



FAIR LABOR
ASSOCIATION[®]

INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Fast Retailing Co., Ltd.

COUNTRY: Vietnam

ASSESSMENT DATE: 11/30/18

ASSESSOR: Social Compliance Services Asia

PRODUCTS: Apparel

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 provides ongoing training to workers on the following Employment functions: Recruitment, Hiring & Personnel Development; Compensation; Hours of Work; Industrial Relations; Workplace Conduct & Discipline; Grievance System; Termination; Environmental Protection; and Health & Safety. However, the training is not effective. None of the workers interviewed by assessors had a strong understanding of the the factory's policies and procedures. [ER.1, ER.15]
2. The factory does not provide specific training to the relevant managers and supervisors on the following Employment Functions: Recruitment, Hiring & Personnel Development; Compensation; Hours of Work; Termination & Retrenchment; Industrial Relations; Workplace Conduct & Discipline; Grievance System; and Environmental Protection. [ER.1, ER.17, ER.27]
3. The factory does not provide training to the relevant HR personnel and administrative staff on Workplace Conduct & Discipline. [ER.1, ER.17, ER.27]
4. The factory does not provide ongoing training to workers on the workplace standards and code of conduct. [ER.1, ER.15]
5. Workers are not provided with written documentation that substantiates all the issues covered in orientation or a copy of the workplace rules. [ER.15]

Local Law or Code Requirement

Vietnam Labor Code No. 10/2012/QH13, Articles 138 and 149; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, ER.17, and ER.27]

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. On the on board date , all new employees have been trained on the above contents. Every year the in house staff have trained at least once a year. In the workplace there are provide rules and pay scales to provide them with reference when needed. Factory have provided to each employee a self-handbook for reference. (Completed on 26-Jul-2018).
2. Every year the in house staff have trained this program at least once a year (including for supervisor & manager) In the workplace there are provide rules and pay scales to provide them with reference when needed. Factory have provided to each employee a self-handbook for reference. (Completed on 8-Dec-2018).

3. Every year the in house staff have trained this program at least once a year (including for HR & Admin staff) In the workplace there are provide rules to provide them with reference when needed. Factory have provided to each employee a self-handbook for reference. (Completed on 8-Dec-2018).
4. On the on board date , all new employees have been trained on the above contents. Every year the in house staff have trained at least once a year. In the workplace there are provide rules and COC to provide them with reference when needed. Factory have provided to each employee a self-handbook for reference. (Completed on 26-Jul-2018).
5. Factory has provided handbook on rules and policies, COC for each employee. In the workplace there are provide rules and COC to provide them with reference when needed. (Completed on 26-Jul-2018).

Planned completion date

12/22/18

FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

1. The factory does not communicate its policies and procedures or their updates with the general workforce across all Employment Functions. [ER.1, ER.16, ER.25, ER.27, ER.29, ER.30, C.17]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, ER.25, ER.27, ER.29, and ER.30; Compensation Benchmark C.17)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory has updated and have training for all employees about policies and procedures of factory or their updates periodically. (Completed by 16-Feb-2019).

Planned completion date

12/22/18

FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Review Process (Macro)

Finding Explanation

1. The factory does not periodically review and update its policies and procedures across all Employment Functions. [ER.1, ER.29, ER.30, ER.31]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.29, ER.30, and ER.31)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory has updated and have training for all employees about policies and procedures of factory or their updates periodically. (Completed by 16-Feb-2019).

Planned completion date
12/22/18

FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The factory does not conduct performance reviews for all existing workers. [ER.29]
3. The factory does not have a policy or procedures on Personnel Development. [ER.1, ER.28, ER.29, ER.30]

Local Law or Code Requirement

Circular No.23/2014/TT-BLDTBXH, Chapter 3, Article 7.2 and 7.3; FLA Workplace Code (Employment Relationship Benchmarks ER.2, ER.27 and ER.29)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory has conducted performance reviews for probation workers and periodic for employees. (Completed by 28-Feb-2019).
3. From 01-Jan-2017, Factory had a policy on Personnel Development. (Completed).

Planned completion date
12/22/18

FINDING NO.5

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. Records of disciplinary actions are not kept in workers' personnel files. [ER.27]
2. The factory's Workplace Conduct & Discipline procedures do not include steps for workers to appeal disciplinary actions taken against them without fear of retaliation. [ER.1, ER.27]

Local Law or Code Requirement

Circular No.23/2014/TT-BLDTBXH, Chapter 3, Article 7.2 and 7.3; FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.27)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. After full signature of relation person, factory kept records of disciplinary action in workers' personnel files. (Completed by 30-Jan-2019)
2. There are steps to guide complaints and denunciations of violations, factory has a anti-retaliation policies when making

comments. (Completed by 20-Feb-2019)

Planned completion date

12/22/18

FINDING NO.6

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Grievance System

Finding Explanation

1. The factory does not maintain documentation related to the opening of the suggestion boxes. [ER.2]

Local Law or Code Requirement

FLA Workplace Code (Employment Relations Benchmark ER.2)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory has plans to open suggestion boxes on every Saturday, which will be accompanied by checking form. (Completed by 14-Feb-2019)

Planned completion date

12/22/18

FINDING NO.7

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. The factory does not provide workers with 24 consecutive hours of rest in every seven-day period. Around 4% of the sampled workers in the stitching and finishing department worked for 13 consecutive days from October 29, 2018 to November 10, 2018. [HOW.1, HOW.2]

Local Law or Code Requirement

Labor Code of Vietnam No. 10/2012/QH13, Article 110, Clause 1; FLA Workplace Code (Hours of Work Benchmarks HOW.1 and HOW.2)

Recommendations for Immediate Action

1. Provide all workers with 24 consecutive hours of rest in every seven-day period.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. a. Onwards, Sales team will work with production team to set up a reasonable production plan once order is being placed. b. Production Team will base on actual situation to assign suitable manpower to leverage the production. (In progress)

Planned completion date

12/22/18

FINDING NO.8

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The factory sent the workers' social benefit lists to the Social Insurance Department who sent back the approved workers' social benefit lists in the form of C70B forms. However, the workers did not sign the forms after they received their social benefits payments (e.g. maternity leave, sick leave, and work- related injury payments). Workers confirmed that they received the correct compensation during interviews. [C.1, C.14]

Local Law or Code Requirement

Decision No. 828/QĐ-BHXH, Article 25; FLA Workplace Code (Compensation Benchmarks (C 1, C.14)

Recommendations for Immediate Action

1. Ensure that all workers sign C70B forms after receiving social benefit payments.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. From 2018 Dec Factory have carried out to sign directly into C70B form. (Completed by 16-Dec-2018)

Planned completion date

12/22/18

FINDING NO.9

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. Vietnam has not ratified ILO Conventions 87 or 98. Under Vietnamese law, all unions are required to affiliate with the single trade union, the Vietnam General Confederation of Labor (VGCL), which is affiliated with the Communist Party. With respect to such union monopolies, the ILO Committee on Freedom of Association has stated that "the rights of workers to establish organizations of their own choosing implies . . . the effective possibility of forming . . . [trade unions] independent both of those which exist already and of any political party." Vietnam's legal framework is therefore not compatible with the ILO Principles on Freedom of Association and, as such, all factories in Vietnam fail to comply with the FLA Code standard on Freedom of Association. [FOA.2]

Local Law or Code Requirement

FLA Workplace Code (Freedom of Association Benchmark FOA.2)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory is disagreeing this finding.

Planned completion date

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FINDING NO.10

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. There are no signs posted next to at least ten fire extinguishers and three fire alarms in Building 1 so that they can be identified from a distance. [HSE.1, HSE.5, HSE.6]
2. The fire alarm sound is not clearly audible throughout the knitting workshops on the fourth and fifth floors of Building 1 due to the loud machine noises. There is no alternative type of fire alarm, such as one that emits light, installed in that area. [HSE.1, HSE.5]
3. The centralized fire alarm system at the security post was not working at the time of the assessment. [HSE.5]
4. One of the fire extinguishers in the washing section of Workshop 5 is undercharged. [HSE.1, HSE.6]
5. There are duplicate "You Are Here" markings on the evacuation maps that are posted in the goods delivery workshop in Building 1. [HSE.5]
6. Three of the emergency lights above the fire exit doors in the packing area, finished goods warehouse, and vacuuming room of Workshop 5 were not working at the time of assessment. [HSE.1, HSE.5]
7. Six of the emergency exit doors in the knitting workshops (on the fourth and fifth floors of Building 1 and on the fourth floor of Building 2) and in Workshop 5 (in the inspection room and vacuuming room) are automatic sliding doors. [HSE.1, HSE.5]
8. At least three of the workstations in the packing area of Workshop 5 are obstructed by goods and baskets. [HSE.1, HSE.5]
9. There are no arrows indicating the exit routes in the vacuuming room of Workshop 5. In addition, the arrows in the washing section are faded. [HSE.1, HSE.5]
10. Five fire extinguishers were blocked at the knitting workshops, finishing, and packing workshops in Building 1, 2, and 6. [HSE.5]

Local Law or Code Requirement

Vietnamese Standard (TCVN) No. 7435 - 2:2004, Part 2, Item 4; Vietnamese Standard (TCVN) No: 5738: 2001, Parts 3, 5, and 7; National Standard (TCVN) No. 3890-2009; National Standard (TCVN) No. 439/BXD-CSXD, Item 11.6.1; National Standard (TCVN) No. 2622:1995, Part 7, Points 7.24 and 7.5; National Standard (QCVN) No. 06:2010/BXD, Item 3.3.1; Decree 79/2014/ND-CP, Chapter 2, Article 7, Point 1; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.5, and HSE.6)

Recommendations for Immediate Action

1. Post signs next to all fire extinguishers and fire alarms in Building 1.
2. Ensures that the fire alarm sound can be heard throughout the entire factory or install alternative alarms, such as ones that emit light.
3. Repair or replace the malfunctioning fire alarm system.
4. Charge the fire extinguisher in the washing section of Workshop 5. Regularly inspect all fire extinguishers to ensure that they are charged at all times
5. Update the evacuation maps in the goods delivery workshop in Building 1.
6. Repair or replace the broken emergency lights in the packing area, finished goods warehouse, and vacuuming room of Workshop 5.
7. Replace the automatic sliding emergency exit doors in the knitting workshop and Workshop 5 with doors that open outwards.
8. Clear the obstructions from around the workstations in the packing area of Workshop 5. Monitor to ensure that they remain clear.
9. Mark the exit routes in the vacuuming room of Workshop 5 and repaint the markings in the washing section.
10. Unblock the fire extinguishers in the knitting workshops, finishing, and packing workshops in Building 1, 2, and 6.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory Improved immediately. (Completed by 21-Dec-2018)

2. Factory Improved immediately. (Completed by 29-Jan-2019)
3. Factory Improved immediately. (Completed by 28-Jan-2019)
4. Factory Improved immediately. (Completed by 18-Dec-2018)
5. Factory Improved immediately. (Completed by 28-Dec-2018)
6. Factory Improved immediately. (Completed by 18-Dec-2018)
7. The factory will install back-up power for these automatic sliding doors to ensure that these doors will open in case of power cut-off. (In progress)
8. Factory Improved immediately. (Completed by 27-Dec-2018)
9. Factory Improved immediately. (Completed by 27-Dec-2018)
10. Factory Improved immediately. (Completed by 29-Jan-2019)

Planned completion date

12/22/18

FINDING NO.11

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. There are unprotected electrical running wires on the floor in the wrap yarn section of Workshop 5. [HSE.1, HSE.13]
2. There are no insulated mats available for at least two of the main electrical boxes in the washing area of Workshop 5. [HSE.1, HSE.13]
3. Cooking oil is placed directly under the electrical box in the kitchen. [HSE.1, HSE.19, HSE.22]

Local Law or Code Requirement

Vietnam Labor Law, Article 5; National standard (QCVN) No. 01:2008/BCT, National Technical Regulation on Electric Safety; Electricity Law No. 28/2004/QH11, Article 57, Clause 2; FLA Workplace Code (Health, Safety and Environment HSE.1, HSE.13, HSE.19, and HSE.22)

Recommendations for Immediate Action

1. Maintain electrical wires properly.
2. Provide insulated mats for all of the electrical boxes in the washing area of Workshop 5.
3. Store cooking oil away from the electrical box in the kitchen.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory Improved immediately. (Completed by 27-Dec-2018)
2. Factory Improved immediately. (Completed by 15-Dec-2018)
3. Factory Improved immediately. (Completed by 15-Dec-2018)

Planned completion date

12/22/18

FINDING NO.12

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. There are no safety instructions posted next to the drying machines in the finishing workshop on the second floor of Building 1. [HSE.14]

2. The capacity notice in the elevator cabin is not posted in all of the languages spoken by workers and management staff. At the time of the assessment, there were 44 Chinese managers and supervisors working in the factory. [HSE.14]

3. The factory provides Personal Protective Equipment (PPE) training to the workers, however, the training was not effective. At the time of the assessment, around 20% of the workers in the computer weaving department were not using PPE such as ear plugs and masks while working, even though the PPE was provided. [HSE.1, HSE.8]

4. The food in the kitchen is uncovered. [HSE.19, HSE.22]

5. Ten first aid kits in Building 1 are not equipped with all necessary first aid supplies, such as goggles, masks, adhesive tape rolls in multiple sizes, and waterproof nylon pads. [HSE.1, HSE.6, HSE.18]

6. There is no sink in the clinic. [HSE.1, HSE.18, HSE.19]

7. The factory does not provide anti-fatigue mats to any of the workers who work in a standing position (e.g. ironing and inspection workers). [HSE.17]

8. The factory's Health & Safety procedures do not include the following components:

a) A list of equipment and machines that require lockout-tagout;

b) Guidance documents for external contractors and service providers concerning health and safety. [ER.1, ER.31]

Local Law or Code Requirement

Vietnam Labor Code No. 10/2012/QH13, Articles 138 and 149; Circular No. 30/2012/TT-BYT, Article 4, Clause 5; Vietnam Labor Law, Circular No. 19/2016/TT-BYT, Article 6; FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.6, HSE.8, HSE.14, HSE.17, HSE.18, HSE.19, and HSE.22)

Recommendations for Immediate Action

1. Post safety instructions next to the drying machines.

2. Post a capacity notice in the elevator cabin in all languages spoken by factory employees, including the Chinese managers and supervisors.

3. Retrain workers on the proper use of PPE. Monitor to ensure compliance.

4. Cover the food in the kitchen.

5. Stock the first aid kits with all required supplies. Regularly inspect the first aid kits and replace any missing items.

6. Install a sink in the clinic.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory has posted safety instructions for all department as soon as that begin it operation. (Completed)

2. Factory improved immediately. (Completed by 25-Dec-2018)

3. Beside training and remind the workers ear plugs and masks while working, We follow up noise level of knitting department everyday, its value is always under 85 dB. Base on the result of working environment measurement, dust concentration and noise level is within the allowable value and the worker do not work continuously for 8 hours in this condition. These conditions can allow the worker are not using PPE. However, to protect healthy of workers, factory train and remind the workers ear plugs and masks while working. (Completed)

4. Factory improved immediately. (Completed by 18-Dec-2018)

5. Factory improved immediately. (Completed by 18-Dec-2018)

6. Factory improved immediately. (Completed by 27-Dec-2018)

7. According to survey statistics, more than 98% of workers said that the anti fatigue mats with support is not suitable for their working environment. They recommend not using them. (Completed by 8-Dec-2018).

8.a. Factory has a list of equipment and machines that require lockout-tagout promulgated with log out/tag out procedure .

b) Factory have carried out this procedure. (Completed by 20-Dec-2018)

FINDING NO.13

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

1. The factory does not have a policy or procedures on Retrenchment. [ER.1, ER.19, ER.32]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.19, and ER.32)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory had a policy or procedures on Retrenchment. (Completed on 04-Sept-2018)

FINDING NO.14

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. The factory's Environmental Protection procedures do not include protection against retaliation for workers who allege environmental violations. [ER.1, ER.31]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.31)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory has a anti-retaliation policies when making comments, complaints and denunciations of violations. Besides, they have Environmental Protection policy include protection against retaliation for workers who allege environmental violations. (Completed by 22-Feb-2019)