COMPANIES: New Era Cap Co., Inc
COUNTRY: Vietnam
ASSESSMENT DATE: 11/18/16
ASSESSOR: FLA China
PRODUCTS: Apparel
NUMBER OF WORKERS: 230
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

<table>
<thead>
<tr>
<th>FINDING NO.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMMEDIATE ACTION REQUIRED</td>
</tr>
</tbody>
</table>

**FINDING TYPE:** Training (Macro)

**Finding Explanation**
1. There is no orientation training program for new workers, even though the factory provides the new workers with some orientation training. 2. Supervisors are not trained on the factory’s policies and procedures. 3. Workers are not trained on Hours of Work or Industrial Relations. 4. The person responsible for training workers on chemical safety is not qualified or certified for this work. 5. Internal trainers, who are not qualified or certified, conduct the Health and Safety training during orientation. 6. Workers at the cap steaming, ironing machines, and cutting machines are not trained on how to operate those machines safely, or how to use the emergency shut-off button. 7. None of the workers receive any copy of the workplace rules.

**Local Law or Code Requirement**


**Recommendations for Immediate Action**

Workers should be trained on how to operate machines and equipment safely as well as how to use the emergency shut-off button when working.

**COMPANY ACTION PLANS**

**Action Plan no 1.**

**Description**
1. Orientation training program will be developed for new workers,
2. Supervisors will be trained on the factory’s policies and procedures.
3. Workers are not trained on Hours of Work or Industrial Relations.
4. A qualified trainer will be retained to train workers on chemical safety
5. Internal trainers will be provided with addition training and qualifications.
6. Workers at the cap steaming, ironing machines, and cutting machines will be trained on how to operate their machines safely,
including how to use the emergency shut-off button.
7. All workers will be provided a copy of the workplace rules.

**Company Action Plan Update**

The above action plan has been implemented at the factory and verified onsite.

**Action Plan no 2.**

**Description**

- Preventative actions based on root cause analysis
- Confirmation of corrective actions through document or photo review

**Company Action Plan Update**

- Root cause analysis completed 11/19/19

1. This issue completed as confirmed by the auditors on 5/23/19

2. Supervisor training conducted in Dec. Plan to do annual supervisor training every Dec (complete Jan 17, 2020).

3. This issue completed as confirmed by the auditors on 5/23/19

4. This issue completed as confirmed by the auditors on 5/23/19

5. This issue completed as confirmed by the auditors on 5/23/19

6. This issue completed as confirmed by the auditors on 5/23/19

7. Sent out workplace rules and had workers sign to confirm receipt (completed 10/1/19). Preventative actions: twice annual review to confirm signed copies of workplace rules on file for all employees.

**FINDING NO.2**

**SUSTAINABLE IMPROVEMENT REQUIRED**

**FINDING TYPE:** Review Process (Macro)

**Finding Explanation**

1. Policies and procedures on Recruitment, Hiring, Compensation, Workplace Conduct and Discipline, and Industrial Relations are not reviewed on a regular basis.
2. The official factory policy has not been updated since 2014. The paternity leave benefit for male workers is not included in the factory’s regulations.

**Local Law or Code Requirement**

FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.30)

**COMPANY ACTION PLANS**

**Action Plan no 1.**

**Description**
1, Factory already developed and implemented the policy to monitor the Policies and procedures on Recruitment, Hiring, Compensation, Workplace Conduct and Discipline, and Industrial Relations are reviewed annually. And factory will update the internal policies and procedures if there is any update of the legal regulations on an on-going basis.

2, The factory has changed the official company regulation by April 20, 2018. The new policy is included in the employee handbook and posted in the work floor.

**Company Action Plan Update**
1, Factory already developed and implemented the policy to monitor the Policies and procedures on Recruitment, Hiring, Compensation, Workplace Conduct and Discipline, and Industrial Relations are reviewed annually. And factory will update the internal policies and procedures if there is any update of the legal regulations on an on-going basis.

2, The factory has changed the official company regulation by April 20, 2018. The new policy is included in the employee handbook and posted in the work floor.

---

**FINDING NO.3**

**SUSTAINABLE IMPROVEMENT REQUIRED**

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

**Finding Explanation**
The worker integration component is missing in the following Employment Functions: Compensation, Termination and Retrenchment, Workplace Conduct and Discipline, and Grievance Mechanism. Factory has not established and implemented procedures to include workers' input or feedback on the creation, implementation, and revision of its policies and procedures, therefore, workers are neither systematically integrated nor consulted in the decision-making processes.

**Local Law or Code Requirement**
FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.16, ER.25, ER.27, and ER.32; Compensation Benchmark C.17; Health and Safety Benchmark HSE.2)

**COMPANY ACTION PLANS**

**Action Plan no 1.**

**Description**
1, Factory will establish the procedures to include workers’ input or feedback on the creation, implementation and revision of its policies and procedures.

**Company Action Plan Update**
1, Factory has established the procedures to include workers' input or feedback on the creation, implementation and revision of its policies and procedures.

---

**FINDING NO.4**

**IMMEDIATE ACTION REQUIRED**

**FINDING TYPE:** Policies & Procedures (Macro)

**Finding Explanation**
A transparency and anti-corruption policy and procedure has not been established. The HR Manager tried to bribe the assessors on the 2nd day of the assessment.

**Local Law or Code Requirement**
FLA Workplace Code (Employment Relationship Benchmarks ER.1)

**Recommendations for Immediate Action**
Establish and implement the Transparency and anti-corruption policy and procedure in the factory and cease any form of bribery.

COMPANY ACTION PLANS

Action Plan no 1.

Description
The factory will establish and implement a Transparency and Anti corruption policy and procedure and conduct training for applicable employees

Company Action Plan Update
Transparency and anti corruption policy and procedure have been established and training was provided to all employees with training records kept.

FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation
1. The job posting for the Interpreter position on the factory’s recruitment website asks for female applicants who are under 30 years old. 2. The factory’s recruitment process includes questions on pregnancy and requires a non-pregnancy commitment from female workers. 3. The application form requires information on marital status. 4. The factory tests foreign workers for HIV and HbSAg during their recruitment health check. As per local law, these tests should be voluntary. 5. The factory has implemented a tattoo check for male workers as a hiring condition.

Local Law or Code Requirement
Labor Code No. 10/2012/QH13 (2013), Art. 5(1); FLA Workplace Code (Employment Relationship Benchmark ER.3; Nondiscrimination Benchmarks ND.1, ND.2, ND.3, ND.4, ND. 6, ND. 7 and ND.10)

Recommendations for Immediate Action
1. Cease discrimination practices on age, gender, appearance (tattoo check) in the hiring and recruitment process. 2. Discontinue questioning female workers on their pregnancy status and requesting for non-pregnancy commitment during the hiring process. 3. Remove questions concerning marital status from the recruitment form. 4. Discontinue the HIV and HbSAg test for foreign staff during recruitment and employment.

COMPANY ACTION PLANS

Action Plan no 1.

Description
The factory will cease all discriminatory practices in the recruitment and hiring process. Staff involved in the recruitment and hiring process will be trained on the proper procedures for recruitment and hiring to ensure that only objective criteria are considered in the process.

Company Action Plan Update
The factory has now ceased all practices that would be considered discriminatory in the recruitment and hiring processes.

Action Plan no 2.

Description
- Preventative actions based on root cause analysis

- Confirmation of corrective actions through document or photo review
Company Action Plan Update

- Root cause analysis completed 11/19/19

1. This issue complete as confirmed by the auditors on 5/23/19

2. This issue complete as confirmed by the auditors on 5/23/19

3. All old recruitment forms which included information of marital status have been destroyed. New forms do not include information on marital status (complete Jan 17, 2020).

4. This issue complete as confirmed by the auditors on 5/23/19

5. This issue complete as confirmed by the auditors on 5/23/19

FINDING NO.6

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation
1. The hiring procedure lacks a comprehensive process to identify falsified age documents which increases the risk of child labor.
2. The personnel development policy and procedure is not established, this includes the Performance Review procedure. As a result, the factory does not promote workers in a fair and transparent way. Demotions and reassignments procedures are also not established.
3. There are no guidance documents for external contractors and service providers concerning health and safety.
4. This factory shares workers with another factory. The factory claims that the other factory belongs to the same owner of the assessed factory. However, from the provided documents and business licenses obtained, the other factory is a subcontractor to the assessed factory. This factory does not hold any personnel profiles of these workers.
5. Written job descriptions are only prepared for some positions; there are no job descriptions for some production workers, environment protection positions, the person responsible for compensation, the person responsible for industrial relations, or the person with ultimate social compliance responsibility.

Local Law or Code Requirement
FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.29, and ER.30; Nondiscrimination Benchmarks ND. 2)

COMPANY ACTION PLANS

Action Plan no 1.

Description
1. Factory will revise the hiring procedure to make the process more comprehensive, the process will obtain questions to verify the age of workers and their personal information.

2. The Personnel Development policy and procedures, Performance Review procedure, Demotion and reassignments procedures will establish with fair and transparent way for promoting, demoting and reassignment of workers.

3. The guidance documents for external contractors and service providers concerning health and safety will establish and
4. The other factory does belong to the same owner, and there may be sometimes when certain staff members (e.g. from quality control, production or compliance personnel) may need to work at the other factory. New Era will clarify with the factory management that those workers’ working hour record must reflect time worked at both factories. All workers at both factories will have personnel files and New Era will ensure that front-line production workers will not share between the two factories.

5. The written job descriptions for production workers, environment protection positions, the person responsible for compensation, the person responsible for industrial relations, and the person with ultimate social compliance responsibility will be in place.

**Company Action Plan Update**

1. Factory has revised the hiring procedure to make the process more comprehensive, the process obtained questions to verify the age of workers and their personal information.

2. The Personnel Development policy and procedures, Performance Review procedure, Demotion and reassignments procedures are established with fair and transparent way for promoting, demoting and reassignment of workers.

3. The guidance documents for external contractors and service providers concerning health and safety has been established and communicated to the visitors, customers, contractors and service providers.

4. The other factory does belong to the same owner, and there may be sometimes when certain staff members (e.g. from quality control, production or compliance personnel) may need to work at the other factory. New Era has clarified with the factory management that those workers' working hour record must reflect time worked at both factories. All workers at both factories have personnel files and New Era didn’t find evidence that front-line production workers were share between the two factories.

5. The written job descriptions for production workers, environment protection positions, the person responsible for compensation, the person responsible for industrial relations, and the person with ultimate social compliance responsibility are in place.

---

**FINDING NO.7**

**IMMEDIATE ACTION REQUIRED**

**FINDING TYPE:** Compensation

**Finding Explanation**

1. Workers’ wage increases are not based on the registered wage scale. 2. The wages posted on the recruitment website (VND 6,000,000 (USD 264)) is much higher than the wages recorded on the actual labor contracts and payrolls of workers (VND 3,932,25 (USD 18)). 3. The factory conducts excessive deduction for tardiness. The factory’s payment set and factory policy states that if a worker is 6 to 30 minutes late to work, they will incur a deduction equal to 30 minutes of workers’ wages. If a worker is 31 to 60 minutes late, they will incur a deduction equal to 60 minutes of wages. 4. The factory’s internal regulation states that new hirers must work with the company for at least four days, otherwise their wages will not be paid. 5. The wage payment for February 2016 was delayed by eight days. 6. The factory insufficiently compensates workers in the months that have 27 standard working days; for those months, the factory only pays for 26 days of work. 7. The factory insufficiently compensated workers who worked overtime in April and May 2016; these workers worked in shifts. The factory arranged the shift hours separate from the standard shift working time and did not consider those additional shifts as overtime hours. For the rest of the year, workers work on normal office hours, and not shifts. 8. The factory insufficiently compensated for night time overtime for workers who worked over a holiday on April 16, 2016. The factory paid overtime from 0:00 to 3:00 at 130% and 3:00 to 7:00 at 150%. Workers should have been compensated at 390% from 0:00 to 6:00, and 300% from 6:00 to 7:00. 9. The factory insufficiently calculates annual leave for workers with less than one year of service. The factory currently calculates one day of annual leave per month; legally it should be 12 to 14 days a month. 10. Workers with probation and training contracts are not paid for their annual leave. 11. In-kind allowances are not provided to workers working in hard and hazardous working conditions. The noise in the production area was over the legal limit, particularly in the preparation area, sewing, embroidery and packing area. 12. Child care allowance is not paid to female workers who have children who are kindergarten age. 13. When workers take days off, both their attendance performance bonus and technical bonus are deducted.

**Local Law or Code Requirement**

Recommendations for Immediate Action

1. Ensure wage increment should be based on the registered wage scale. 2. Cease excessive deduction for tardiness. Furthermore, retroactively pay the deductions back to workers. 3. Ensure the wages of new workers are paid, regardless of the number of days they work. Cease the practice of forced labor. 4. Cease delay on wage payments. 5. Compensate workers sufficiently for all actual working days, especially in the months with 27 days. 6. Pay for annual leave (4%) into the wage for workers who are on probation or training contract. 7. Ensure the correct calculation of annual leave for workers with less than one year of service. 8. Provide sufficient compensation for workers working overtime. 9. Provide workers with the correct overtime premium (night overtime on a holiday) at 390% of the normal rate. 10. Provide the in-kind allowances to workers working in hard and hazardous working condition as prescribed, such as in areas with noise above the legal limit. 11. Provide child care allowance to female workers who have children who are kindergarten age. 12. Cease advertising wage and benefits higher than the actual offered wage and benefits. 13. Cease deducting from the technical allowance deduction for actions that should only affect the attendance performance bonus.

COMPANY ACTION PLANS

Action Plan no 1.

Description
1. Factory will revise the measure to ensure workers' wage are increase based on the registered wage scale, also, factory will increase the skill levels which linked to wage level of employees following their committed wage scale as legal requirements.

2. Factory will revise the wages posted on the recruitment website which is exactly matched with the labor contracts and payroll of workers.

3. Factory will abolish the policy and measure of excessive deduction of workers late to work.

4. Factory will revise the internal regulation and abolish the measure of new hirers must work at least four days to get their wages.

5. This was an isolated case. New Era will conduct subsequent audits and ensure wage payments have been made on time and in accordance with the legal requirements, Factory will also ensure all wage payment date are strictly followed the legal requirement. And factory compliance staff will conduct cross-checking to ensure there is no any delay for the wage payment to all workers.

6. Factory will ensure to compensate all workers the sufficient wage to comply with legal requirement. Factory compliance staff will also conduct cross-checking to ensure no wage underpay for all workers.

7. Factory will revise the shift arrangement to include the additional shift as overtime hours.

8. Factory will revise the overtime premiums compensation procedure and ensure the overtime premiums of night time that paid to workers are complied with legal requirement. Factory’s compliance staff will also conduct cross-checking to ensure the overtime premiums of night time are compensates to all workers sufficiently.

9. Factory will revise the annual leave calculating formula to ensure all workers, included those workers with less than one year of service is complied with legal requirement. Factory's compliance staff will conduct cross-checking to ensure the measure is sustainable implementing.

10. Factory will revise the measure to ensure workers with probation and training contracts are also paid for their annual leave. Factory's compliance staff also conducts cross-checking to ensure the measure is sustainable implementing.

11. Factory will provide In-kind allowances to workers to workers working in hard and hazardous production areas.

12. Factory will provide the Child care allowance of 10,000VND/ month to all female workers who have children who are kindergarten age.

13. Factory will abolish the practice for deducting the attendance performance bonus and technical bonus in case of worker takes day off. Factory compliance staff will also conduct cross-checking to ensure the factory's policies are complied with legal requirement.

Company Action Plan Update
1. Factory has revised the measure to ensure workers' wage are increase based on the registered wage scale, also, factory has increased the skill levels which linked to wage level of employees following their committed wage scale as legal requirements.

2. Factory has revised the wages posted on the recruitment website which is exactly matched with the labor contracts and payroll of workers.
3. Factory has abolished the policy and measure of excessive deduction of workers late to work.

4. Factory has revised the internal regulation and abolished the measure of new hirers must work at least four days to get their wages.

5. This was an isolated case. New Era has conducted subsequent audits and confirmed that wage payments have been made on time and in accordance with the legal requirements. Factory has also ensure all wage payment date are strictly followed the legal requirement. And factory compliance staff conducted cross-checking to ensure there is no any delay for the wage payment to all workers.

6. Factory has ensured to compensate all workers the sufficient wage to comply with legal requirement. Factory compliance staff also conducted cross-checking to ensure no wage underpay for all workers.

7. Factory has revised the shift arrangement to include the additional shift as overtime hours.

8. Factory has revised the overtime premiums compensation procedure and ensured the overtime premiums of night time that paid to workers are complied with legal requirement. Factory's compliance staff also conducts cross-checking to ensure the overtime premiums of night time are compensates to all workers sufficiently.

9. Factory has revised the annual leave calculating formula to ensure all workers, included those workers with less than one year of service is complied with legal requirement. Factory's compliance staff also conducts cross-checking to ensure the measure is sustainable implementing.

10. Factory has revised the measure to ensure workers with probation and training contracts are also paid for their annual leave. Factory's compliance staff also conducts cross-checking to ensure the measure is sustainable implementing.

11. Factory had provided In-kind allowances to workers to workers working in hard and hazardous production areas.

12. Factory has provided the Child care allowance of 10,000VND/ month to all female workers who have children who are kindergarten age.

13. Factory has abolished the practice for deducting the attendance performance bonus and technical bonus in case of worker takes day off. Factory compliance staff also conducts cross-checking to ensure the factory's policies are complied with legal requirement.

**Action Plan no 2.**

**Description**

- Preventative actions based on root cause analysis

- Confirmation of corrective actions through document or photo review

11. Factory still reviewing this issue

**Company Action Plan Update**

- Root cause analysis completed 11/19/19

1. Wage increase correspond with performance level (completed Jan 17, 2020).

2. Removed the salary number from recruitment website (completed 7/1/2019)

3. This issue completed as confirmed by the auditors on 5/23/19

4. This issue completed as confirmed by the auditors on 5/23/19

5. This issue completed as confirmed by the auditors on 5/23/19
FINDING NO.8

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation
The factory has three sets of payroll and bank transfer proof of wage payments. The first one includes the regular wage and overtime up to 17:00. The second one is the balance of payment for overtime compensation and include overtime from 17:00 to 22:00. The last one reflects actual compensation. The second and last one was provided to the assessors at 16:00 on the 1st day of the assessment.

Local Law or Code Requirement
FLA Workplace Code (Compensation Benchmarks C.5, C.6, C.15 and C.16)

Recommendations for Immediate Action
Only have one set of time records, payroll records, and wage payments.

COMPANY ACTION PLANS

Action Plan no 1.
Description
The factory must maintain accurate and reliable time-keeping and payroll systems to ensure that workers are compensated correctly for all hours worked.

Company Action Plan Update
The factory invested in a new finger print system and the new system has been in use since May 2017.

FINDING NO.9

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work
Finding Explanation
1. Three sets of the time record systems are maintained, the swipe card and the two manual time records. There is no procedure to control overtime hours at the factory. 2. The new hirers do not record their working time on the swipe card system until they sign their labor contract, which is at least a month after probation. Their working time is recorded manually by the line leaders. The factory said that they were provided with the swipe cards right after joining the factory but there is no record to prove when swipe cards are delivered to the new workers. Also, shift work is not recorded on the time record system, but manually recorded in excel tracking sheets.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2, and ER. 23; Compensation Benchmarks C.5)

Recommendations for Immediate Action

Ensure that Factory maintains only one time recording system, and working hours of all employees are accurately recorded.

COMPANY ACTION PLANS

Action Plan no 1.

Description
1. The factory must establish a procedure to control overtime hours.
2. All workers should be responsible for clocking in and out by themselves as soon as they begin work. Shift work should be recorded in the time keeping system.

Company Action Plan Update
1. The factory has established a procedure to control overtime hours.
2. All workers are responsible for clocking in and out using the finger print system. Shift work is recorded in the time keeping system.

FINDING NO.10

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation
1. The factory does not provide sufficient break time for embroidery workers who work during the night shifts. They are provided with 30 minutes of break instead of 45 minutes. 2. The 30-minute break during overtime work is not provided when workers work two hours of overtime per day. The factory only provides the 30-minute break for overtime work when workers work three or more hours of overtime per day. 3. The break times between shifts are not sufficient. They are not arranged on 12 hours of break between shifts but on 9.5 hours between shifts. 4. Excessive daily, weekly, monthly and yearly overtime occurred in 2016. In April and May, 2016 about 90% of workers worked overtime. Daily overtime is from four to 5.5 hours, five to six days a week and workers work 8 hours of overtime on Sundays. Weekly overtime is at a maximum of 41 hours, monthly overtime is at a maximum 194.28 hours; overtime accumulated in 4-5 months exceeds the yearly overtime limit. 5. Overtime is due to lack of workers and the factory receiving more orders than production capacity; the factory sets production targets for more than eight hours a day. 6. Menstruation break is not provided. 7. A seventh days of rest is not guaranteed for about 30% to 60% of workers every month in 2016. Workers work one to three Sundays a month without compensatory days off. 8. Workers that are nursing a child less than one-year-old work excessive regular working time and work overtime.

Local Law or Code Requirement


Recommendations for Immediate Action

1. Break for workers working in the night shifts should be at least 45 minutes. 2. Additional overtime break of 30 minutes should be provided for overtime work of 2 hours a day. 3. Break time between shifts should be at least every 12 hours. 4. Control the daily, weekly,
monthly and yearly overtime as prescribed. Control the weekly working time to 48 hours. 5. Menstruation break of 30 minutes a day should be provided to female workers during their menstruation. 6. Provide one day of rest (24 consecutive hours) in every seven-day period to all workers. 7. Ensure nursing workers work 7 hours a day as their regular working time and no overtime work.

**COMPANY ACTION PLANS**

**Action Plan no 1.**

**Description**

- Preventative actions based on root cause analysis
- Confirmation of corrective actions through document or photo review

**Company Action Plan Update**

- Root cause analysis completed 11/19/19

1. This issue completed as confirmed by the auditors on 5/23/19

2. This issue completed as confirmed by the auditors on 5/23/19

3. This issue completed as confirmed by the auditors on 5/23/19

4. Working hours management system improvements: A) track weekly/monthly hours and investigate reasons of overtime, B) Replace clock in/out system by using fingerprint to ensure accuracy. Production improvements: A) improvements to pre-production process, B) implementation of ERP system to track order progress, C) Provide sufficient cross-training to workers. Human Resources management improvements: A) onboarding process for new employees, training manual and orientation, B) conduct worker satisfaction survey and track and investigate absenteeism and turnover. Detailed monthly working hours tracking reports submitted to New Era from Jan 2018 to Sept 2019: please see attached. Results:

A) % of employees working over 60 hours/week (6 month average):

- Feb 18 - Aug 18: 11%
- Sept 18 - Feb 19: 10%
- March 19 - Sept 19: 7%

B) % of employees working over 66 hours/week (6 month average):

- Feb 18 - Aug 18: 8%
- Sept 18 - Feb 19: 5%
- March 19 - Sept 19: 2%

New Era update: responsible purchasing practices review with sourcing and production teams concluded we are loading them roughly 20% under their stated capacity. Further review is needed to determine if the capacity numbers provided are accurate or if there is another cause of the excessive OT.

5. See results of finding 4

6. This issue completed as confirmed by the auditors on 5/23/19
7. Top management commitment on 12/6/19 to not work more than 3 hours of OT per day and commitment to guarantee 24 consecutive hours of rest in every 7 days period.

8. A) top management commitment to eliminate practice of pregnant and nursing mothers working overtime on 12/6/19, B) set up new line for pregnant workers, C) update the list of pregnant workers on a weekly basis, and D) make production planning based on the capacity these workers can provide rather than regular workers (completed 11/1/19)

Jan 17, 2020 updates:

4/5/6/7: new factory policy to communicate to buyers ahead of time if factory is anticipated to exceed capacity. Update to labor-output ratio to -15% less productivity to factory in absenteeism and unexpected events such as material arrival delays. New Quality improvement plan to reduce rework by 20%.

FINDING NO.11

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation
1. The factory conducts pat downs. During pat downs, female security guards conduct pat downs to both female and male workers. 2. Internal factory regulation on disciplinary practices does not match with the official registered factory regulation. 3. The records of disciplinary actions are not maintained in employees' personnel files. 4. Workers do not sign all written records of disciplinary actions taken against them. 5. Disciplinary actions are not witnessed by a third party during imposition nor by labor union representatives.

Local Law or Code Requirement

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. 28 for this finding; Law No. 38/2013/QH13 on EMPLOYMENT (2013), Art. 9.; FLA Workplace Code (Employment Relationship Benchmarks, ER.2, and ER.27; Harassment or Abuse Benchmarks H/A.1 and H/A.10)

Recommendations for Immediate Action

1. Discontinue the pat-down practice. 2. Provide training to security guards to ensure all security practices are conducted appropriately.

COMPANY ACTION PLANS

Action Plan no 1.

Description
1. The factory's security practices must be gender-appropriate.
2. The factory internal regulations regarding disciplinary practices should match the official regulations registered with the local authority.
3. Disciplinary records should be maintained in employee files.
4. Worker should sign that they understand the disciplinary actions taken against them.
5. Disciplinary actions should be witnessed by a third party.

Company Action Plan Update
The above action plan has been implemented and verified on-site.

FINDING NO.12

SUSTAINABLE IMPROVEMENT REQUIRED
FINDING TYPE: Grievance System

Finding Explanation
Except for the suggestion boxes, there is no process to monitor grievances obtained from other grievance channels. The factory has more than 500 workers, and there have been no grievances collected from the suggestion boxes in the last three years.

Local Law or Code Requirement
FLA Workplace Code (Employment Relationship Benchmarks ER.2 and ER.25)

COMPANY ACTION PLANS

Action Plan no 1.

Description
1. Factory will establish other grievance channels (e.g. Hotline, email) as well as the tracking system of suggestion box to ensure the grievance of all channels are monitored and tracked, in additional, the confidential reporting channel of New Era will be provide to workers thru training to ensure the external grievance channel will provide to workers.

Company Action Plan Update
1. Factory has established other grievance channels (e.g. Hotline, email) as well as the tracking system of suggestion box to ensure the grievance of all channels are monitored and tracked, in additional, the confidential reporting channel of New Era is provided to workers thru training to ensure the external grievance channel is provided to workers.

FINDING NO. 13

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation
1. There are no procedures for Industrial Relations.
2. The factory established a trade union on March 11, 2013 under the Vietnam General Confederation of Labor (VGCL). However, there is no proof that workers were involved in the Labor Union Election or if an election occurred. Documents of union elections are not available to prove that union representatives are elected democratically.
3. Workers automatically join the union after probation without their consent.
4. The Labor Union is not free from employer interference; the chairman is the Production Manager.
5. The Labor Union fee is deducted from the workers’ monthly wages without any consent from the workers. 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 or for the union representatives to perform their functions.
7. FLA Comment: Vietnam has not ratified ILO Conventions 87 or 98. Under Vietnamese law, all unions are required to affiliate with the single trade union, the Vietnam General Confederation of Labor (VGCL), which is affiliated with the Communist Party. With respect to such union monopolies, the ILO Committee on Freedom of Association has stated that “the rights of workers to establish organizations of their own choosing implies… the effective possibility of forming… [trade unions] independent both of those which exist already and of any political party.” Vietnam’s legal framework is therefore not compatible with the ILO Principles on Freedom of Association and, as such, all factories in Vietnam fail to comply with the FLA Code standard on Freedom of Association.

Local Law or Code Requirement
FLA Workplace Code (Freedom of Association Benchmarks FOA.1, FOA.2, FOA.7, FOA.10, FOA.11, and FOA.24; Employment Relationship Benchmarks ER.1 and ER.16)

COMPANY ACTION PLANS

Action Plan no 1.

Description
1. Factory will establish the procedures for Industrial Relations. 2. An election will take place in which workers voted for the union representatives and the factory will maintain the documented proof. 3. Factory will revise the practice to require workers fill the
application forms if they want to join the labor union. 4, The chairman will be elect by the union representatives, and this process conforms with local law. 5, Factory will abolish to deduct Labor Union fee from workers’ monthly wages, factory will also provide a designated office in a proper location for the union to conduct daily meeting or for the union representatives to perform their functions. 6, Factory will provide a copy of the Collective Bargaining Agreement to workers. 7, Factory will try to rectify this pending issue as it is a country specific issue that in Vietnam there is only one recognized Labor Union.

**Company Action Plan Update**

1. Factory has established the procedures for Industrial Relations. 2. An election took place in which workers voted for the union representatives and the factory now maintains the documented proof. 3, Factory has revised the practice to require workers fill the application forms if they want to join the labor union. 4, The chairman was elected by the union representatives, and this process conforms with local law. 5, Factory has abolished to deduct Labor Union fee from workers’ monthly wages, factory will also provide a designated office in a proper location for the union to conduct daily meeting or for the union representatives to perform their functions. 6, Factory has provided a copy of the Collective Bargaining Agreement to workers. 7, Factory will try to rectify this pending issue as it is a country specific issue that in Vietnam there is only one recognized Labor Union.

**FINDING NO.14**

**IMMEDIATE ACTION REQUIRED**

**FINDING TYPE:** Termination & Retrenchment

**Finding Explanation**

1. The factory has no written policy and procedures regarding termination and retrenchment, only some documents or systems exist. The factory also has no methods for calculating final payouts. 2. At the time of assessment, December 2016, the payout was not paid yet for at least one terminated worker, who quit September 1, 2016. 3. The payment date for terminated workers or those who resign is on every 15th of the following month instead of 7 days after the last day of work, as legally required.

**Local Law or Code Requirement**


**Recommendations for Immediate Action**

1. Pay severance payments in the legally required timeline. 2. Make all final payments for terminated or resigned workers.

**COMPANY ACTION PLANS**

**Action Plan no 1.**

**Description**

- Preventative actions based on root cause analysis
- Confirmation of corrective actions through document or photo review

**Company Action Plan Update**

- Root cause analysis completed 11/19/19
1. This issue completed as confirmed by the auditors on 5/23/19

2/3: Updated policy and procedures to pay the terminated worker 7 days after leave and keep record of the payment. (complete Jan 17, 2020).
FINDING NO.15

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation
1. The work stations arranged for workers on the sewing tapping machines are not properly set up. Workers cannot sit directly in front of the machines and have to slide to the left when sewing, which is an ergonomic risk. 2. Working space for sewing workers is not properly set-up to allow them free movement or flexible adjustment. They are sitting in between two big buckets of semi-finished products; this is an evacuation risk.

Local Law or Code Requirement
3733/2002/QĐ-ĐBTC, Principles II and III- Ergonomic standards; Law No.84/2015/QH13, Art. 16.4 FLA Workplace Code (Health Safety and Environment Benchmark HSE.1 and HSE.17)

Recommendations for Immediate Action
Provide workers with proper work stations and working space with accessible evacuation routes.

COMPANY ACTION PLANS

Action Plan no 1.

Description
1. Factory will adjust their work station to make sure workers have the right approach to the machines.

2. Factory will properly set-up the working space for sewing workers, factory's compliance staff also conduct random check to ensure workers free movement.

Company Action Plan Update
1. Factory has adjusted their work station to make sure workers have the right approach to the machines.

2. Factory has properly set-up the working space for sewing workers, factory's compliance staff also conduct random check to ensure workers free movement.

FINDING NO.16

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation
1. The placement of needle guards on all sewing machines are too high. The upper pulley guard is missing from about 30% of sewing machines. There are missing guards on all button snapping machines. 2. The fan is not covered in the packing section. 3. Workers working on the sweat band bonding machines do not use eye guards that are provided on the machines. 4. Personal Protective Equipment (PPE) including earplugs, gloves, and dust masks, were not provided for workers in the preparation area. 5. Dust masks are only provided to some workers. 6. Cutting operators are not equipped with safety shoes, cotton gloves, or dust masks. 7. There are missing safety operation procedures on cap steaming machines, ironing machines and cutting machines. The operational instructions on the cap steaming, ironing machines and cutting machines are not in the local language.

Local Law or Code Requirement
Law No.84/2015/QH13, Art.6.2.b, Art.16.6; Vietnam Labor Code No.10/2012/QH13, Art 138.1.b; Law No.84/2015/QH13, Art.16.3; Circular No. 04/2014/TT-BLĐTBXH on Guiding Implementation of Regulations on Personal Protective Equipment (2014), Art. 4; FLA Workplace Code (Health Safety and Environment Benchmark HSE.1, HSE.7, HSE.8, HSE.13, and HSE.14)
Recommendations for Immediate Action

1. Ensure all machines and equipment are equipped with proper machine and/or needle guards. 2. Train and ensure workers use the machine guards to protect them from machinery risks. 3. Provide all workers with proper Personal Protective Equipment and train workers on the proper use. 4. Equip safety operation procedures and operational instructions in the local language on all machines and equipment.

COMPANY ACTION PLANS

Action Plan no 1.

Description

- Preventative actions based on root cause analysis: will train line supervisors and hold them accountable for team's PPE use and machine safety.

- Confirmation of corrective actions through document or photo review

Company Action Plan Update

- Root cause analysis completed on 11/19/19

1. Communicate to workers that the needle guards need to be in correct place at all times (completed 7/2/19). Checking included in weekly PPE use monitoring (complete Jan 17, 2020).

2. This issue completed as confirmed by the auditors on 5/23/19

3. This issue completed as confirmed by the auditors on 5/23/19

4. Posted the PPE sign requiring masks and gloves and earplugs (completed 7/2/19). Checking included in weekly PPE use monitoring (complete Jan 17, 2020).

5. Communicate to workers that they need to wear the mask at work (completed on 7/2/19)

6. Communicate to workers that they need to use cotton gloves at work (completed 7/2/19). Checking included in weekly PPE use monitoring (complete Jan 17, 2020).

7. Provided the safety operation procedure (SOP) for cap steaming and ironing machines (completed 7/2/19). Checking included in monthly HSE committee checklist (complete Jan 17, 2020).

FINDING NO.17

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory does not conduct required health checks for workers; including, the recruitment health check for new workers, the annual health check for foreign workers, and the occupational health check for workers. Additionally, for the employees that receive health checks, the health checks are only conducted once per year, instead of twice per year. 2. The factory does not record illnesses or injuries. The factory has not sent injury reports to the authorities every six months, as required. The facility does not have documents to manage the workers’ health. 3. Pallets are not placed on the flat side, but vertically. 4. There are improper handrails in the old stock warehouse, as there are gaps between the railings. 5. The ladder for the working platform and the lifting tools are not available in the warehouse.
when workers handle rolls of material. 6. There are a lack of faucets in all the toilets; only four faucets are available for more than 500 workers. 7. The factory has insufficient toilets for male and female workers. There are only six toilets for female workers and four toilets for male workers. The factory is missing a bathroom, menstruation hygienic room and lockers for workers. 8. The factory does not have a breast-milk storage or pumping room. 9. The factory only tests the drinking water once per year. 10. The working condition inspection does not include testing the laser machine or vibration levels throughout the factory. 11. There is poor noise control in workshop one and two, and the factory does not provide earplugs. The noise exceeds the legal limit; eight out of fifteen samples of inspection records exceed the legal limit. 12. On the second floor of the production building, the load ability is not measured or controlled in the packing area. 13. The factory has not conducted a building safety inspection.

Local Law or Code Requirement

Law No.84/2015/QH13, Art.21.1, Art.21.3; Art. 27.2, Art. 16, Art.36, Art.37; Labor Code No. 10/2012/QH13(2013), Art. 138; Circular 19/2016/BYT, Annex 1; Decree 85/2015/NDCP, Art 3.3; Circular 15/2012/BYT, Art 1.6.c; Circular 08/2006/BXD, Art 1.3; FLA Workplace Code (Health Safety and Environment Benchmarks HSE.1, HSE.3, HSE.7, HSE.14, HSE 17, HSE 20, and HSE 23; Employment Relationship Benchmark ER.2)

Recommendations for Immediate Action

1. Provide the legal health checks for all workers. Annual health check should be twice per year and provided to those working in the heavy and hazardous working condition. 2. Maintain and track all illness, injuries, and health status of employees and workers. Ensure that a report of injuries is sent to the authority every six months. 3. Pallets should be placed on the flat side. 4. Equip adequate handrails at the old stock warehouse to prevent risks from falling. 5. Equip the ladder with a working platform or lifting tools for workers handling the material rolls on the racks. 6. Provide adequate faucets in the toilets and provide sufficient toilets for male and female workers. Provide bathrooms, menstruation hygienic rooms and lockers for workers; provide breast-milk storage and pumping room in the factory. 7. Conduct drinking water tests quarterly. 8. Include laser and vibration tests in the scope of working condition inspections. 9. Ensure noise level in the workshop is within legal limits. 10. Ensure that the load ability of the packing area (the second floor of the production building) is measured and controlled properly. 11. Conduct building safety inspections regularly, as legally required.

COMPANY ACTION PLANS

Action Plan no 1.

Description

- Preventative actions based on root cause analysis: factory to provide further skills training for person(s) responsible for these sections.
- Confirmation of corrective actions through document or photo review

Company Action Plan Update

- Root cause analysis completed on 11/19/19

1. Hearing acuity test completed for all necessary workers. Twice annual health exams planned for March and Sept (completed Jan 17, 2020).

2. This issue completed as confirmed by the auditors on 5/23/19

3. This issue completed as confirmed by the auditors on 5/23/19


5. This issue completed as confirmed by the auditors on 5/23/19
6. This issue completed as confirmed by the auditors on 5/23/19

7. This issue completed as confirmed by the auditors on 5/23/19

8. This issue completed as confirmed by the auditors on 5/23/19

9. This issue completed as confirmed by the auditors on 5/23/19

10. Laser and vibration testing complete. This testing has been included in the working conditions inspection moving forward (complete Jan 17, 2020).

11. This issue completed as confirmed by the auditors on 5/23/19

12. Posted the loading ability in the factory (completed on 7/2/19)

13. This issue completed as confirmed by the auditors on 5/23/19

FINDING NO.18

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation
1. There are blocked exits and exit paths in the warehouse. There are blocked aisles in the old stock warehouse and preparation section. Three out of six aisles in the preparation area are too narrow at 40 centimeters. Moreover, workstations in the button snapping and sewing sections are blocked. 2. One of two emergency exits in the embroidery section and in the preparation section do not lead to the outside area. 3. There is a missing exit sign and emergency lights at one exit in the cutting section. Two out of two emergency lights did not work when tested in the area between sewing and counting sections, and between the counting and preparation sections. 4. One of two emergency exits in the cutting section is a sliding door and does not open outwards. Exits are too low in the packing section. They are about 1.75m. 5. Blocked fire hose and fire extinguishers in the material warehouse. 6. None of the fire extinguishers have operational instruction. 7. There are missing fire extinguishers in the old stock warehouse. The fire hoses in front of the material warehouse are missing pipes to connect to the water source. Also, there are no spare fire extinguishers in the factory. 8. The automatic fire extinguishers in the warehouse have not been inspected since they were purchased in 2014. One sampled fire extinguisher was below working pressure. There is no sprinkler system in the finished goods warehouse. 9. There is no procedure to ensure workers do not stack products too high. Finished goods are stacked too high near the nozzles of sprinkler systems in the packing area. 10. Fire extinguishers are not mounted in the warehouse, preparation section, maintenance room or packing section, instead, they are left on the floor. 11. There are no defined assembly points in the factory for emergency situations. 12. There is poor cigarette smoking control, as cigarette butts were found inside the maintenance room. 13. There are insufficient first aid supplies in all first aid kits. The first aid kit in the assessor warehouse is almost empty. First aid spaces on the work floor are not equipped. 14. There is no medical equipment in the clinic, there are only two beds and the empty first aid kit. 15. The factory has not employed any clinic staff. The factory has signed a contract with the hospital for emergency service, but there is no subcontracted clinic staff present in the factory. 16. There is no coordination of the first aid team in the fire drill as per the factory’s defined fire protection plan. 17. Visitors and suppliers are not included in the scope of the evacuation procedure. There are missing steps to ensure that all personnel, visitors, contractors, and service providers are safely evacuated. 18. The fire alarm is not audible throughout the entire factory, including the warehouse, embroidery and packing area.

Local Law or Code Requirement

Vietnam Standard: TCVN 2622:1995, Art 7.1, Art 7.17; TCVN 7435-1:2004, Art 5.4 and Art 5.5; Decision 2726/BKHCN, Art 5.1, Art 5.1.7, Art. 6(1)(3), Art 7.2, Art 10.1.5 and Art 10.1.6; Circular 19/2016/BYT, Art 1.g, Art 6 and 8; Law No.84/2015/QH13, Art 73.1; QCVN 06/2010/BXD, Art 3.2.3 , Art 3.2.9;; Decree no. 79/2014/ND-CP, Art.7 and Art.13; FLA Workplace Code (Health Safety and Environment Benchmarks HSE.1, HSE.5, HSE.6, and HSE.18)

Recommendations for Immediate Action

1. Clear all exits, exit paths, and aisles from obstacles for a free evacuation. 2. Ensure that all emergency exits lead to an open and safe
area. 3. Install exit signs and emergency lights above all exits and exit paths. Emergency lights should be inspected regularly to ensure that they are in good working condition. 4. Emergency exits should be at least 2 meters high. 5. Make all fire equipment accessible and equipped with operational instruction. 6. Equip the factory with adequate and sufficient number of fire extinguishers, as well as spare ones. Equip all fire houses with a connecting pipe. 7. Inspect all fire extinguishers regularly. Install a sprinkler system in the finished good warehouse. 8. Establish and implement procedures to ensure workers do not stack the products too high to cover the sprinkler system. 9. Mount or hang all fire extinguishers. 10. Designate physical assembly points in the factory. 11. Strictly control cigarette smoking inside the factory to eliminate fire risk and hazards. 12. Ensure first aid supplies are fully stocked in all first aid kits as prescribed. Equip the first aid spaces on the work floor as prescribed. 13. Equip the clinic with medical equipment and clinic staff. 14. Implement the coordination between the first aid team in the fire drill, as defined by the company in the fire protection plan. 15. Regularly test the fire alarm so that it is audible throughout the factory.

COMPANY ACTION PLANS

**Action Plan no 1.**

**Description**

- Preventative actions based on root cause analysis
- Confirmation of corrective actions through document or photo review

1. Factory will re-design the exit paths before Chinese New Year (planned completion 1/20/2020)

17. To make sure all personnel, visitors, contractors, and service providers during an emergency evacuation are checked (planned completion 1/10/20)

**Company Action Plan Update**

- Root cause analysis completed 11/19/19

2. Auditor feedback during 5/23/19 audit states, “two out of two emergency exits in the embroider room and preparation section lead to an assembly point (outside area)”, however, the issue was marked as 'Partially Completed'. This sounds to us like the issue have been remediated. Please advise if you have a different understanding.

3. Emergency light and exit signs installed (completed 7/2/19)

4. Posted the warning sign "Watch out the height" to remind workers (completed 7/1/19)

5. This issue completed as confirmed by auditors on 5/23/19

6. Operational instructions supplied on 7/1/19. To make sure the HSE committee also inspect the post on monthly check (completed 7/1/19)

7. The committee checks the fire extinguishers in the beginning of every month. The fire drill was conducted after their monthly check and the inspection was conducted in the middle of the month. We have set up a procedure for the committee to check fire extinguishers after the fire drill (completed 8/1/19)

8. Installed sprinkler system in the warehouses (completed 11/1/19)

9. This issue completed as confirmed by auditors on 5/23/19
10. All fire extinguishers mounted with a height not higher than 150cm (complete 7/2/19)

11. This issue completed as confirmed by auditors on 5/23/19

12. This issue completed as confirmed by auditors on 5/23/19

13. This issue completed as confirmed by auditors on 5/23/19

14. This issue completed as confirmed by auditors on 5/23/19

15. This issue completed as confirmed by auditors on 5/23/19

16. This issue completed as confirmed by auditors on 5/23/19

18. This issue completed as confirmed by auditors on 5/23/19

FINDING NO.19

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation
1. The environment protection plan has not been updated from the previous plan which was last updated March 6, 1996. The facility changed the facility owner and name but still uses the environment protection plan from the previous owner.
2. The fan in the maintenance room was not turned off when not in use.
3. There is no secondary containments for empty chemical drums in the hazardous waste storage area.
4. The machine oil and thread oil containers are not properly labeled in the maintenance room, around the fire water pump, and in the accessory warehouse. Neither MSDS nor secondary containment is available for these two oils.

Local Law or Code Requirement
Chemical Law No.06/2007/QH12, Art 21, Art 27; Environment law No.55/2014/QH13, Art 6.2, Art 33.4, Art 91.2, Art 108.1; FLA Workplace Code (Employment Relationship Benchmark ER.31); FLA Workplace Code (Health Safety and Environment Benchmark HSE.1, HSE.9, HSE.10, and HSE.13)

Recommendations for Immediate Action
1. Ensure electrical appliances are turned off when not in use.
2. Equip empty chemical drums in the hazardous waste storage area with secondary containment.
3. Ensure all chemical containers are properly labeled, equipped with proper MSDS and secondary containment.

COMPANY ACTION PLANS

Action Plan no 1.

Description
- Preventative actions based on root cause analysis
- Confirmation of corrective actions through document or photo review
1. Remake the Environmental Impact Assessment (EIA) report under current entity. Plan to update the procedure based on different levels of production (every 1,000,000 additional units requires an updated EIA) (planned completion 2/1/20)

Company Action Plan Update
- Root cause analysis completed 11/19/19

2. Trained the workers to turn off electrical fans when not in use (completed 7/2/19). Line supervisors are now accountable that all machinery in their department is being properly used. HSE committee will hold quarterly training for supervisors (complete Jan 17, 2020).

3. This issue completed as confirmed by the auditors on 5/23/19

4. Ensure the MSDS are always available (completed 7/2/19)

FINDING NO.20

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation
1. The factory uses repair electrical tape to connect electric wires. 2. The factory does not have lockout-tag out procedures.

Local Law or Code Requirement
Law No. 27/2001/QH10 on Fire Prevention and Fighting (2001), Art. 24(2)(3); FLA Workplace Code (Health Safety and Environment Benchmark HSE.1, HSE.13, and HSE.14)

Recommendations for Immediate Action
1. Discontinue use of repair electrical tape to connect the electric wires. 2. Establish and execute the lockout-tag out procedures in maintenance.

COMPANY ACTION PLANS

Action Plan no 1.

Description
- Preventative actions based on root cause analysis
- Confirmation of corrective actions through document or photo review

2. Make a list of equipment and/or machines that require lockout/tag out (planned completion 1/10/20)

Company Action Plan Update
- Root cause analysis completed 11/19/19
1. This issue completed as confirmed by auditors on 5/23/19