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## INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Fast Retailing Co., Ltd.

COUNTRY: Vietnam

ASSESSMENT DATE: 12/26/18

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: Workplace Conduct & Discipline

##### Finding Explanation

1. Records of disciplinary actions are not kept in workers' personnel files. [ER.1, ER.2, ER.27]

##### Local Law or Code Requirement

Circular 23/2014/TT-BLDTBXH, Articles 7.2 and 7.3; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2, and ER.27)

#### COMPANY ACTION PLANS

##### Action Plan no 1.

##### Description

1. Factory will keep records of disciplinary actions in workers' personnel files.

##### Planned completion date

01/22/19

##### Company Action Plan Update

1. Per document reviewing, factory already kept records of disciplinary actions on workers' personnel files.

### FINDING NO.2

#### IMMEDIATE ACTION REQUIRED

## FINDING TYPE: Hours of Work

### Finding Explanation

1. Workers do not receive 24 consecutive hours of rest during every seven-day period. At least 40% of the sampled workers from the ironing, packing, and inspection departments worked 11 consecutive days, from May 2-12, 2018. [HOW.1, HOW.2]
2. Weekly working hours sometimes exceed 60 hours per week. At least 40% of the sampled workers from the ironing, packing, and inspection departments worked up to 69 hours per week during May 2018. [HOW.1, HOW.8]
3. At least 90% of sampled workers' monthly overtime hours exceed the legal limit of 30 hours per month, with a maximum of 92 hours in June 2018. [HOW.1, HOW.8]

### Local Law or Code Requirement

Labor Code 10/2012/QH13, Article 106 Clause 2 Item B and Article 110 Clause 1; FLA Workplace Code (Hours of Work Benchmarks HOW.1, HOW.2, and HOW.8)

### Recommendations for Immediate Action

1. Provide all workers with one day of rest (24 consecutive hours) during every seven-day period.
2. Do not allow workers' total weekly working hours (regular plus overtime hours) to exceed 60 hours per week.
3. Do not allow workers' monthly overtime hours to exceed the legal limit of 30 hours per month.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

- 1.a. Loading at 48 hrs/week.
- b. During peak season to extend to max 60 hrs and send OT application to FR to be approved.
- c. Bi-weekly capacity planning meeting with management, sales and factory.
- d. HRD controls daily OT registration form & alert risk of going over 60h per that week on every Fri.
- e. From June 2018, factory has controlled no Sunday work.

FR will work with factory to reduce the number of orders to what is acceptable. Additionally, if that is the factory's plan, FR will ensure that the placement of excessive orders go to approved factories and not illegal subcontractors or factories that are not approved by FR. FR will be known at all times where its products are being produced.

2. Per reviewing attendance records from Dec 2018 until visit date (05 June, 2019), 15 out of 15 selected production worked more than 60 hours per week in May 2019 ( 61-68.5 hours ). Factory already submitted working hour extension report to FR for period (6 May -30 June 2019). FR will continue to monitor.
3. Per reviewing attendance records from Dec 2018 until visit date (05 June, 2019), 15 out of 15 selected production worked OT more than 30 hours per months in April & May 2019. FR will continue to monitor.

Update on 11-Oct-2019:

2 and 3: Factory is still in progress to improve. They are planning to complete by 1-December 2019.

Planned completion date

01/22/19

Company Action Plan Update

1. Per reviewing attendance records from Dec 2018 until visit date (05 June, 2019), 15 out of 15 selected production employees did not work on consecutive days.

## FINDING NO.3

### 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 follows local law.

##### Planned completion date

01/22/19

## FINDING NO.4

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. Carton boxes are stacked too high in the yarn warehouse. This could cause the boxes to fall and injure workers. [HSE.1]

2. The floor markings and directional arrows in the yarn warehouse are faded. [HSE.1, HSE.5]

3. The Health & Safety procedures do not include steps to ensure that all special categories of workers and children in childcare facilities are safely evacuated in the event of an emergency. [ER.1, ER.31]

##### Local Law or Code Requirement

National Standard TCVN 3147/1990, Article 3; National Standard TCVN 3890/2009; National Code QCVN 06/2010/BXD, Article 3.3.1; National Standard TCVN 439/BXD-CSXD, Item 11.6.1; National Standard TCVN 2622/1995, Article 7.5; Decree 79/2014/ND-CP, Article 7.1;

#### Recommendations for Immediate Action

1. Rearrange the carton boxes in the yarn warehouse so that they are not stacked more than two meters high.
2. Repaint the floor markings and directional arrows in the yarn warehouse so that they are clearly visible.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. a. Factory will re-arrange standard for each floor of rack in all warehouses : 1 layer of carton box in 3rd floor and tie together to avoid falling.
- b .Moreover, WHS staff will train all WHS workers including forklift drivers to ensure all WHS workers understand new standard.
- c. OHS Staff weekly check the compliance in WHS.

##### Planned completion date

01/22/19

##### Company Action Plan Update

1. Per factory walk-through, carton boxes are not stacked too high in the yarn warehouse.
2. Per factory walk-through, factory already posted floor markings and directional arrows in the yarn warehouse.
3. Per document reviewing, factory already updated the health & Safety procedures included steps to ensure that all special categories of workers and children in childcare facilities are safely evacuated in the event of an emergency.

### FINDING NO.5

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Training (Macro)

##### Finding Explanation

1. The factory provides ongoing training to workers on all Employment Functions. Workers also receive ongoing training on the FLA Workplace Code of Conduct. However, the training is not effective; around 40% of the workers interviewed by assessors are not aware the training content. [ER.1, ER.15, ER.25]

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, and ER.25)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. Factory will improve training method to ensure effectively. Beside training, factory will post all employment Functions at public notice board and usually announce on PA system. Regularly Compliance staff check awareness of participants. FR follow up on what the new training method is to ensure effectiveness.

Planned completion date

01/22/19

Company Action Plan Update

1. Per document reviewing and worker 's interview, factory already provided ongoing training to workers on all Employment Functions and worker's confirmed they are aware of training content of Employment Functions.

## FINDING NO.6

### SUSTAINABLE IMPROVEMENT REQUIRED

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

Finding Explanation

1. The factory does not communicate with the general workforce regarding its policies and procedures on any of the Employment Functions or their updates. [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 will add policies and procedures on employment Functions on orientation training, annual training, posted at public notice board and announced on PA system. All policies and procedures will be reviewed and updated 6 months per time.

Planned completion date

01/22/19

Company Action Plan Update

1. Per document reviewing and worker 's interview, factory already provided training to general workforce regarding its policies and procedures on any of the Employment Functions or their updates. All policies and procedures will be reviewed and updated 6 months per time.

## FINDING NO.7

### SUSTAINABLE IMPROVEMENT REQUIRED

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

#### Finding Explanation

1. The factory does not periodically review and update its policies and procedures on any of the 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 will have written policy and procedure on reviewing policies and procedures. All policies and procedures will be reviewed and updated 6 months per time.

##### Planned completion date

01/22/19

##### Company Action Plan Update

1. Per document reviewing, factory already conducted periodically review and update its policies and procedures on any of the Employment Functions. All policies and procedures will be reviewed and updated 6 months per time.

## FINDING NO.8

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Environmental Protection

#### Finding Explanation

1. The procedures on Environmental Protection do not include steps for reporting environmental emergencies or protection against retaliation for workers who allege environmental violations. [ER.1, ER.31, HSE.5]

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.31; Health, Safety & Environment Benchmark HSE.5)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. Factory already has the emergency response plan, communicating with related parties in the emergency cases procedure. Factory will add steps for reporting environmental emergency or protection in the retaliation policy.

##### Company Action Plan Update

1. Per document reviewing, factory already updated the procedures on Environmental Protection included steps for reporting environmental emergencies or protection against retaliation for workers who allege environmental violations.

## FINDING NO.9

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## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Termination & Retrenchment

#### Finding Explanation

1. The factory does not have a written 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 will made a written policy and procedure on Retrenchment. This policy will be announced to all employees and added in orientation training and annual training. This policy will be updated and reviewed 6 months per time.

#### Company Action Plan Update

1. Per documents reviewing, factory already established the written policy or procedures on Retrenchment.