



FAIR LABOR  
ASSOCIATION®

## INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Fast Retailing Co., Ltd.  
COUNTRY: Vietnam  
ASSESSMENT DATE: 10/26/16  
ASSESSOR: FLA China  
PRODUCTS: Apparel  
NUMBER OF WORKERS: 3622

## 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 written outcomes for promotion, demotion and reassignment.
- 2.When workers' wages increase, the factory does not amend the labor contract for the worker to sign nor is a copy made for the worker.

##### Local Law or Code Requirement

The Vietnam Labor Code, Article 24; FLA Workplace Code (Employment Relationship Benchmarks ER 1.2, and ER.30.1.2)

#### COMPANY ACTION PLANS

##### Action Plan no 1.

##### Description

1. a. Factory revise the procedure of promotion, demotion and reassignment in which includes providing workers with written outcomes.
- b. HRD staff is responsible for providing a copy of promotion, demotion and resignation with receipt signature of workers.
- c. Compliance check compliance of HRD staff.
2. a. Factory will provide a copy of labor contract annex to employees when having wage increase.
- b. HRD staff is responsible for making the contract annex and provide to workers with a copy.
- c. Compliance check compliance of HRD staff.

## Company Action Plan Update

1. Per document reviewing and worker's interview, factory already provided the outcomes for promotion, demotion and reassignment with worker's confirmation and signature. (Completed)
2. Per document reviewing and worker's interview, factory already provided the labor labor contract for worker to sign and provided one copy to worker. (Completed)

## FINDING NO.2

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Compensation

##### Finding Explanation

- 1.The factory does not pay medical insurance claims to workers within three days after receiving the amount from the insurance company, as required by law.
- 2.The salary base used to calculate unused annual leave payouts is calculated from the average salary for the month of December of that year. However, the local law requires the company to use the average salary of the six months prior to payment. Although this practice works in favor of workers whose salary increased in December, it also means that several workers whose salaries decreased in December would receive less than legally owed to them. For example, 271 reviewed performance reviews in December 2015 showed that 42 workers' salaries increased and four workers' salaries decreased. These salaries are based on worker's capacity and productivity and is recorded in their performance reviews.

##### Local Law or Code Requirement

The Decision No. 636/QĐ-BHXH on Documents and Procedures for Getting Social Insurance Regimes, Government Decree No. 05/2015/ND-CP, Article 26; FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, Compensation Benchmarks C.1)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. a. Factory revise the procedure of settling claims for sick and maternity leaves and commit to implement within 3 working days after receiving the final payment confirmation list of local insurance department.
  - b. Factory will announce all employees to be aware of the procedure. If having any postpone, Insurance staff is responsible for informing to workers about the reasons and delay time of receiving the payment.
  - c. Factory assign 3 Insurance staffs and 1 Accountant are responsible for Insurance work of factory to ensure all procedures to be maintained. Finance staff is following with Finance Manager's business schedule to ensure to have full payment signature
  - d. Compliance team monthly check compliance of this payment.
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2. a. Factory Finance change salary formula to calculate the average salary of the six months prior to payment.
  - b. Factory assign one HR staff to follow annual leave of all employees and ensure workers to be paid as required law
  - d. Compliance team will check the payment process to ensure compliance.

e. The HR Department will update the content about Environmental Protection in orientation training immediately.

#### Company Action Plan Update

1. Per document reviewing from Dec 2016 to Nov 2017 and worker's interview, factory already paid all medical insurance claims within 3 days after receiving the amount from the insurance company. (Completed)
2. Per reviewing pay roll records from Dec 2016 to Nov 2017 and worker's interview, factory already paid the unused annual leave by the average salary of the six months prior to payment. (Completed)

### FINDING NO.3

#### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Hours of Work

##### Finding Explanation

1. Based on 70 reviewed time records from October 2015 to September 2016, it is noted that overtime exceeded the legal limit of 30 hours per month with a maximum of 88 hours per month, and an average of 37.87 hours per month. The records also show that workers exceeded the legal maximum of 300 hours of overtime per year, with a maximum of 704 hours per year for one worker and an average of 454.48 hours per year.
2. From a review of monthly working hours' performance reports in March 2016 (low season), May 2016 (regular season) and September 2016 (peak season), it is noted that: approximately 1.9% of workers worked in excess of 60 hours per week in March 2016; approximately 6.4% of workers worked in excess of 60 hours per week in May 2016; and no workers worked over 60 hours per week in September 2016. The maximum weekly working hour for this time period was 71.8 hours.
3. Based on 70 reviewed time records from October 2015 to September 2016, workers worked from one to two Sundays per month from November 2015 to January 2016. Out of 70 workers[H1], there were 17 workers in November, 50 workers in December, 51 workers in January 2016, one worker in July 2016 and 12 workers in September 2016 who worked 7 days without a compensatory day off. In several cases, workers took a compensatory day off in July and September 2016. The longest consecutive days of work without a day of rest was 13 days.
4. The factory's production plan always includes one hour of overtime per day.

##### Local Law or Code Requirement

The Vietnam Labor Code, Article 106 and Article 110; FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, Hours of Work Benchmarks HOW.1.1, HOW.1.3, HOW.2 and HOW.8)

##### Recommendations for Immediate Action

1. Ensure workers do not work more than the legal overtime limit of 30 hours per month.
2. Ensure that workers do not work more than 60 hours per week.
3. Establish a system to control working hours and introduce procedures for overtime hours in extraordinary circumstances.
4. Provide workers 24 consecutive hours of rest for every 7-day working period. Ensure that work done on Sunday has a compensatory day off.
5. Provide factory management with ongoing training on Hours of Work policies.
6. The factory production plan should not always include overtime as the standard working time and review of the factory's production capacity and planning.
7. FLA affiliate Company's Sourcing and Social Compliance teams should implement FLA Principles of Fair Labor and Responsible Sourcing and, to help the factory address its excessive hours issue, coordinate accordingly on the following topics: how to provide better order forecasts to the factories; possible workshops/consultancy for the factory on how to improve productivity/quality; clear guidelines on how to extend shipment deadlines in case of contingencies; steps that factory management must follow if overtime is inevitable; clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks; and clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

- 1,2,3. a. Center PPC allocates orders based on factories' production ability.
  - b. PPC makes proper production arrangement with flexibility, balancing the capacity for different brands.
  - c. Promote worker introduction program to attract more workers.
  - d. Develop recruitment at far provinces.
  - e. Industrial Engineering department (IED) consecutively train new workers and upgrade sewers' skill to increase efficiency to reduce overtime.
  - f. IED work with production line management to arrange suitable layout for difficult styles.
  - g. To settle the fabric/yarn quality, QA manager will arrange QA staffs to strictly control fabric quality from fabric mill.
  - h. Production planner should inform buyers about fabric problem to expand shipment date
  - i. In urgent shipment or peak season, Production plan work with customer to be approved some weeks with over 60 working hours per week
  - j. OT approval system: all irregular overtime working MUST be reported to and approved by factory general manager.
  - k. HRD monitors and sends working hours report of previous 4 days (Monday to Thursday), as well as alerting to each department weekly, so that the department head can arrange suitable working hours for the next 2 days (Friday and Saturday) to ensure not over 60h / week.
  - l. Monthly, HRD and Compliance team check attendance and report excessive overtime cases to top managers.
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2. According to the needed skills of different position, the HR Department will arrange the relative training. The further ongoing training will be provided, which depends on personal level.
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3. a. Although the new company has made the policies and procedures on Personnel Development, the content is deficient, such as the ongoing training to raise or broaden workers' skills for career advancement. The HR department will review the material of this aspect and complete the deficient parts. Meanwhile, the records will be kept.
  - b. The company carries out the mechanism of internal recruitment every year to build the platform for fair personnel development. We select the management among the general workers. But the records on performance reviews is incomplete. The HR department will start to keep the complete records immediately.

4. Production Planning Senior Manager change formula of making production planning without overtime. Factory set up a mechanism of controlling working hours. a. Although the new company has made the policies and procedures on Personnel Development, the content is deficient, such as the ongoing training to raise or broaden workers' skills for career advancement. The HR department will review the material of this aspect and complete the deficient parts. Meanwhile, the records will be kept.

b. The company carries out the mechanism of internal recruitment every year to build the platform for fair personnel development. We select the management among the general workers. But the records on performance reviews is incomplete. The HR department will start to keep the complete records immediately.

Update on 26th December 2017.

1. Per reviewing attendance records from Dec 2016 to Nov 2017, production employees still worked overtime exceed 300 hours per year and 30 hours per months.

2. Per reviewing attendance records from Dec 2016 to Nov 2017, production employees still worked overtime exceed 60 hours per week in Nov 2017.

Factory already submitted working our extension report in Nov 2017 to production team and SCS team.

Update on 23rd September 2019.

1 and 2. a. Continue to push up recruitment plan to fill in sewer shortage to absorb coming orders:

+ Promote worker introduction program to attract more workers.

+ Develop recruitment at far provinces.

+ Increase some bonus to attract workers

b. Industrial Engineering department (IED) consecutively train new workers and upgrade sewers' skill to increase efficiency to reduce overtime.

c. Planning department will make proper production plan for the month has long holiday

d. Excessive orders will be relocated to other factories and/or countries in the group

e. HRD staff is responsible for monitoring OT registration form of all departments and alert risk of going over 60h per that week on every Thursday so that department heads can arrange proper working plan.

#### Company Action Plan Update

3. Per reviewing attendance record from Dec 2016 to Nov 2107 and worker's interview, factory did not work on Sunday. (Completed)

4. Per document reviewing , factory already set the production plan is not included overtime hour.

Factory already set up the working hours mechanism system to control working hours. (Completed)

## FINDING NO.4

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Communication & Worker Involvement (Macro)

##### Finding Explanation

- 1.The worker integration component is missing across all Employment Functions. This indicates that the factory has not established procedures to request and/or receive workers' input or feedback regarding the creation, implementation, and updating of its policies and procedures. Workers are neither systematically integrated nor consulted in the decision-making processes.
- 2.The factory communicates all Employment Functions and its hiring policy to employees during the orientation training, but does not include its policy on Personnel Development during the orientation training to new workers.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.1.3, ER.16, and ER.25.2)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. a. Factory will update the procedure of receiving workers' input or feedback regarding the creation, implementation, and updating of its policies and procedures.
- b. The procedure will be added in orientation training for new employees.
- c. The procedure will be posted in bulletin board.
- d. Factory will set up a team to receive workers' input and answer all queries ( if any)
- e. Compliance team will randomly interview workers to ensure them to understand factory's procedures and policies.
- f. The HR Department will evaluate the appropriate positions for the disabled workers during the production process, which will be appeared in the recruitment advertisement. And we will cooperate with the agencies helping the disabled to look for job.
2. a. Factory will add the policy on personal development in the orientation training for new comers.
- b. HR staff will be responsible for sharing with all employees.
- c. All polices will be posted in bulletin board so that all employees can read any time.

d. Compliance team will randomly interview workers to ensure they understand factory's procedures and policies.

e. The CSR group of the company will complete the relative policies and procedures on the review process. The company will conduct an internal review of CSR every year. The CSR group will monitor the execution.

#### Company Action Plan Update

1. Per document reviewing, factory already established procedures to request and/or receive workers' input or feedback regarding the creation, implementation, and updating of its policies and procedures. (Completed)

2. Per document reviewing and worker's interview, factory already provided personnel development policy during the orientation training to new workers. (Completed)

## FINDING NO.5

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Training (Macro)

##### Finding Explanation

1.The factory does not provide specific training for the relevant supervisors on the following Employment Functions: Termination & Retrenchment, Industrial Relations, Grievance System and Environmental Protection.

2.The factory does not provide ongoing training to workers on any of the Employment Functions.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15.1, ER.15.2, ER.17.1, and ER.17.3, ER.31)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. a. Factory will set up a retrenchment policy.

b. All policies and procedures on employment functions will be trained to all employees in the orientation training and annual training.

c. The HR Department will confirm when the workers could provide all personal documents for contributing to social insurance. We will urge the related workers to submit their personal documents or withdraw insurance from the original company after entry, and help them to participate in the social insurance system ASAP.

2. a. Factory will set up a retrenchment policy.



b. All policies and procedures on employment functions will be trained to all employees in the orientation training and annual training.

c. The company will hold internal discussing with the deputy general manager and the HR Department. And we will also discuss with the external client to set up a specific and practical action plan, which guarantees to achieve the target of 100% after five years. According to the local condition, the contributions are based on the unified base standard rather than the workers actual monthly wages.

#### Company Action Plan Update

1. Per document reviewing and worker's interview, factory already provided specific training for the relevant supervisors on the following employment functions: termination & retrenchment, industrial relations, grievance system and environmental protection. (Completed)

2. Per document reviewing and worker's interview, factory already provided provide ongoing training to workers on any of the employment functions. (Completed)

## FINDING NO.6

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Termination & Retrenchment

##### Finding Explanation

1. The factory does not have a written policy on Termination & Retrenchment.
2. The factory does not have written procedures on Retrenchment.
3. Salaries and other benefits are paid to resigned and terminated workers seven to 15 days after the date of resignation or termination. Legally, this should be paid within the seven days of resignation or date of termination. The factory has encountered problems in providing termination payouts in a timely manner as the responsible personnel is usually on a business trip, leading them to not sign payrolls on time which leads to late bank transfers.
4. The salary base used to calculate unused annual leave for resigned and terminated workers is the base salary of the last month worked, while the local law requires this to be the average salary of the six months prior to resignation or termination.

##### Local Law or Code Requirement

The Vietnam Labor Code, Article 47.2; Decree No. 05/2015/ND-CP; FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.19 and ER.32.1)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. a. Factory will set up policy on Termination & Retrenchment.
- b. Factory will add the policy on Termination & Retrenchment in the orientation training for new comers.
- c. HR staff is responsible for sharing with all employees.
- d. All polices will be posted in bulletin board so that all employees can read any time.

e. Compliance team will randomly interview workers to ensure them to understand factory's procedures and policies.

f. The company will set up the plan on Housing Provident Fund, but achieving the 100% coverage will increase the financial burden of the new company. So we cannot complete the correction in a short term. The deputy general manager and the HR Department will have a further discussing when make the annual plan.

2. a. Factory will set up a procedure on Retrenchment.

b. Factory will add the procedure on Retrenchment in the orientation training for new comers.

c. HR staff is responsible for sharing with all employees.

d. All polices will be posted in bulletin board so that all employees can read any time.

e. Compliance team will randomly interview workers to ensure then understand factory's procedures.

f. The HR Department will revise policies and procedures on annual leave according to the Provision on Employee Annual Paid Leave. As we all know about the workers' actual cumulative years of working experience, we have defined and paid annual leave. In addition, the HR Department will make the trace information table of employee annual leave, and make statistics every year.

3. a. HRD & Finance will review the procedure of paying resigned and terminated workers and divide 5 times of payment in the month.

b. Responsible staff of HRD & Finance is responsible for following the payment time to ensure within 7 days. .

c. Monthly Compliance team will check compliance of HR & Finance staffs.

d. The company will do best to control the working hours per week and receive order based on the production capacity. We will reserve enough time for production and make the production plan reasonably. Improve the productivity and optimize production mode by taking full advantage of advanced production equipment. Meanwhile, we will take use of the development of template and simplification of process to achieve the all-round improvement of productivity.

e. The company will cooperate with the external client to make a specific and practical plan. The inner production department will discuss with CSR or HR department to make feasible production plans to make sure the production plan not include regular overtime. Meanwhile, we will implement strictly following the FLA Workplace Code and Responsible Production Code of Conduct.

4. a. Factory Finance will change the salary formula to calculate the average salary of the six months prior to resignation or termination.

b. Factory commits to implement law regulations of paying unused annual leave for resigned and terminated workers.

c. Monthly, Compliance team will check some cases of resigned and terminated workers to ensure paying workers' unused annual leaves as required by law.

d. The company will do best to control the working hours per week and receive order based on the production capacity. We will reserve enough time for production and make the production plan reasonably. Improve the productivity and optimize production

mode by taking full advantage of advanced production equipment. Meanwhile, we will take use of the development of template and simplification of process to achieve the all-round improvement of productivity.

e. The company will cooperate with the external client to make a specific and practical plan. The inner production department will discuss with CSR or HR department to make feasible production plans to make sure the production plan not include regular overtime. Meanwhile, we will implement strictly following the FLA Workplace Code and Responsible Production Code of Conduct.

#### Company Action Plan Update

1. Per document reviewing, factory already established a written policy on termination & retrenchment and informed to all employees. (Completed)

2. Per document reviewing, factory already established a written procedures on retrenchment and informed to all employees. (Completed)

3. Per reviewing pay roll records from Dec 2016 to Nov 2017, factory already paid to resigned and terminated worker within seven days of resignation or date of termination. (Completed)

4. Per reviewing pay roll records from Dec 2016 to Nov 2017, factory already paid unused annual leave for resigned and terminated workers by the average salary of the six months prior to resignation or termination. (Completed)

## FINDING NO.7

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Industrial Relations

##### Finding Explanation

1. The factory provides a meeting room for the union upon request, but there is no designated office with the necessary equipment for the union to conduct daily meetings and for the union representatives to perform their functions.

2. The factory deducts a union fee of VND 31,000 (USD 1.37) per month from salaries of workers that are in the union without the written consent of workers, though all interviewed workers are aware of this deduction.

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 union] 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.

##### Local Law or Code Requirement

Vietnamese Labor Code, Article 193.1; Law on Trade Union, Article 24.1; FLA Workplace Code (Freedom of Association Benchmarks FOA.2, FOA.15, and FOA. 24)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. a. Factory will arrange one separated room with the necessary equipment for the union to conduct daily meetings and for the union representatives to perform their functions. b. Factory will inform by radio to all employees so that they know where they can meet the Union representatives and contribute comments/ ideas. c. HR department is responsible for communication and adjusting the training plan according to the updates or revisions. The ways of communication are various, such as the direct communication with the management, the hotline, suggestion box, HR working in the workshop, daily meeting etc. d. Factory will keep well the record of each communication. e. The result will be followed up and fed back by the HR department.

2. a. Factory will arrange one separated room with the necessary equipment for the union to conduct daily meetings and for the union representatives to perform their functions. b. Factory will inform by radio to all employees so that they know where they can meet the Union representatives and contribute comments/ ideas.

#### Union Fee:

a. Factory will add some words in the form of joining Union: ""We agree to allow company to deduct union fee on monthly salary"", provide to workers for signing.

b. Factory will make sure all workers will understand this fee.

c. Monthly, Compliance team will check some forms of joining the union voluntarily and interview workers to ensure they are aware of this issue.

d. The factory will public all policies and procedures. But the bulletin board is too limited to post all policies and procedures at the same time. The policies and procedures on Recruitment & Hiring and Termination & Retrenchment will be continuously posted on a bulletin board near the entrance to the production area.

e. The HR Department will keep all original documents of the publicized policies and procedures, which are always available to the workers.

#### Company Action Plan Update

1. Per factory walk through, factory already provided the designated office with the necessary equipment for the union to conduct daily meetings and for the union representatives to perform their functions. (Completed)

2. Per reviewing document and worker's interview, factory already informed the trade union fee to all employees and required employees sign in the trade union application form that they are agreed to allow factory deduct trade union fee from their monthly salary. (Completed)

3. Factory follows Vietnam law.

## FINDING NO.8

## SUSTAINABLE IMPROVEMENT REQUIRED

## FINDING TYPE: Workplace Conduct & Discipline

### Finding Explanation

1. The factory has written disciplinary procedures, however there is no procedure for workers to appeal disciplinary actions against them.
2. The factory does not send written invitations to the concerned worker and the Trade Union representative to participate in the disciplinary meetings five days prior to the scheduled meeting. Instead, the disciplinary meeting is held right after the occurrence of the violation.
3. The disciplinary decision is not sent to the worker or the Trade Union representative. As they do not receive the final disciplinary decision, interviewed workers are not aware if they have been disciplined.
4. Breastfeeding workers are given written warning letters as a form of discipline even though workers who are breastfeeding are legally not allowed to be disciplined during this period.

### Local Law or Code Requirement

The Vietnam Labor Code on Discipline and Material Responsibility, Decree No. 05/2015/ND-CP; FLA Workplace Code (H/A.1, ER.27.3.1, ER.27.4).

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. a. Factory has added into the procedure of disciplinary detailed steps for workers to appeal disciplinary actions against them. b. All HRD staffs have trained about this procedure. c. Factory will add this procedure in the orientation training for new comers. d. HR staff is responsible for sharing with all employees. e. All polices are posted in bulletin board so that all employees can read any time. f. Compliance team will randomly interview workers to ensure they understand factory's procedures and policies. The HR Department will enhance training of the policies and procedures on grievance and improve the training efficiency, which will be evaluated, followed up and fed back through the internal review.

2. a. Factory will revise the procedure of disciplinary in which included sending the written invitation to the concerned worker and Trade Union representative at least 5 days before holding the meeting. b. HRD staff is responsible for complying the procedure. c. Monthly, Compliance team check to ensure compliance. The HR Department will revise policies and procedures and implement them with the trade union. We will also enhance the training to motivate the workers' participation in the creation of policies and procedures.

3. a. Factory will revise the procedure of disciplinary to ensure the disciplinary decision to be sent to the worker/trade union representative. b. HRD staff is responsible for sending a copy of disciplinary decision to workers for keeping. c. Monthly, Compliance team will randomly interview disciplined workers to ensure they are aware if they have been disciplined. The HR Department will complete the procedures on layoff right now according to the Labor Law and the Reduction of Staff for Economic Reasons Provisions. The trade union is responsible for monitoring the implementation and reminding the HR department of updating the relative documents.

4. a. Factory set up a meeting with all department heads to remind about the types of disciplines and comply the procedure of disciplinary. b. HRD will strictly follow up departments to comply the procedure of disciplinary such as checking types of discipline in the discipline form to match with internal labor regulation. c. Compliance team will check all Disciplinary minutes regularly to ensure compliance. d. HR department will add the item of keeping all electoral records into the operational procedures. The training will be provided to the relative workers. e. The trade union will keep the complete electoral records.

#### Company Action Plan Update

1. Per document reviewing, factory already established the written procedure for workers to appeal disciplinary actions against them. (Completed)

2. Per document reviewing, the factory already sent the written invitations to the concerned worker and trade union representative to participate in the disciplinary meetings five days prior to the scheduled meeting. (Completed)

3. Per document reviewing, factory already sent the disciplinary decision to the worker or the Trade Union representative with worker's confirmation and signature. (Completed)

4. Per document reviewing, factory already revised their disciplinary policy and procedure. There was no given written warning letter for pregnant worker or breastfeeding workers was found. (Completed)

## FINDING NO.9

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Environmental Protection

##### Finding Explanation

1.The factory has a general Environmental Protection policy but no written commitment to minimize impacts with respect to air emissions, waste, hazardous materials and to conserve energy and water. The factory does have detailed records and measures of environment performance, including the Higgs Index, though no complete Environmental Management System in place.

2.The waste sludge from the boiler has never been tested nor treated, and is stored on site in an unlabeled bin, without a secondary container. This waste should be tested and, if necessary, arrangements should be made to treat this potentially hazardous waste for proper removal and disposal.

##### Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.5)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. a. Factory has added the commitment to minimize impacts with respect to air emissions, waste, hazardous materials and to conserve energy and water into the Environmental policy. b. All procedures and policies will be reviewed and updated (if needed) periodically. c. EMS team will follow the consumption of using energy, water and testing result of air emissions, waste-water to meet Environmental objectives. d. HR department will optimize orientation training to guarantee the workers to know the trade union members and activities etc. In addition, the trade union will make them understand these by normal training and communication. e. The workers will join the trade union freely according to the Labor Union Law. The union dues will be paid as the legal requirement.

2. a. Factory has sent sample of waste sludge from boiler for testing and result is no hazardous component. b. When operating waste water treatment plant in April 2017, factory will connect this water to Waste water treatment plant. c. Factory will test waste sludge from boiler quarterly to confirm if it is normal waste. All representatives of trade union were democratically elected. The trade union will keep well records of the basic election and continuously guarantee the workers' right of independent vote.

### Company Action Plan Update

1. Per document reviewing, factory already established the environmental protection policy with a written commitment to minimize impacts with respect to air emissions, waste, hazardous materials and to conserve energy and water. (Completed)
2. Per document reviewing, factory already tested the waste sludge every 3 months.

Per factory walk through, factory already built the tank to contain the waste sludge from the boiler and discharge to the waste water treatment system. (Completed)

## FINDING NO.10

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. The chemicals inventory list is not complete as it does not include washing chemicals.
2. Wash chemical (Elam BLC) lacked a complete Material Safety Data Sheet. A Vietnamese version is posted in the production area but it did not list the chemical composition. Additionally, the Personal Protection Equipment (PPE) requirements did not match the English version of the MSDS, which listed the required PPE and chemical composition.
3. There are no load limits posted on the storage racks in the warehouses. Some racks were stacked improperly and unsafely.
4. There are no clinic personnel on the safety committee, as required by law.
5. The water tower and water tanks are not marked with warning signs stating that they are confined spaces. The factory also does not lock the areas or restrict access and no special equipment or safety procedure is posted or available.
6. Traffic lanes are not marked. There are also no marked walkways, crossings or height limits. There are some convex mirrors at some blind corners, but not all.

##### Local Law or Code Requirement

Vietnam Occupational Health and Safety Law, Article 75.3; FLA Workplace Code (Benchmarks Health, Safety & Environment Benchmarks HSE.1, HSE.9, HSE.10, HSE.14, HSE.15)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. a. Factory will re-train the procedure of purchasing, using and storage chemicals. b. All departments using chemicals are responsible for sending all information about new chemicals to chemical management staff for checking and updating. c. Monthly, Chemical management staff randomly check chemicals in the area using chemicals to ensure all chemicals were included in Chemical Inventory List. The procedures made by the HR Department on reward and punishment include requiring a third party witness to be present that is lack in other procedures. The HR Department will revise the Workplace Conduct & Discipline policy and procedures with the trade union and complete the training material. Then training on the updates will be provided to the workers.
2. a. Chemical suppliers commit to send correct MSDS with full information to factory. b. Before buying a new chemical, Purchasing staff always ask suppliers to send Vietnamese MSDS for checking. c. If the chemical doesn't have any banned substances, chemical management staff will confirm for buying and update new chemical in the inventory list with MSDS. d. Monthly, Chemical management staff will check MSDS to ensure compliance.

3. a. Warehouse Manager work with supplier to take information about load limits for racks. b. Warehouse clerks will post load limits on all storage racks. c. All warehouse workers will be trained about this requirement to avoid loading goods over limits. d. Supervisor of each warehouse regularly check the load limits to ensure not exceeding the limits. e. Monthly, VC team will conduct audit to follow-up warehouse's compliance. The workers' seated stools are designed for ergonomics. The height of the stools are matched with the sewing machine. The stools designed with twisted curves can help relieve fatigue. The Equipment Department will provide the chairs with backrests according to the appropriate positions.

4. a. Factory has re-established the safety committee which including clinic personnel. b. Factory ensure all members of safety committee are trained about H&S knowledge and certified. c. Factory assign 1 VC officer in charge of updating law and sending new requirements to related departments to comply immediately. d. Monthly, VC team will conduct internal audit to ensure compliance of all departments. e. The training on lifting techniques has been added in the training plan 2017, which will be conducted accordingly. f. The Administrative Department will purchase lifting belts and provide to loading workers ASAP.

5. a. Factory had policy on confined spaces. b. Factory set up a meeting with Maintenance staffs to share about this policy and remind them to comply. c. Re-post ""Unauthorized access"" at confine spaces. d. Monthly, VC team will conduct audit to follow-up confine spaces.

6. a. Factory has marked traffic lanes, walkways, crossing and set traffic signs. b. Factory will announce to all employees through radio so that they understand their traffic lanes. c. Forklift operators, Drivers must comply with the limited speed and lanes when driving in factory to ensure safety. d. Daily, VC team will go around the factory to check compliance of all employees.

#### Company Action Plan Update

1. Per factory walk through, all chemicals in washing workshop were listed in the chemical inventory list. (Completed)

2. Per factory walk through, wash chemical (Elam BLC) in washing workshop was listed in the chemical composition and the Personal Protection Equipment (PPE) requirements matches the English and Vietnamese version of the MSDS. (Completed)

3. Per factory walk through, the load limits were posted on the storage racks in the warehouses. All racks were stacked properly and safely. (Completed)

4. Per document reviewing, factory already assigned clinic personnel on the safety committee as law's requirement. (Completed)

5. Per factory walk through, the water tower and water tanks were marked with warning signs stating that they are confined spaces, locked to restrict access and posted safety procedure. (Completed)

6. Per factory walk through, factory already marked the traffic lane, walkways, crossing, height limits and provided convex mirrors at blind corners. (Completed)

## FINDING NO.11

### IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. There is a lack of written safety procedures and training for manual lifting and loading. The factory does not provide lifting belts.



2. Only some individual workstations are adjustable to fit individual workers. Sewing tables are adjustable, but most chairs are not. Anti-fatigue mats were not provided to all workers; for example, the QC workers were not provided with mats.
3. Chain mail cutting gloves are only available in one size which appears too large for some workers.
4. Welding workers wear masks; however, they do not wear gloves, sleeves or aprons.
5. Some jobs lack posted safety Standard Operating Procedures (SOP). The table cutting operation has a safety SOP, however, it does not forbid workers from standing on the table.
6. The SOP for fire pump operating exists but does not include safety guidance or testing procedures.
7. Some electric panels are left open.

#### Local Law or Code Requirement

FLA Workplace Code (Benchmarks Health, Safety & Environment Benchmarks HSE.1, HSE.7, HSE.10, HSE.13, HSE.14, HSE.15, HSE.17)

#### Recommendations for Immediate Action

1. Provide workers with lifting belts and train workers on how to use these lifting belts.
  2. Ensure that welding workers are provided with and wear proper PPE.
  3. Provide training in the proper use of PPE.
- Close all electric panels.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. a. Factory has designed a training program for manual lifting and loading, adding this content to orientation training.
- b. Supervisors of warehouse and packing area remind their workers to follow these regulations.
- c. Factory has many posters in warehouse and packing area to remind correct and incorrect posture when manual lifting and loading.
- d. Regularly communicate with worker through radio about the risk if they work by wrong posture.
- e. The Equipment Department has installed the multi-door according to the requirement.
- f. The Security Section has reviewed all emergency exits of the factory to reduce risk.
- g. The Administration Department will monitor the improved result by the internal review every year.
2. a. Factory ensure workers to have rest time for relaxing
- b. All workers are provided plastic slippers, ironers are provided anti-fatigue mats.
- c. Supervisors are responsible for reminding workers wearing plastic slippers during working time.
- d. Monthly, Compliance team will check compliance of wearing plastic slippers during working time.
3. a. Production Clerk of each unit will check with their cutters to know their real hand size.
- b. Purchasing staff will find another supplier to see if he/ she has smaller size.
- c. Production Clerk will order new cutting gloves which are proper sizes of their cutters.
- d. Monthly, Compliance team will check randomly some metal gloves of cutters to see the suitability.

4. a. Factory will re-train PPE use to Maintenance staff.
- b. MTN Supervisors are responsible for reminding their workers using PPE
- c. PPE training is included in orientation training for new comers and annual training for all employees.
- d. Monthly, Compliance team will check the whole factory to ensure all workers use PPE.
5. a. Factory will re-train labor safety to all cutters
- b. Cutting supervisor of each unit remind their workers about safety SOP and point out the risk of standing on the table while cutting.
- c. Monthly, Compliance team will conduct audit to ensure all Cutters understand the requirement and comply.
6. a. MTN manager will revise the procedure of fire pump operation.
- b. MTN manager is responsible for reminding MTN staffs about the SOP for fire pump operating.
- c. Monthly, VC team will interview MTN staffs to ensure they understand the SOP and can implement when emergency cases cause.
7. a. Factory have a meeting with MTN department to share electrical safety, especially electrical boxes requirements to ensure all person in charge will understand and comply.
- b. MTN staffs re-check all electrical boxes and cover if missing any part.
- c. Monthly, Compliance team will randomly check some electrical boxes to ensure compliance.

#### Company Action Plan Update

1. a. Annually hold a training for manual lifting and loading
- b. Supervisors are responsible for reminding the workers applying the proper lifting technique to avoid bodily strain
- c. All workers are provided short break and get help for heavy goods
- d. Factory conduct risk assessment of all positions ( includes lifting operation) and have preventive actions to take care workers' health
- e. Monthly Compliance team check compliance of proper lifting techniques. (Completed)
2. a. Industrial Engineering department is responsible for studying ergonomics to ensure proper working posture for individual workers before designing chairs and tables.
- b. Sewing tables are adjustable to fit individual workers.
- c. Workers have a 5 minutes short break in the morning and 5 minutes in the afternoon by doing exercise, and completely free to move, stand or take a rest anytime they want.

d. All ironers are provided anti-fatigue mats. (Completed)

3. Per factory walk through, factory already provided chain mail gloves with different sizes for cutting workers. They are fixed to all cutting workers. (Completed)

4. Per factory walk through, factory already provided masks, gloves and aprons for the welding workers. (Completed)

5. Per document reviewing, factory already revised the new safety SOP for table cutting operation which is forbid workers from standing non the table. (Completed)

6. Per document reviewing and factory walk through, factory already revised the SOP for fire pump operating exists included safety guidance and testing procedure and posted its SOP at the fire pump area. (Completed)

7. Per factory walk through, all electric panels were closed. (Completed)

## FINDING NO.12

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. The fire alarm system is subject to frequent errors and false alarms. This occurred at least three times over the two assessment days.
2. Internal checks and repairs are carried out by maintenance on the fire alarms, but the warranty has expired in Blocks 1 and 2; no external inspection has been done since the system was installed in 2015.
3. The fire alarms cover the main production buildings and areas, but not the waste storage areas.
4. Assembly areas are not posted or marked on-site and are located on the road outside the factory gates, this can cause obstruction for emergency vehicles. The assembly areas are shown on some fire drill plans, but are not clearly defined or posted.
5. Annual basic fire risk assessments are done internally, but there has not been a third-party fire risk assessment.
6. The factory has adequate firefighting equipment and PPE, according to local law, but are missing breathing apparatus.

##### Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.5 and HSE.6)

##### Recommendations for Immediate Action

- 1.Ensure all fire alarms are functioning. Frequently check the fire alarm systems to ensure their functionality.
- 2.Ensure fire alarms cover all areas of the facility, including the waste storage areas.
- 3.Clearly define an evacuation area that will not pose risks to workers. Additionally, revise all fire drill plans to clearly mark the evacuation areas.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. a.Supplier fixed the error immediately after audit date

b.Maintenance staff is responsible for checking and maintaining fire alarm system to ensure them in good condition.

2. a. Factory signed contract with an authorized agency to conduct maintenance of fire-fighting system in Dec, 2016.

b. MTN Supervisors are responsible for checking all fire-fighting equipment to ensure them in good condition and working with the external inspection company to do maintenance

- c. VC team is responsible for following the time of external inspection.
3.
    - a. All cleaners are trained waste classification and work with the waste treatment company to collect waste daily.
    - b. Fire extinguishers are set up at waste storage
    - c. Waste house is far from production.
  4. "1. Compliance staff will send documentary to Management of Industrial Zones to have approve of marking on-site assembly areas because it belongs to Industrial Zone's land.
  2. Factory mark assembly areas on the road outside the factory gates.
  3. Compliance staff re-make evacuation maps to ensure full required information and same as actual layout.
  4. "1. Compliance staff will send documentary to Management of Industrial Zones to have approve of marking on-site assembly areas because it belongs to Industrial Zone's land.
  2. Factory mark assembly areas on the road outside the factory gates.
  3. Compliance staff re-make evacuation maps to ensure full required information and same as actual layout.
  4. a. Compliance staff will send documentary to Management of Industrial Zones to have approve of marking on-site assembly areas because it belongs to Industrial Zone's land.
  - b. Factory mark assembly areas on the road outside the factory gates.
  - c. Compliance staff re-make evacuation maps to ensure full required information and same as actual layout.
  - d. All employees are trained place of assembly when evacuating.
  5. a. Factory buy Fire Insurance which include all areas.
  - b. Factory ensure all buildings to be assessed fire risks by insurance company yearly
  - c. All fire fighting system and fire alarm system are inspected and maintained.
  - d. Compliance team check compliance of Finance department about buying Fire Insurance and maintenance of related department.

#### Company Action Plan Update

1. Per factory walk through, fire alarm system was worked and no error. (Completed)

2. Per document reviewing, fire alarm system was maintained by an external provider in Dec 2016 and got the result on 06 Mar 2017. (Completed)

3. Per factory walk through, factory already installed the fire alarm at waste storage area. (Completed)

4. Per factory walk through, factory already marked the assembly area on the road outside the factory gates. Assembly area were posted clearly on all fire drill plans. (Completed)

5. Per document reviewing, factory already conducted the annual basic fire risk assessment by third party. (Completed)