours.

The factory makes the work schedule for security staffs every month to ensure this issue will not arise in future.

#### Action Plan no 4.

##### Description

The audit was been conducted when the factory was signing a contract with security service provider named West Ocean Co., Ltd. The service providers did not provide the payrolls of three security guards to the factory on time, so the payrolls were not available for review. The factory has had a new contract with another security service provider named Protection Corporation Sepre Yuki Pro 24 since the end of October. Lawnyard will require the payrolls of the security staffs every next month to be available for review.

As requirement of the auditor, the factory contacted with West Ocean Co., Ltd to require a female security guard. However, West Ocean Co., Ltd could not provide a female security guard for the factory. Therefore, the factory signed a contract with another security service provider

#### Action Plan no 5.

##### Description

The members of the network of occupational safety-hygiene collaborators received the monthly legal allowance in May and June 2017. The factory will keep going on implementing in future.

The attachment includes the records of payment the monthly legal allowance in May and June 2017 for the members of the network of occupational safety-hygiene collaborators.

#### Action Plan no 6.

##### Description

Benefits, such as additional compulsory insurance payment, which are paid directly to the worker's wage and responsibility allowance for occupational safety-hygiene network, shall be guaranteed as legally required.

#### Action Plan no 7.

##### Description

The five canteen staff have already received the additional payment for the monthly wage rate in April 2017. The factory will be more careful to apply the formula in future.

The attachment includes the record of additional payment for canteen staffs in April 2017

#### Action Plan no 8.

##### Description

The time keeping record including time-in and time-out of temporary workers has been maintained since August 2017. Besides, the time record of one canteen staff who was lacking the time-in information has been noted the time-in and time-out information.

The factory has maintained them to be available for review in future since the moment when the factory conducted the corrective action. (3 months)

The attachment includes the records noted time-in and time-out.

The HR department will keep implementing this maintain.

## FINDING NO.3

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Compensation

##### Finding Explanation

1. Through 20 samples of workers' payroll documents, it was noted that workers who join the factory after the 14th of the month do not

- have receive accurate calculations towards their annual leave. For example, one worker joined on July 18th 2017 and resigned on August 17th 2017 and did not get compensated for any annual leave, even though he had worked for a month. According to factory policy, this worker would have received his one day of annual leave if he had resigned on the last day of the month.
2. Through 20 samples of workers' payrolls document, it was noted that the annual leave calculation formula required by law is not applied to calculate the number of annual leave days for workers who have worked less than 12 months at the factory. Workers are provided one extra annual leave day for six months of work instead of the factory applying the formula. This formula is the following: the number of days of annual leave plus additional days off according to seniority (if any) divided by 12 months, then multiplied by the actual number of working months in the year; the result shall be rounded up if the decimal is 0.5 or bigger. One example is a worker who was entitled to five days of annual leave but only received four days.
3. The annual leave benefit of all five canteen staffs could not be verified as no documentation was provided for review during the assessment.
4. The time keeping records of five employees (HSE staff, packing worker, mechanic and electrician) who are assigned to alternatively sleepover at the factory during the nightshift from 22:00pm to 6:00am, in case of emergencies, was not available for review during the assessment. The following could not be verified: the premium payment for OT hours during nightshift (workers shared that they were being paid VND 135,000 per person per night, which is lower than the legal requirement). Moreover, these employees do not receive sufficient break times when they go back to their regular work on the next day.
5. Through factory regulation review and confirmation from factory management, it was noted that factory rules and policy on Compensation is not reviewed periodically. The factory's internal rules and regulation does not include working shifts of security guards and the overtime premium for the night shift in the Compensation policy was 195% instead of 200 & 210%, as current law requirement.

#### Local Law or Code Requirement

Decree 45/2013/ND-CP, Article 06 and Article 07 ; Vietnam Labor Code, Article 97; FLA Workplace Code (Employment Relationship Benchmarks ER.1.3 and ER.23; Compensation Benchmarks C.1 and C.7; Hours of Work Benchmarks HOW.11, HOW.14)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

The factory has already applied the accurate calculations towards the workers' annual leave as required. For more detail, there was a meeting operated to guide and apply the accurate calculations towards the workers' annual leave as follows:

- The worker will receive one day of annual leave when he/ she performs sufficiently a month.
- The factory will apply the formula from now on. This formula is the following: the number of days of annual leave plus additional days off according to seniority (if any) divided by 12 months, then multiplied by the actual number of working months in the year; the result shall be rounded up if the decimal is 0.5 or bigger.

The records of the meeting and a sample case of applying the accurate calculations towards the worker's annual leave were shown in the attachment.

### Action Plan no 2.

#### Description

The factory has already applied the accurate calculations towards the workers' annual leave as required. For more detail, there was a meeting operated to guide and apply the accurate calculations towards the workers' annual leave as follows:

- The worker will receive one day of annual leave when he/ she performs sufficient a month.
- The factory will apply the formula from now on. This formula is the following: the number of days of annual leave plus additional days off according to seniority (if any) divided by 12 months, then multiplied by the actual number of working months in the year; the result shall be rounded up if the decimal is 0.5 or bigger.

The records of the meeting and a sample case of applying the accurate calculations towards the worker's annual leave were shown within the attachment.

### Action Plan no 3.

#### Description

The document of the annual leave benefit of all five canteen staffs was shown to auditor for review



#### Action Plan no 4.

##### Description

To make the condition for all employees to receive sufficient break time when they go back to their regular work on the next day, the factory has not assigned to alternatively sleepover at the factory since August 2017. The time keeping records will be available for all employees. In addition, all-time record from the past will be available for review in future.

#### Action Plan no 5.

##### Description

The overtime premium for the night shift in the Compensation policy has been already revised 200% and will be applied from next month-

## FINDING NO.4

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Hours of Work

##### Finding Explanation

1. The attendance records from July 2016 to June 2017 noted that 30% of the workforce had an average of 63 working hours per week with a maximum of 74 hours per week, including OT and Sunday work. This exceeds the FLA requirement on working hours which only permits 60 working hours per week, including OT.
2. The attendance records from July 2016 to June 2017 noted that 15% of the total of workforce did not have 24 consecutive hours of rest in every seven day period, specifically in the period of July to September 2016, December to January 2016, and March, April and June 2017. The workers worked consecutively from seven to 21 days per month.
3. The attendance records from July 2016 to June 2017 noted that 30% of the total workforce had daily excessive working hours up to 4.5 hours in the period, instead of only 4 hours OT hours per day as legally requirement.
4. The attendance records from July 2016 to June 2017 noted that 40% of the workforce had averaged 50 OT working hours with maximum to 85 hours per month. This exceeded the legal requirement on OT which only permits 30 OT per month.
5. The production target is not set on regular working hours excluding OT hours. In practice, the target is set based on the delivery date which leads to the factory not being able to manage OT hours of work under legal requirements.
6. There are nine out of 11 temporary young workers working more than 40 regular working hours per week, as well as overtime hours. The law requires the young worker to be working less than or equal to 40 hours per week.

##### Local Law or Code Requirement

Labor Code No. 10/2012/QH13 (2013), Art. 163; Vietnam Labor Code, Article 106; FLA Workplace Code (Employment Relationship Benchmark ER.24; Hours of Work Benchmarks HOW.1, HOW.2, and HOW.8; Child Labor Benchmarks CL.5)

##### Recommendations for Immediate Action

1. The total weekly working hours should be kept within 60 hours.
2. The weekly day off (rest day) shall be guaranteed as legally required.
3. The total daily working hours shall be kept within 12 hours as legally required. In addition, the monthly overtime hours shall be kept within 30 hours as legally required.
4. The young workers between the age of 15 and 18 shall not work more than 40 hours per week neither overtime as required by Viet Nam Labor law.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

Target: Compliance with the working hours as prescribed: the total weekly working hours shall be kept within 60 hours; monthly overtime hours shall be kept within 30 hours and at least 24 consecutive hours of rest in every seven-day period. Corrective action: Mrs. Oanh reports these problems to Director Department and makes contact with Production Department to undertake these findings so that the factory complies with the local law.

#### Action Plan no 2.

#### Description

Target: Compliance with the working hours as prescribed: the total weekly working hours shall be kept within 60 hours; monthly overtime hours shall be kept within 30 hours and at least 24 consecutive hours of rest in every seven-day period. Corrective action: Mrs. Oanh reports these problems to Director Department and makes contact with Production Department to undertake these findings so that the factory complies with the local law.

#### Action Plan no 3.

#### Description

Target: Compliance with the working hours as prescribed: the total weekly working hours shall be kept within 60 hours; monthly overtime hours shall be kept within 30 hours and at least 24 consecutive hours of rest in every seven-day period. Corrective action: Mrs. Oanh reports these problems to Director Department and makes contact with Production Department to undertake these findings so that the factory complies with the local law.

#### Action Plan no 4.

#### Description

Target: Compliance with the working hours as prescribed: the total weekly working hours shall be kept within 60 hours; monthly overtime hours shall be kept within 30 hours and at least 24 consecutive hours of rest in every seven-day period. Corrective action: Mrs. Oanh reports these problems to Director Department and makes contact with Production Department to undertake these findings so that the factory complies with the local law.

#### Action Plan no 5.

#### Description

When the audit was conducted at the factory, the employee of the factory showed the export schedule which only indicated the dates of export and did not indicate the production capacity of the factory. To correct this issue, the factory provided a production capacity document to manufacture the customer's order. Based on this document, the factory could manage the regular working hours of the employees as well as the overtime requested by law.

#### Action Plan no 6.

#### Description

The young workers are still performing at the factory. However, the factory has arranged them to perform seven hours per day (they are paid as if they performed eight hours per day), to have one day-off every week and not to perform overtime as legal requirement. Those young workers have been arranged to perform as the assistants, not to perform the heavy and hazardous jobs such as Sewing, Cutting, QC, etc. since August 05, 2017. The factory built the principle for the young workers including above terms into the internal guidelines. Besides, the factory will not employ young workers to perform any positions any more.

## FINDING NO.5

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Termination & Retrenchment

#### Finding Explanation

The existing Policy and Procedures on Retrenchment in the factory does not include clear criteria for retrenchment.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.32)

### COMPANY ACTION PLANS

#### Action Plan no 1.

#### Description

Target: The written policies and procedures on retrenchment



Corrective action: Discussing with Mr. Phong - Human Resources Department Manager and the other department managers to determine which evaluation criteria will be considered to put into the procedures so that the factory improves and develops the existing written policies and procedures.

## FINDING NO.6

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Workplace Conduct & Discipline

##### Finding Explanation

- 1.The male workers and female workers distribution in the factory is 11.4% and 88.6%. However, the facility has five male security guards and no female security guards. In the case that pat downs are required, there are no female security guards to conduct checks on female workers.
- 2.There are three records of workers disciplinary action from June 2, 2017 and June 22, 2017, without witnesses of a third party. These practices are in compliance with local law but against FLA Benchmarks.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship ER.27; Harassment and Abuse Benchmark H/A.10)

##### Recommendations for Immediate Action

If the occasion arises, physical pat downs will not be conducted by the opposite gender. Hire at least one female security guard in case physical checks on workers is needed.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

The factory signed a contract to have a female security guard with a security service provider named Protection Corporation Seppure Yuki Pro 24 on October 14, 2017. The factory will keep going on conducting the contract providing female security guard in the future. Therefore, in the case that pat downs are required, there is always a female security guard to conduct checks on female workers.

#### Action Plan no 2.

##### Description

The factory has established a procedure to undertake disciplinary action with witness of a third party and complied with since the moment when the factory conducted the corrective action.

## FINDING NO.7

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Environmental Protection

##### Finding Explanation

1. It was observed that some chemicals were not stored in the designated area. In addition, the Material Safety Data Sheet (MSDS), secondary containment, chemical safety equipment and chemical labels were not provided for some chemicals in the factory. These chemicals are at the fire pump station, parking area, and nearby toilet areas.
2. The observed hazardous wastes, such as used chemical containers, were not stored in the designated area. In addition, the hazardous wastes were not classified and labeled properly in the hazardous wastes storage.
3. The non-hazardous wastes were not classified for recyclable and non-recyclable types.
4. Based upon document reviewed and observation from site tour, it was noted that factory has been using the water from the well (underground water). However, factory did not have underground water extraction permit as required by law.
5. There is no standard operating procedure for the waste water treatment plant (WWTP) located on factory grounds. In addition, there

are no trained staff in charge of the WWTP operation.

6. The waste water treatment tank had a leak which the factory fixed by using glue on the surface of the tank. This can lead to the treatment tank leaking again.

#### 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; Law No. 17/2012/QH13 on Water Resources (2012), Art. 44; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.4, HSE.9, and HSE.10)

#### Recommendations for Immediate Action

1. The Material Safety Data Sheet (MSDS), secondary containment, chemical safety equipment and chemical labels shall be provided for all chemicals of the factory when transporting, storing, and using.
2. The hazardous wastes should be stored in the designated area. The hazardous wastes shall be classified and labeled in the hazardous waste storage.
3. The non-hazardous wastes should be classified for recyclable and non-recyclable types.
4. The underground water should be registered and obtain the permit from the local authority for using.
5. The waste water treatment plant (WWTP) should have the standard operating procedure for the operator. The operator of the WWTP should be trained.
6. The waste water treatment tank should be maintained to prevent the leakage of the waste water.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

Target: The factory has underground water extraction permit. Corrective action: Mr. Tai reports this problem to Director Department and makes contact with the competent authority to achieve the Permit..

### Action Plan no 2.

#### Description

Target: The safe waste water treatment tank. Corrective action: Mr. Tai checks the present situation of this equipment, reports this problem to Director Department and suggests a new one if necessary.

### Action Plan no 3.

#### Description

The Material Safety Data Sheet (MSDS), secondary containment, chemical safety equipment and chemical labels were provided for all chemicals of the factory. Besides, the factory developed a regulation of these issues.

### Action Plan no 4.

#### Description

The hazardous wastes were classified, labeled and stored in the designated area. In addition, the factory developed a regulation for classifying and handling of wastes. It will be implemented to prevent this issue from recurring in the future

### Action Plan no 5.

#### Description

The non-hazardous wastes were classified as recyclable and non-recyclable types. Besides, the factory developed a regulation for classifying and handling of wastes and a policy of protecting the environment. They will be implemented to prevent this issue from happening again in the future.

### Action Plan no 6.

#### Description

The waste water treatment plant (WWTP) was provided the standard operating procedure. Besides, the operators of the WWTP were trained on August 16, 2017. The training will be operated periodically every 6 months to ensure this issue will not recur in

future.

## FINDING NO.8

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. The factory has not developed a comprehensive policy and procedure on labor accident investigation and managing labor accidents in which includes regulation on investigation, medical examination, compensation, remediation, and prevention.
2. The factory has conducted proper training on labor & HSE policies and procedures for all workers on May 20, 2017. However, there are 20 workers who did not attend the training on that day and the factory has not provided back-up training for those persons so far.
3. The factory has not developed a comprehensive risk assessment procedure to identify workplace hazards and assess all the risks that may occur in the facility. Moreover, the risk assessment (conducted in May 2016) was very simple without a responsible person present, root cause analysis, identify risk level, etc.
4. A fire risk assessment has not been conducted in 2017 and there is no plan to complete by the end of the year.
5. The annual health, safety and environment (HSE) re-training every 2 years, as required by law, has not been conducted for Group 3: 2 electricians and one worker who operates the boiler. The latest HSE training for electricians and boiler operator was in May 2014. The factory has two people operating four boilers and two air compressors. It would be a critical risk if an emergency occurred and one operator was absent, as there is no back-up person in place.
6. One observed sewing worker was not provided the ear plug while working in the noisy condition. In addition, five observed sewing workers were not using eye-guards while working with hi-speed machines.

##### Local Law or Code Requirement

Circular No. 04/2014/TT-BLDTBXH on Guiding Implementation of Regulations on Personal Protective Equipment (2014); Law on Occupational & Hygiene No. 84/2015/QH13, Article 35 & 36; Decree 39/2016/ND-CP, Article 3, 4, 5, 6 and 7; Decree 44/2016/ND-CP, Article 17 and Article 21.

Art. 4; FLA Workplace Code (Health, Safety and Environment HSE.1, HSE.15, and HSE.17)

##### Recommendations for Immediate Action

1. All workers shall be trained on occupational health and safety as legally required.
2. The risk assessment shall be conducted with the responsible person present, root cause analysis, identify risk level.
3. The fire risk assessment shall be conducted to prevent the fire happens.
4. The boiler operator shall have proper number of trained operator to be available to back up in emergency case of the factory. The electricians shall also be trained by the competent authority.
5. Provide all workers with the correct PPE.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

Target: A comprehensive policy and procedure on labor accident investigation and managing labor accidents. Corrective action: Researching and discussing with Mr. Tai - Safety and Health Manager to develop A proper policy.

#### Action Plan no 2.

##### Description

Target: The ear plug to ensure the safety working environment for the workers. Corrective action: Mr. Tai - Safety and Health Manager reports this problem to Director Department and conducts to estimate the number of workers who need to equip.

#### Action Plan no 3.

##### Description

The workers who did not attend the training on labor & HSE policies and procedures on May 20,2017 were provided back-up training on August 30,2017.

The new employees are always provided a training meeting before starting to work at the factory. Besides, the factory arranges to provide a re-training meeting for all employees every year.

#### Action Plan no 4.

##### Description

Target: A comprehensive risk assessment procedure. Corrective action: Researching and discussing with Mr. Tai - Safety and Health Manager to conduct the assessment.

#### Action Plan no 5.

##### Description

Target: A fire risk assessment. Corrective action: Researching and discussing with Mr. Tai - Safety and Health Manager to conduct the assessment.

#### Action Plan no 6.

##### Description

To remediate this issue, the factory assigned more responsible people for Group 3. The old responsible people joined re-training (every 02 years). The new responsible people joined training the first time. All of them were trained and got certificates by the competent authority. The factory has two boiler operators, two air compressor operators and two electricians at present. Therefore, the factory has the proper number of responsible people for Group 3 as well as there is back-up person in place to handle any emergency cases of the factory. In addition, the factory will arrange for them to join training when the certificates are expired.

## FINDING NO.9

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. There is no fire extinguisher in the used machine storage area. This area is classified as danger of fire and should be equipped with fire extinguishers. In addition, the type of fire extinguishers the factory has is incorrect for the type of materials in the storage area. The factory only has Type A while the materials need Type A and Type ABC.
2. Based upon document reviewed, it was noted that the factory's fire-fighting team had 25 members. However, six out of the 25 members resigned from the factory but the factory has not assigned additional persons for the fire-fighting team to make sure the number of team members is as required by law (at least 25 team members for facilities with over 100 employees).
3. There are only four out of 19 members of the factory's internal fire-fighting team equipped with the necessary fire-fighting and prevention means and equipment, as required by law, such as firefighter's helmets, clothing, gloves, boots, gas filter masks, rescue ropes, battery loudspeakers, etc.
4. The factory does not have the plan, schedule, contract with a competent contractor, invoice or related records of maintenance of fire-fighting system (fire hose reels, hydrant, smoke detector, automatic fire alarm, etc.).
5. The sample room and the used machine storage areas do not have emergency lights or illuminated exit signs.
6. There was no automatic fire alarm system in the machine storage, sewing area, a part of finished goods warehouse, stoke warehouse, and inventory warehouse.
7. Based upon the review of the Fire Local Police inspection record, it was noted that factory has not installed the fire alarm system which must be connected directly to Fire Police Command center to quickly notify in the case of emergencies.
8. There was no gas detector equipped in the cooking area.
9. The electrical wirings were unsafe in the canteen and waste water treatment plant. There are exposed wires and some wires were stored on the wet ground.

##### Local Law or Code Requirement

TCVN 3890:2009 on Fire protection equipments for construction and building, Providing, installation, inspection, maintenance (2009), Art. 5.1, Art. 6.1, Art.10.1.6; Circular 66/2014/TT-BCA, Article 15; TCVN 3890:2009, Decision 2726/QĐ-BKHCNN; Direction No. 22/2013/CT-UBND; Law No. 27/2001/QH10 on Fire Prevention and Fighting (2001), Art. 24(2)(3); FLA Workplace Code (Health, Safety and Environment HSE.1, HSE.5, HSE.6, HSE.7, and HSE.13)

##### Recommendations for Immediate Action

1. The fire extinguishers must be equipped based on the flammable types.
2. The fire-fighting team must have sufficient members as required by laws.
3. The required equipment for the fire-fighting team shall be provided sufficiently as legally required.
4. The fire-fighting equipment must be inspected by a competent authority as legally required.
5. Install functional emergency light and illuminated exit signs at emergency exit doors.
6. Install the automatic fire-alarm system adequately.
7. The fire alarm shall be connected to the Fire Police Command center to quickly notify in the case of emergencies as required.
8. The gas detector shall be provided at the cooking area.
9. All electrical wiring should be put in an inflammable cover and tube. Electrical wiring must not be put on the ground.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

Target: There is the equipment for every member of the fire-fighting team. Corrective action: The factory had 4 equipment packages before additional equipment. The total is 12 equipment packages now. Mr. Tai reports to Director Department this problem to equip more.

### Action Plan no 2.

#### Description

Corrective action: The assigned person, Mr. Tai – Safety and Health Manager has to check the present situation as well as the number of areas need equipping. Then, he suggests the Director Department equip more. The factory has the fire alarm system for almost departments: cutting, fabric warehouse, accessory warehouse, packing area, office, etc. In addition, the factory has installed the fire alarm system which has been connected directly to Fire Police Command center as closed finding 9.

### Action Plan no 3.

#### Description

The type ABC of fire extinguisher are equipped since November. Besides, the factory provided fire extinguisher in the used machine storage area. All employees can know where the extinguishers are located by the visible sign on the wall, above the extinguishers. In addition, to ensure the extinguisher equipped for all department of the factory, Mr. Tai, Health and safety manager, have 02 maps for monitoring providing the extinguishers for all areas.

### Action Plan no 4.

#### Description

The fire-fighting team must have sufficient members as required by laws

### Action Plan no 5.

#### Description

The factory has a contract with Hung Dao Facility for inspecting periodically the fire-fighting equipment as legally required. They will come to the factory to inspect and maintain every 06 months. The first inspection was conducted on September 06, 2017. They came back the factory to correct the equipment on September 09, 2017. The factory will conduct and keep going on this contract to ensure our fire-fighting system maintained well.

### Action Plan no 6.

#### Description

Target: Equipment emergency lights or illuminated exit signs Corrective action: Mr. Tai checks and investigates the number of equipments necessary for Director Department to equip more.

### Action Plan no 7.

#### Description

The factory has a contract with the competent authority and the contract will be automatically renewed if the 02 sides without

notice to terminate the contract before 03 months. The fire alarm system was installed at security room. The competent authority will come to the factory and maintain this device every year to prevent it from being broken down. Therefore, the fire alarm system of the factory is connected to the Fire Police Command center to quickly notify in the case of emergencies as required.

#### Action Plan no 8.

##### Description

The gas detector was equipped in the cooking area but the auditor might not find it. It is inspected every month to ensure that it is normal operation.

#### Action Plan no 9.

##### Description

All electrical wiring should be put in an inflammable cover and tube. Electrical wiring must not be put on the ground

## FINDING NO.10

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. The policy on the clinic room states that workers can only stay up to one hour at the clinic. There are no procedures to handle workers who need stay longer in the clinic room. Additionally, the policy was established in 2011 and has not been revised since.
2. For a factory with a total workforce of over 300 employees, there must be at least one doctor or physician and an additional person to carry out medical activities with intermediate educational level to work full time at facility. However, the factory signed a contract with an external medical facility to provide one nurse (working full time: 7:30 - 16:30) and one doctor (working part time: 13:00 - 16:30 on Wednesday & Saturday) to do medical activities onsite. Moreover, during the overtime working hours of workers, there are no available medical staffs to do medical activities and care for workers' health.
3. Medicine is stored inside first aid kits in the accessory warehouse, instead of in the clinic. In addition, based on document reviewed, it was noted that most of the medicine in the clinic room is not kept at the correct temperature. Most of the medicine must be kept in a cool place that does not exceed 30 Celsius degrees. Based on medical staff interviewed, the only time the clinic is cool is when the nurse uses the air-conditioner from 11:00 to 16:00. Therefore, there is a risk for damage of medicine in summer (hot season) during the time that air-conditioner is not operating.
4. The facility does not have a breastfeeding room for female workers.
5. The factory conducted an inspection on water used for cooking drinking in February 2017. However, the factory did not follow the standards as required by law on frequency of inspection (every 3 months for level A parameters and every 6 months for level B parameters). In practice, factory only conducts water inspections every 6 months for level A parameters and none for level B parameters.
6. The workers shared one cup to drink water.
7. The foods samples were not kept at least 72 hours. They were kept 24 hours instead. In addition, the foods samples were not kept from 0 – 4 degree Celsius.

##### 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, Article 31; Circular 50/2015/TT-BYT and QCVN 01:2009/BYT, Article 14; FLA Workplace Code (Health, Safety and Environment HSE.18, HSE.22, HSE.23; Nondiscrimination Benchmark ND.8)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

Target: A doctor works full time at the factory. Corrective action: Mr. Tai reports this problem to Director Department.

#### Action Plan no 2.

##### Description

The factory established a procedure to handle workers who need to stay longer in the clinic room.



This procedure has taken effect since August 10, 2017.

### Action Plan no 3.

#### Description

To ensure medicines are valid to use, the nurse inspects the medicines being stored, lists the medicines running out and receives new medicines from the external medical facility. In addition, the time of turning on the air-conditioner in the clinic room was changed. It was turned on from 8:30 am. Therefore, the factory can assure medicine is stored in the clinic and kept in a cool place that does not exceed 30 Celsius degrees

### Action Plan no 4.

#### Description

Ensure water inspection frequency according to the standards as required by law (every 3 months for level A parameters and every 6 months for level B parameters)

#### Company Action Plan Update

The factory conducted an inspection on water used for cooking drinking on September 01, 2017 for both level A parameters and level B parameters. The factory will conduct an inspection for both level A parameters and level B parameters for all next times every 03 months. In addition, the Health and Safety department creates an inspection plan in December every year, including the inspection of water used for cooking drinking.

The factory will provide the inspection plan for 2018 in December.

### Action Plan no 5.

#### Description

The factory has the regulation of giving to each new worker a plastic bottle to ensure each worker has an own bottle to drink water.

### Action Plan no 6.

#### Description

The food samples have been kept within 72 hours as well as kept from 0-4 degree Celsius since October 2017. The factory revised the form of record for monitoring. The factory will implement from now on.

## FINDING NO.11

### IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. The shelter was overloaded in the materials warehouse, risking the support frames from breaking and injuring workers. In addition, there is no moving platform for the workers who need to load materials in the high position.
2. There is no wall to separate the compressor area and other areas. The compressor area is located right next to the canteen area. In addition, there is no wall to separate the boiler area and other areas on the ground floor (finishing area). In addition, one boiler was located inside the ironing area without any walls to separate it.
3. There was no visible sign of the pressure level limit for the pressure gauge meter.
4. The cleaning area was not well-maintained. The air collecting equipment is not operating well as the wind speed is not strong enough to collect, suck, and absorb the volatile chemical compounds. In addition, there is no MSDS in this area and no personal protective equipment sign.

#### Local Law or Code Requirement

Labor Code No. 10/2012/QH13 (2013), Art. 138; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.11, and

#### Recommendations for Immediate Action

- 1.The shelter and frame to store materials should be able to hold the capacity of materials to prevent falling and accidents.
- 2.The boiler and compressor areas should be separated with the production areas and there should be a mechanism to prevent the risk from explosion.
- 3.Ensure the pressure gauge meter has a visible sign to show the pressure level limit.
- 4.The air collecting equipment shall be functional to collect, suck, and absorb volatile chemical compounds. Additionally, the correct PPE shall be provided for cleaning workers.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

The shelter and frame to store materials were fixed and were able to hold the capacity of materials to prevent falling and accidents. In addition, the shelters were labeled with the maximal capacity of kilograms to prevent overloading in future. To ensure this issue will not arise in future, the warehouse department will pay attention to stowing materials. The platform for the workers who need to load materials in the high position was equipped.

#### Action Plan no 2.

##### Description

According to the guidances of the auditors, the factory has already built the solid walls to separate compressor areas, boiler areas and other areas. Besides, one boiler was located inside the ironing area is not used any more. There are two people having responsibility for inspecting periodically every 03 months all of compressors and boilers to prevent risks, including the risk from exploding.

The attachment includes the pictures of solid walls and the records of inspecting periodically.

Explanation of pictures: the first and the second show the compressor area located right next to the canteen; the 3th and the 4th show the boiler area located on the ground floor (finishing area); the 5th shows the boiler inside the ironing area which is out of use; and the others show the records.

#### Action Plan no 3.

##### Description

The pressure gauge meter has a visible sign to show the pressure level limit. There are two responsible people to monitor and inspect this equipment every 03 months. To ensure this issue will not recur in future, the visible sign to show the pressure level limit will be included in the content monitored and inspected.

#### Action Plan no 4.

##### Description

The cleaning area is well-maintained now. The air collecting equipment has been functional to collect, suck, and absorb volatile chemical compounds. The correct PPE have been provided for cleaning workers. There is MSDS on the chemical. There are two taps to wash eyes in the emergency cases. Besides, there is the periodically inspected document to make sure them operating well.