



FAIR LABOR  
ASSOCIATION<sup>®</sup>

## INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Build-A-Bear Workshop

COUNTRY: Vietnam

ASSESSMENT DATE: 06/20/16

ASSESSOR: FLA EMEA

PRODUCTS: Other

NUMBER OF WORKERS:

## 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: Training (Macro)

##### Finding Explanation

1. The factory does not provide specific training for relevant supervisors on the following Employment Functions: Wages and Benefits, Termination & Retrenchment, Industrial Relations & Freedom of Association, Grievance Systems, and Workplace Conduct & Discipline.
2. The factory does not provide ongoing training for employees on the following Employment Functions: Recruitment, Hiring, & Personnel Development, Wages & Benefits, Hours of Work, Termination & Retrenchment, Grievance Systems, Industrial Relations & Freedom of Association, Workplace Conduct & Discipline, and Health & Safety.
3. The factory does not provide training on workplace conduct for relevant HR staff.
4. 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.15.1, ER.15.2, ER.17.1, ER.17.3, ER.26)

#### COMPANY ACTION PLANS

##### Action Plan no 1.

##### Description

1. Reviewed these procedures and provided specific training for all the relevant supervisors of the function. Besides, when any new procedures are created, the factory will train for all relevant supervisors for well understanding and enforcement before putting into effect.
2. Provided ongoing training of these procedures for overall employees. Put fixed into the training materials and factory annual training plan.
3. Provided training on workplace conduct for current relevant HR staff and during orientation training for newcomers.
4. Reviewed & added the personnel development procedure on the policy then allow to participate in the education/training if there is any appropriate education/training pertinent to each department so as to gain the expertise knowledge & skills for all personnel.

### FINDING NO.2

## SUSTAINABLE IMPROVEMENT REQUIRED

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

#### Finding Explanation

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/feedback regarding the creation, implementation, and updating of its policies and procedures. Workers are neither systematically integrated nor consulted in the decision-making processes.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1 and ER.16)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1.Our trade union has a meeting/conversation joined by 3 parties (union, worker's representatives, labor's user) every quarter as well as conference every year so that our worker can contribute their idea/opinion whenever updating/creating the policies and procedures.

## FINDING NO.3

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Industrial Relations

#### Finding Explanation

1. The union fee is deducted from all workers' salary; there is no documentation that workers agreed to this deduction, though the 47 interviewed workers (2.7% of the workforce) confirmed that they all agreed.
2. 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.
3. Workers are not provided with a copy of the Collective Bargaining Agreement (CBA). Most interviewed workers are not aware of the CBA or of its contents, although it is recorded that 100% of the workers had agreed with the contents of the CBA, including a signature by the factory's Labor Union. The CBA is posted in the local language on the bulletin board inside the workshop.
4. 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

FLA Workplace Code (Employment Relationship Benchmarks C11.1, ER.16.2, and ER.26; Freedom of Association Benchmarks, FOA.2 FOA.15, and FOA.24.)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

- 1.Added the information related to workers agreeing to the fee deduction into voluntary joining union application.To prevent this point, all the information concerning about worker's right should be public.
- 2.Designated the meeting room by setting up a signpost and provided any necessary equipment whenever the union requests.
- 3.We communicated with all workers through propaganda activities of union as well as provided an available copy of CBA to each section in order to keep posting on the bulletin board.
- 4.All workers have the discretionary right to choose their own political party but Vietnam only has one political party so all unions have to follow one political party even though it should be failed to comply with the FLA code standard on freedom of association.

## FINDING NO.4

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Termination & Retrenchment

##### Finding Explanation

The factory does not have written policy and procedures on Termination & Retrenchment.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1 and ER.32.1)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1.Written procedures on Termination & retrenchment, train for employees, added into annual training plan.

## FINDING NO.5

### SUSTAINABLE IMPROVEMENT REQUIRED

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

##### Finding Explanation

1.The factory does not have any procedures on Personnel Development.

2.The labor contract does not comply with Government Decree No. 05/2015/ND-CP. The contract does not specify the following required information: the start time and end time of every work day; overtime hours and overtime provisions; break times; the use of personal protective equipment (PPE) including quantities, types and quality of PPE.

##### Local Law or Code Requirement

Decree No.05/2015/ND-CP, Article 4; FLA Workplace Code (Employment Relationship Benchmark ER.1.1 and ER.29)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1.Reviewed & added the personnel development procedure on the policy then allow to participate in the education/training if there is any appropriate education/training pertinent to each department so as to gain the expertise knowledge & skills for all personnel.

2.Reviewed and added this information into labor contract to compliance with Decree No. 05/2015/ND/CP.

## FINDING NO.6

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Compensation

##### Finding Explanation

The factory does not have a grievance system for workers to dispute compensation and receive clarifications in this respect in a timely

manner.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks C.19)

### COMPANY ACTION PLANS

Action Plan no 1.

#### Description

1.Provided an available copy of routine to each section in order to keep posting on the bulletin board. Provided training for overall employees. Put fixed into the training materials and factory annual training plan.

### FINDING NO.7

### SUSTAINABLE IMPROVEMENT REQUIRED

**FINDING TYPE:** Hours of Work

#### Finding Explanation

Prior to June 2016, workers were not free to leave during overtime and had to secure an exit permit, which included a signed permit by the line leader, team leader, HR and the production manager, in order to leave. The factory changed this policy in June 2016, however, this policy change has neither been publicly announced or communicated to workers nor are there current plans to do so. None of the interviewed workers are aware of this new policy.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.16.1, Hours of Work Benchmark HOW.1)

### COMPANY ACTION PLANS

Action Plan no 1.

#### Description

1.This policy was publicly announced, perhaps some workers were absent or non-communication so that they didn't catch up the changing. However, to be tighter, the Board of Director will re-mind this policy to all chiefs and leaders at weekly production meeting, then ask them to communicate to all workers. Whenever having new policy later on, the leaders will announce to each workers at their section for them to be aware of any changing.

### FINDING NO.8

### SUSTAINABLE IMPROVEMENT REQUIRED

**FINDING TYPE:** Environmental Protection

#### Finding Explanation

1.The factory has a basic Environment Management System and Energy & Water conservation plans; however, in practice, consumption in electricity and production of solid waste is increasing; use of electricity increased by 23% in 2015 and solid waste more than doubled, there is no plan to control or reduce either of these.

2.Environment policies and practices are not communicated and trained to all workers.

3.The procedures do not include protection for workers who allege environmental violations.

#### Local Law or Code Requirement

FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1; Employment Relationships Benchmarks ER.1.2 and ER.31)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

- 1.Our factory has environmental impact assessment every year (scheduled for 12/1/2016), then we choose the highest significant aspect to do the continuous improvement. So depend on the assessment result, factory will have difference aspect to control each year. And this year we are focusing on domestic wastewater.
- 2.Provided training of these procedures for overall employees. Put fixed into the training materials and factory annual training plan.
- 3.Added this information into environmental policy.

## FINDING NO.9

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. The fire pump take is a confined space, this is not clearly marked or locked to prevent unauthorized entry.
2. The Health, Safety and Environment (HSE) committee does not include worker participation and engagement.
3. There is no ergonomic training or programs to provide adjustable work stations for workers.
4. There is no detailed training for the responsible staff on the safety procedures for lifting/loading, as well as any ergonomics training; no lifting belts are provided.
5. Available chains were not used to secure the storage mezzanine landing in the finished goods warehouse at the time of inspection, creating a falling hazard. This finding was immediately corrected.
6. Personal Protective Equipment (PPE) requirements were not posted throughout the Stuffing area to remind workers to wear masks and use hearing protection in these areas. The correct PPE was available, but not worn by every worker.
7. There are no written policies or measures to protect against retaliation for workers who raise health and safety concerns.
8. Individual workstations are not adjustable and do not have adjustable backrests to fit individual workers as the factory is currently testing chairs of different heights. There are also no anti fatigue mats for standing workers.
9. Not all equipment, ladders, moving stairs and similar tools, are well maintained.
10. Bathroom facilities in the factory were not clean or sanitized during the assessment.
11. The factory does not track all illnesses; there are health checkups and some follow up but not a thorough or complete tracking of all illnesses.

#### Local Law or Code Requirement

FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.3, HSE.7, HSE.17, HSE.14, ER.31)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

- 1.Hung a warning sign "authorized only" at the fire pump area. Lock the pump by 2 lockers at each door.
- 2.We have HSE committee which is composed of 17 representatives from each section so all workers are involved.
- 3.We implemented a test project: the chairs of different heights for workers in production line. We conducted the survey to get trial worker's idea, and they are all satisfied because the suitable chair make them more comfortable. The project was successful so that we applied officially.
- 4.Provided specific training about ergonomics to all relevant worker: finishing, w.h material, finishing warehouse. Provided lifting belt for w.h. material and finishing warehouse. Posted guidance about right ergonomics at each area accordingly.
- 5.Made a warning sign at finishing warehouse to remind worker at all the time. Painted the chains in yellow color for workers to notice easily.
- 6.Posted PPE throughout the stuffing area. Announced to all leaders to control PPE using at their area daily. Safety staff will check suddenly to follow up the compliance.
- 7.Add these information into the safety and hygiene policy.
- 8.We suggested the chairs of different heights in production line during audit then the auditor said it's ok to proceed so we've already invested to purchase and we're hard to provide anti-fatigue mat for the standing workers but we would like to provide more break time versus anti-fatigue mat
- 9.Reviewed and made maintenance plan for each equipment.

10. Remind workers cleaning at each area, HSE check bathroom facilities monthly and correct immediately.
11. Track all illnesses (including group 4 and 5).

## FINDING NO.10

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. There was a basic fire risk assessment conducted internally, this assessment was too general and non-specific and did not capture all the risks, for example it failed to assess the chemical storage and waste storage. There is no third party fire risk assessment.
2. The factory does not have a marked or posted assembly area for evacuations.
3. The fire alarms in the sewing sections are not connected to a central control panel in main security office. The fire alarm system covers the warehouse and main production areas but not the outer buildings or the risk areas such as the chemical storage area and waste areas.
4. There are no individual test records or maintenance logs kept for fire alarms and emergency/exit lights. One emergency light next to the finishing section was broken at the time of assessment with no record for replacement or a system for tracking.

##### Local Law or Code Requirement

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

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. Hire third party to conduct the fire risk assessment every year.
2. Make and post assembly area for evacuations
3. Connect sewing and finishing to make center fire alarm.
4. Make test record to follow up alarms and emergency/exit lights system.

## FINDING NO.11

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. The fans and ventilation in the heat cutting sections do not appear adequate to remove smoke and fumes. No testing records or detailed monitoring records of smoke levels, materials or exposures were available.
2. Chemical safety management shows some gaps, particularly in the management of acetone. Factory uses approximately 100L per month for "cleaning" but has no detailed records of the distribution or of the workers and departments that are using these solvents. The areas where such solvents are used should be clearly marked with appropriate Material Safety Data Sheets (MSDS) and clearly posted PPE requirements. Workers using these chemicals must be trained in proper use.

##### Local Law or Code Requirement

FLA Workplace Code (Health, Safety and Environment Benchmark HSE.9)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. Will wait for the relevant agency from the Vietnamese government for measurement then will improve the facilities to meet the standards under the Vietnamese law.

2. Make clear report about input, output and inventory of each chemicals. Training for relevant workers to use chemicals properly.