



FAIR LABOR
ASSOCIATION®

INDEPENDENT EXTERNAL ASSESSMENT REPORT



Verification Assessment

COMPANIES: Under Armour, Inc.

COUNTRY: Vietnam

ASSESSMENT DATE: 12/05/18

ASSESSOR: One Step Vietnam

PRODUCTS: Accessories [items, such as handbag clasps, that are affixed to other products]

NUMBER OF WORKERS:

Improving Workers' Lives Worldwide

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.

Previous Report Findings and Verification Results

PREVIOUS FINDING NO.1

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The factory does not provide specific training for relevant supervisors on Recruitment, Hiring, & Personnel Development.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.17)

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status (Remediated)

Explanation: Based on a review of documents and interviews with factory management and supervisors, the factory provided specific training for 16 relevant supervisors on Recruitment, Hiring, & Personnel Development on March 12, 2018.

PREVIOUS FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The factory does not communicate the Wages & Benefits policies and procedures and their updates according to local law and FLA Workplace Code and Benchmarks to the general workforce.
2. The factory employs 24 migrant workers (Korean, Filipino, and Indian) that are part of managerial staff, but does not enroll these employees in national health insurance, as required by law.

Local Law or Code Requirement

Health Insurance Law, Article 12; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, ER.16, and ER.17; Compensation Benchmarks C.1, C.11, and C.17)

Root Causes

Recommendations for Immediate Action

1. Ensure that all workers, including migrant workers, are enrolled in national health insurance.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Remediated)

Explanation: Based on documents reviewed and management confirmation, the factory communicated Wages & Benefits policies and procedures, according to local law and FLA Workplace Code and Benchmarks, to the general workforce on a worker's first work day, and during regular workforce training on August 20, 22 & 23, 2018.

2. Finding Status (Not Remediated)

Explanation: Based on documents reviewed & factory management interviews, the factory does not provide health insurance for migrant supervisors or managers, as required by law. Factory management explained there was no English-speaking hospital in Binh Duong Province to communicate to migrant supervisors and managers, so the factory used a private hospital. [C.1, C.11, C.17]

Root Causes: Lack of English-speaking hospital staff in Binh Duong Province to communicate to migrant supervisors and managers.

Local Law or Code Requirement

Health Insurance Law, Article 12; Article 4 of Guidance No. 595/QĐ-BHXH; FLA Workplace Code (Compensation Benchmarks C.1, C.11, and C.17)

Recommendations for Immediate Action

1. Ensure all employees, including migrant supervisors and managers, are enrolled in national health insurance.

COMPANY ACTION PLANS

Action Plan no 1.

Description

2. Immediate Action Required: Ensure all employees, including migrant supervisors and managers, are enrolled in national health insurance.

The factory must identify the person who will ensure that all employees, including all foreign workers, who have signed labour contracts from more than 3 months must participate in contributed health insurance. The factory must send evidence, including a chart listing each foreign worker (24, at the time of the audit) by name, with their photographs, their work identification number, their job/task, their shift, their date of hire, the date on which they signed their labor contracts, and the date on which the factory: a) Registered them with the appropriate governmental or other entity for, and b) began to make documented contributions for their insurance. Additionally, if there also is an employee contribution, then the factory must conduct documented education with each employee in their primary language about the nature and scope of coverage and the respective contributions and any legally required/permitted deductions and such deductions must be specifically itemized and document in each worker's pay slip.

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. The factory does not have accurate and verifiable time record and pay roll systems. The factory uses multiple time-keeping systems: a finger print system to record regular working hours and overtime under 30 hrs/month, and a manual recording system by officers (confirmed by workers at the end of the month) to record work done on Sundays. Excess overtime above 30 hours per month and work done on Sundays (considered overtime) is paid under the so called "productivity bonus". Due to the multiple time-keeping systems used to conceal excess overtime and Hours of Work on Sundays from auditors, accurate compensation of Hours of Work, including overtime compensation could not be fully verified.
2. Workers worked excessive overtime, exceeding legal limits, (over 4 hours/day, over 30 hours/month, and over 300 hours/year) in the reviewed period. A review of 50 monthly cases from November 2014 to October 2015 showed that the maximum overtime hours were six hours a day violating local law limiting daily overtime to four hours per day.
3. Monthly overtime hours exceeded the legal limit of 30 hours per month:
 - a. November 2014: 72% of reviewed cases worked overtime from 40 hours/month to a maximum of 76 hours/month. The average overtime hours were 44.59 hours.
 - b. December 2014: 83% of reviewed cases worked overtime from 31 hours/month to a maximum of 86 hours/month. The average overtime hours were 53.6 hours.
 - c. January 2015: 84% of reviewed cases worked overtime from 32 hours/month to a maximum of 84 hours/month. The average overtime hours were 55.61 hours.
 - d. February 2015: 59% of reviewed cases worked overtime from 32 hours/month to a maximum of 46 hours/month. The average overtime hours were 29.31 hours.
 - e. March 2015: 69% of reviewed cases worked overtime from 32 hours/month to a maximum of 82 hours/month. The average overtime hours were 49.45 hours.
 - f. April 2015: 89% of reviewed cases worked overtime from 33 hours/month to a maximum of 76 hours/month. The average overtime hours were 50.47 hours.
 - g. May 2015: 84% of reviewed cases worked overtime from 34 hours/month to a maximum of 110 hours/month. The average overtime hours were 54.81 hours.
 - h. June 2015: 27% of reviewed cases worked overtime from 31 hours/month to a maximum of 86 hours/month. The average overtime hours were 23.5 hours.
 - i. 46% of reviewed cases worked from 317 hours to a maximum of a total of 591 hours in the last 12 months, from November 2014 to October 2015.
4. The sum of regular and overtime hours in a week exceeded 60 hours. The maximum working hours were 48 hours for regular working plus 36 hours for overtime. (There were too many cases to count).
5. The factory had workers working from 1 to 3 Sundays per month from November 2014 to May 2015 without a compensatory day the following week. Thus, workers worked more than 7 days without a legally required rest day in several cases. A review of 50 monthly cases from November 2014 to October 2015 showed that:
 - a. November 2014: 2% of reviewed cases worked on 2 Sundays.
 - b. December 2014: 2% of reviewed cases worked on 1 Sunday and 2% of cases worked on 2 Sundays.
 - c. January 2015: 2% of reviewed cases worked on 1 Sunday, 2% of cases worked on 2 Sundays and 2% of cases worked on 3 Sundays.
 - d. February 2015: 6% of reviewed cases worked on 1 Sunday and 32% of cases worked on 2 Sundays.
 - e. March 2015: 6% of reviewed cases worked on 1 Sunday, 40% of cases worked on 2 Sundays, and 6% of cases worked on 3 Sundays.
 - f. April 2015: 22% of reviewed cases worked on 1 Sunday, 12% of cases worked on 2 Sundays, and 6% of cases worked on 3 Sundays.
 - g. May 2015: 14% of reviewed cases worked on 1 Sunday, 28% of cases worked on 2 Sundays, and 2% of cases worked on 3 Sundays.

Local Law or Code Requirement

Labor Code on Overtime Working, Article 106; FLA Workplace Code (Employment Relationship Benchmarks ER.23.4 and ER.24; Hours of Work Benchmarks HOW.1, HOW.2, HOW.6, and HOW.8)

Recommendations for Immediate Action

1. <!--[endif]-->Cease the use of multiple time-keeping systems immediately. Ensure that all Hours of Work, including overtime are properly compensated.
2. <!--[endif]-->Ensure that workers receive 24 consecutive hours off for every 7-day working period. Sunday work requires a compensating day off.
3. <!--[endif]-->Ensure workers do not work more than the legal overtime limit of 30 hours per month.
4. <!--[endif]-->Ensure that workers do not work more than the legal overtime limit of four hours per day.
5. <!--[endif]-->Ensure that workers do not work more than 60 hours per week as per FLA Benchmarks.
6. <!--[endif]-->Establish a system to control working hours and introduce procedures for overtime hours in extraordinary circumstances.
7. <!--[endif]-->Ensure that Hours of Work are accurately recorded, including overtime and work done on Sundays. Regularly train and communicate policies on Hours of Work to the general workforce.
8. <!--[endif]-->Provide factory management with ongoing training on policies regarding Hours of Work.
9. <!--[endif]-->FLA affiliate Company's Production, Sales, and Social Compliance teams should: a) implement FLA Principles of Fair Labor and Responsible Production and b) accordingly coordinate on the topics mentioned below to help the factory address its excessive hours issue:
 - a. <!--[endif]-->Review of the factory's production capacity and planning;

- b. Possible workshops/consultancy for the factory on how to improve productivity/quality;
- c. <!--[endif]-->Clear guidelines on how to make shipment deadline extension requests in case of contingencies;
- d. Steps that factory management must follow if overtime is inevitable (steps for how to communicate with a brand's Sourcing and Social Compliance teams);
- e. <!--[endif]-->Clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks;
- f. Clear guidelines on how and when the factory can use temporary workers to avoid excessive overtime or request use of an approved subcontractor.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Remediated)

Explanation: Based on a review of time records and payroll from December 2017 to November 2018 and worker interviews, there was no inconsistency found regarding wages, benefits or working hours.

2. Finding Status (Partially Remediated)

Explanation: Based on a review of time records and payroll from December 2017 to November 2018 and worker interviews, workers worked between one to four OT hours per day. There were no excessive daily working hours (over four OT hours per day) found. However, workers worked from 30.5 to 70 OT hours per month, 61 to 68 working hours per week and 310 to 600 OT hours per year (from January to November 2018). [ER.24, HOW.1, HOW.8.3]

3. Finding Status (Not Remediated)

Explanation: Based on a review of time records and payroll from December 2017 to November 2018 and worker interviews, monthly and yearly overtime hours exceeded both the legal limit of 30 hours per month and 300 hours per year [ER.24, HOW.1, HOW.8.3]:

- 70% of workforce worked from 30.5 to 70 OT hours per month in April & May 2018;
- 54% of workforce worked from 30.5 to 70 OT hours per month in March, June, and November 2018;
- 35% of workforce worked from 31 to 70 OT hours per month in October 2018;
- Five to ten percent of workforce worked between 31 to 68 OT hours per month in December 2017; January 2018, and July to September 2018;
- 35% of workforce worked from 310 to 600 OT hours per year from January to November 2018.

Root Causes: Due to peak seasons, poor production planning, poor worker skills and urgent orders.

4. Finding Status (Not Remediated)

Explanation: Based on a review of time records and payroll from December 2017 to November 2018 and workers interviews, 40% of the workforce worked between 61 to 68 hours per week, including overtime hours, from March to October 2018. Weekly overtime hours exceeded the FLA Benchmark limit of 60 hours per week.

Root Causes: Due to peak seasons, poor production planning, poor worker skills and urgent orders. [ER.24, HOW.1, HOW.8.3]:

5. Finding Status (Remediated)

Explanation: Based on a review of time, attendance, and production records and payroll from December 2017 to November 2018 and worker interviews, there was no Sunday work found.

Local Law or Code Requirement

Labor Code on Overtime Working, Article 106; FLA Workplace Code (Employment Relationship Benchmarks ER.24; Hours of Work Benchmarks HOW.1, HOW.2 and HOW.8)

Recommendations for Immediate Action

1. Ensure workers do not work more than the legal overtime limit of 30 hours per month.
2. Ensure workers do not work more than 60 hours per week, per FLA Benchmarks.
3. Establish a system to limit working hours and introduce procedures for overtime hours in extraordinary circumstances.

COMPANY ACTION PLANS

Action Plan no 1.

Description

2. Immediate Action Required: Ensure workers do not work more than the legal overtime limit of 30 hours per month.

The factory must identify the top and middle management personnel from Pungkook corporation and Pungkook Saigon Two, who will: 1) conduct documented and regular (daily, weekly and monthly) documented and regular analyses of the factory's hours of work with a view to progressively reducing excessive hours of work; 2) demonstrate and issue a written commitment to reduce overtime and 3) alter its personnel practices to make a documented effort to maintain a level of staffing that is reasonable in view of predictable or continuing fluctuations in business demand. Factory management is to: address its excessive hours issues:

1. If established to be necessary, by jointly working with its customers on how to provide better order forecasts;
2. Participating in workshops/engaging a consultancy for the factory on how to improve productivity/quality;
3. If established to be necessary, by jointly working with its customers to develop clear guidelines on how to extend shipment deadlines in case of contingencies;
4. the creation of steps that management must follow if overtime is inevitable (steps for how to communicate with Under Armour's Sourcing and Sustainability teams and other customers);
5. clear guidelines on calculating and setting reasonable production targets that will not demand work beyond regular working hours or during breaks; and
6. Developing clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime.

3. Immediate Action Required: Establish a system to limit working hours and introduce procedures for overtime hours in extraordinary circumstances.

The factory must identify the top and middle management personnel from Pungkook corporation and Pungkook Saigon Two, who will: 1) conduct documented and regular (daily, weekly and monthly) documented and regular analyses of the factory's hours of work with a view to progressively reducing excessive hours of work; 2) demonstrate and issue a written commitment to reduce overtime and 3) alter its personnel practices to make a documented effort to maintain a level of staffing that is reasonable in view of predictable or continuing fluctuations in business demand. Factory management is to: address its excessive hours issues:

- a. If established to be necessary, by jointly working with its customers on how to provide better order forecasts;
- b. Participating in workshops/engaging a consultancy for the factory on how to improve productivity/quality;
- c. If established to be necessary, by jointly working with its customers to develop clear guidelines on how to extend shipment deadlines in case of contingencies;
- d. the creation of steps that management must follow if overtime is inevitable (steps for how to communicate with Under Armour's Sourcing and Sustainability teams and other customers);
- e. clear guidelines on calculating and setting reasonable production targets that will not demand work beyond regular working hours or during breaks; and
- f. Developing clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime.

4. Immediate Action Required: Ensure workers do not work more than 60 hours per week, per FLA Benchmarks.

The factory must identify the top and middle management personnel from Pungkook corporation and Pungkook Saigon Two, who will: 1) conduct documented and regular (daily, weekly and monthly) documented and regular analyses of the factory's hours of work with a view to progressively reducing excessive hours of work; 2) demonstrate and issue a written commitment to reduce overtime and 3) alter its personnel practices to make a documented effort to maintain a level of staffing that is reasonable in view of predictable or continuing fluctuations in business demand. Factory management is to: address its excessive hours issues:

- a. If established to be necessary, by jointly working with its customers on how to provide better order forecasts;
- b. Participating in workshops/engaging a consultancy for the factory on how to improve productivity/quality;
- c. If established to be necessary, by jointly working with its customers to develop clear guidelines on how to extend shipment deadlines in case of contingencies;
- d. the creation of steps that management must follow if overtime is inevitable (steps for how to communicate with Under Armour's Sourcing and Sustainability teams and other customers);
- e. clear guidelines on calculating and setting reasonable production targets that will not demand work beyond regular working hours or during breaks; and

- f. Developing clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime.

PREVIOUS FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

1. The factory never arranges consultation meetings with workers or worker/union representatives before management reaches any final decisions on layoffs.
2. The factory does not provide ongoing training for employees on Retrenchment.

Local Law or Code Requirement

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

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status (Remediated)

Explanation: Based on document review and management confirmation, factory discipline procedures align with legal requirements. From 2015 to now, there was one layoff at the factory. The trade union attended consultation meetings with the factory manager before management reached a final decision on the layoff.

2. Finding Status (Remediated)

Explanation: Based upon document review and factory management and worker interviews, the factory has written retrenchment policies and procedures, and provided training for employees in August 2018.

PREVIOUS FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. The factory has a written policy but does not have written procedures on Industrial Relations and Freedom of Association.
2. The factory has a trade union under the Vietnam General Confederation of Labor (VGCL) that was established in 2002. The current union chairman was elected for the term of 2 years (2012 – 2014), then extended according to the new Labor Union Regulations.
3. Workers elect the representatives of their department. These representatives then elect the Executive Committee, comprised of 14 people; the Executive Committee then elects the chairman. However, the current chairman of the executive committee is the production manager.
4. 100% of the workers are union members. Workers do not sign applications for the union; all of them are automatically enrolled in the union during their first month of employment. The union fee is 10,000VND/month, which is deducted from workers' monthly salary without their written consent.
5. The factory provides an office with necessary equipment for the union to conduct daily meetings and for the union representatives to perform their functions.
6. The factory does not provide workers with copies of the Collective Bargaining Agreement (CBA), and about 90% of the interviewed workers were completely uninformed about the content of the CBA.
7. The CBA was signed on 15 September 2014 for a term of two years. The negotiation and signing process are in compliance with legal requirements.
8. There is a written procedure on dialogue meetings. Three meetings were organized in 2015 with the participation of management representatives and union representatives; however, there was no participation from worker representatives. The dialogue process does not follow the legally required process. According to Article 12 of Decree No. 60/ND-CP, which provides guidance on dialogue meetings: 60 days after ending the last meeting, the employer and chairman of Trade union shall sum up the content of and send a request for a meeting to the other party. Within five working days of receiving the request for the meeting, the employer and chairman of the trade union shall unify the content, time, location, and the participants of the periodic meeting. Within three days of the two parties unifying the content, time, location, and the participants of the periodic meeting, the employer shall issue a decision in writing on holding a periodic meeting. The decision on holding the periodic meeting must be sent to the chairman of trade union at least five working days before the meeting. The results of the dialogue meetings were not communicated to the workforce; most interviewed workers are not aware of the
9. The all-employee meeting has not been organized by the factory once a year as required by law.
10. About 1200 workers (factory 2B, 2C) did not work and eat to express dissatisfaction with the food on 9 & 10 July 2015. The factory management paid workers for the meal fee (13,500 VND) for these 2 days. A food quality monitoring program was set up and implemented since then to ensure that the food is satisfactory to the workers.
11. 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

Recommendations for Immediate Action

1. <!--[endif]-->Cease the practice of deducting union fees from workers' pay without their written consent.
2. <!--[endif]-->Hold the legally required all-employee meeting once a year.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Remediated)

Explanation: Based on document review and factory management and worker interviews, the factory has written procedures on Industrial Relations and Freedom of Association, approved by management in August 2018. The factory trained workers on these procedures in August 2018.

2. Finding Status (Remediated)

Explanation: Based on document review and interviews with the Trade Union Chairman and workers, the factory elected a new union chairman for a five-year term, 2017 to 2022.

3. Finding Status (Not Remediated)

Explanation: Based on document review and confirmation from factory management and the Trade Union Chairman, the current chairman of the executive committee is also the production manager. [FOA.11]

Root Causes: Although the factory understands the Union Chairman should be elected freely by workers, workers selected the production manager to be their Union Chairman.

4. Finding Status (Remediated)

Explanation: Based on document review and factory management and worker interviews, 100% of workers are union members and signed applications for the union when they signed the labor contract. The union fee is 20,000VND/month deducted from workers' monthly salaries with their written consent.

5. Finding Status (Remediated)

Explanation: Based on observations and an interview with the Trade Union chairman, the factory provides a meeting room for the union with necessary equipment, including a computer, telephone, table and chairs, for to conduct daily meetings and perform functions such as ceremonies for admitting new members to the union.

6. Finding Status (Partially Remediated)

Explanation: Based on document review and factory management and worker interviews, the factory posted copies of the Collective Bargaining Agreement (CBA) publicly at a workshop, but did not provide workers with copies of the Collective Bargaining Agreement (CBA), an FLA requirement. 100% of the interviewed workers knew about and understood the content of the CBA. [ER.16]

Root Causes: Lack of reviewing by compliance team & TOP Manager.

7. Finding Status (Not Remediated)

Explanation: Based on document review and factory management and worker interviews, the CBA was signed on 15 September 2014 for a term of two years; it is still in use. The factory is developing, and in the negotiation and signing process, for the new CBA as of December 2018. [FOA.1]

Root Causes: Lack of review by compliance team & TOP Manager.

8. Finding Status (Partially Remediated)

Explanation: Based on document review and management confirmation, management organized and participated in three meetings in 2018 (April 4, 2018; July 4, 2018 and October 4, 2018) with union and worker representatives. However, the factory did not follow the legally required dialogue process. According to Article 12 of Decree No. 60/ND-CP, which provides guidance on dialogue meetings: 1) 60 days after ending the last meeting, the employer and chairman of the trade union shall sum up the content of and send a request for a meeting to the other party. 2) Within five working days of receiving the request for the meeting, the employer and chairman of the trade union shall unify the content, time, location, and the participants of the periodic meeting. 3) Within 3 days after two parties unified content, time, location and the participants of periodical discussion at the working place, the employer shall issue decision in writing on holding periodical discussion at the working place. Decision on holding periodical discussion at the working place must be sent to the chairman of Trade Union at grassroots or representative of Executive Board of Trade Union at direct superior level where the Trade Union at grassroots level have not yet been established and the participants of discussion before day of holding discussion at least 05 working days. The results of the dialogue meetings were not communicated to the workforce; most interviewed workers are not aware of these meetings. [FOA.19]

Root Causes: Lack of knowledge & review by compliance Team, Trade Union & TOP Manager.

9. Finding Status (Remediated)

Explanation: Based on document review and interviews with factory management and workers, the factory organized a Labor conference on December 23, 2017 with 150 representatives elected by all workers. The meeting included a report on the operation and production of factory and trade unions.

10. Finding Status (Remediated)

Explanation: Based on document review and canteen and worker interviews, the factory established a Canteen Self-Management Group in October 2017 with six members elected by workers, including members of the trade union. They would check the Canteen everyday based on a checklist: 1) 7:30AM three members check food, tools, PPE before cooking; 2) 9:30AM three other members divide food; 3) 14:00 – 14:30 members clean food tray and divide the food (if OT). The Department of food safety and hygiene of Binh Duong audited the canteen facility in May 2018. The facility passed the audit. There were no worker complaints about food.

11. Finding Status (Not Remediated)

Explanation: 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. [FOA.2]

Root Causes: Vietnam Labor Law does not apply this requirements

Local Law or Code Requirement

Decree No. 149/2018/ND-CP detailing Clause 3 Article 63 of the Labor Law; FLA Workplace Code (Employment Relationship Benchmarks ER.16; Freedom of Association Benchmarks FOA.1, FOA.2, FOA.11 and FOA.19)

COMPANY ACTION PLANS

Action Plan no 1.

Description

3. Immediate Action Required:

The Factory must identify the Top management and team who will ensure:

- a. The deduction for union member fee is reflected on workers' pay slip;
- b. Management will seek and maintain written consent for deduction of union fee from workers. Furthermore, create a process to ensure written consent is requested at the time of hiring;
- c. The factory's its payroll records reflect and itemize all required deductions and supplemental compensatory/additional payments to the government and union fee payments and evidences that it is in compliance with any and all financial responsibilities to social and governmental entities;
- d. The Union and Worker Representatives have the facilities necessary for the proper exercise of their functions, including access to workplaces;
- e. Workers are provided with copies of the Collective Bargaining Agreement (CBA), consistent with FLA benchmarks;
- f. The review and revision all documents and forms/practices implemented during the recruitment and hiring process in order to stop the practice of automatically enrolling workers with the union and have them seek, for themselves, the union for their enrollment/affiliation;
- g. Human Resources staff establishes and implements an effective internal monitoring procedure to ensure that all policies and procedures, other documents and practices are consistent with the local regulations and FLA benchmarks;
- h. Union Executive Committee to be comprised of representatives nominated and elected by workers without management interference;
- i. Elected worker representatives are placed in all existing and future committees (e.g., Health and Safety Committee, Dialog Committee, etc.);
- j. That dialog meetings follow the legally required process in accordance with article 12 of Decree No. 60/ND-CP and meeting results are communicated to workers in general;
- k. That laborer conference are to be held 12 months once in accordance with article 14 and 16. Of Decree No. 60/ND-CP for all employees in the company;
- l. The development/creation and implementation of Industrial Relations and Freedom of Association procedures that would enable workers to consult with and provide input to management through appropriate structures to be developed for this purpose;
- m. Workers and Management representatives should be trained on new procedures; including non-discrimination and freedom of association standards for personnel in charge of policy/procedure development as well as implementation;
- n. Assign someone responsible for policy and procedure enforcement/implementation.

6. Follow same action plan for Finding 3

7. Follow same action plan for Finding 3

8. Follow same action plan for Finding 3

11. Follow same action plan for Finding 3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. The factory does not provide every worker with a copy of the workplace rules during orientation.
2. The factory does not provide training on Workplace Conduct for relevant HR staff.

Local Law or Code Requirement

The Vietnamese Labor Code on Discipline and Material Responsibility, Chapter VIII; Decree No. 05/2015/ND-CP; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, ER.27.2, and ER.27.3)

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status (Remediated)

Explanation: Based on document review and factory management and worker interviews, the factory posted the workplace rules publicly at a workshop and provided workers with copies of a summary of the workplace rules during orientation.

2. Finding Status (Remediated)

Explanation: Based on document review and management confirmation, factory management trained employees on Workplace Conduct for relevant HR staff in August 2018.

PREVIOUS FINDING NO.7

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Grievance System

Finding Explanation

1. The factory does not have a policy on Grievance System. The written Grievance procedures do not include a commitment to comply with relevant legal requirements.
2. Although the factory has grievance channels such as suggestion boxes and direct meetings with direct and higher supervisors, there is no evidence that management reviews complaints and grievances and takes appropriate action. The factory does not maintain any documentation in relation to grievance processes.

Local Law or Code Requirement

Decree No. 119/2014/ND-CP; FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.2, ER.16, and ER.25.2)

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status (Remediated)

Explanation: Based on document review and interviews with factory management and workers, the factory has a Grievance System policy approved by the factory manager in July 2017, including a commitment to comply with internal regulations, Vietnam Labor Law, and any other relevant legal requirements.

2. Finding Status (Partially Remediated)

Explanation: Based on document review and interviews with factory management and workers, the factory has grievance channels, including suggestion boxes, Trade Union and direct supervisor meetings, and a hotline to the HR manager. The factory tracks the suggestion box and management reviews suggestions monthly. However, the factory does not keep any documentation on the hotline or meeting grievance channels. [ER.1, ER.25]

Root Causes: Lack of knowledge on this requirement & lack of review by factory management.

Local Law or Code Requirement

Decree No. 24/2018/ND-CP and FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.25.2)

COMPANY ACTION PLANS

Action Plan no 1.

Description

2. Immediate Action Required:

a. The factory must identify the person who will develop and effectively implement comprehensive written grievance: a) policies and b) procedures. The grievance procedures must include:

b. A means by which its workers can directly and confidentially report grievances to top management/human resource personnel (for example, by sending text messages to a dedicated H.R. Supervisor's telephone number; an email message to a dedicated H.R. Department email address; making telephone calls to a dedicated H.R. Department hotline or telephone number) without the knowledge of or involvement by supervisors and free from reprisal, retribution and retaliation, and

c. A grievance register, in substance reflecting the date and nature of the grievance and the action taken, among other things. Please also confirm that top management will regularly and confidentially meet with employees without supervisors being involved or present. The factory should conduct documented training, and with materials, in Vietnamese and Korean and any other applicable dialects and languages, with its managers, Human Resources personnel and workers about each of the policies and procedures. The factory should document actions it subsequently takes in accordance with, and pursuant to these policies and procedures in any affected managers' and workers' on site personnel files.

PREVIOUS FINDING NO.8

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. The factory has an Environmental Protection policy and some procedures, but lacks some elements requested by the FLA: It does not have a commitment to conservation, a review of targets to reduce environmental impacts, a plan to course-correct in case of missed targets, and a statement of the factory management's general support of energy and water efficiency, and a commitment to minimize impacts with respect to air emissions, waste, hazardous materials and other applicable environmental risks. The Environment Management Plan launched in 2013 and has not been updated since. Factory reports meeting to review plan and targets quarterly, but keeps no minutes or other records of these meetings.
2. The Environmental Protection procedures do not cover the following topics: how workers can raise environmental concerns, reporting environmental emergencies, and protections for workers who allege environmental violations.
3. The factory does not review and update its Environmental Protection policy and procedures according to local law and FLA Workplace Code and Benchmarks.

Local Law or Code Requirement

A Workplace Code (Employment Relationship Benchmark ER.1: Health, Safety & Environment Benchmark HSE.1)

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status: Partially Remediated

Explanation: Based on document review, the factory has an Environmental Protection Policy, reconstructed in January 2018. The Environmental Protection Policy includes a commitment to conservation and environmental impact reduction, a plan to course-correct in case of missed targets, and a statement of the factory management's general support of energy, water, paper saving, and a commitment to minimize impacts with respect to air emissions, waste, hazardous materials and other applicable environmental risks. The factory also conducts quarterly Environmental Management Committee meetings, which includes the Deputy Director, the marketing manager, sales, and cutting, merchandise, production, maintenance, and warehouse workers, held in June and August 2018. The minutes for the June 2018 meeting include the purpose of, and methods and activities for saving energy, and assigned points of contact and project deadlines and locations. However, the meeting minutes for August 2018 did not include an evaluation of the results of previous activities, as required by the procedures. The meeting only included reminders and some activities for saving energy. [ER.31; HSE.1]

Root Causes: Lack of management review or verification from Compliance team.

2. Finding Status (Remediated)

Explanation: Based on document review and management confirmation, the Environmental Policy established in June 2016 covered seven topics: 1) Raising worker awareness; 2) Establishment and maintain continuous improving committee; 3) Proving sustainability environment workplace; 4) Workers can raise environmental concerns and report environmental emergencies; 5) Protections for workers who allege environmental violations; 6) Commitment to implementation its rights; 7) Following HSE and environment standard.

3. Finding Status (Remediated)

Explanation: Based on document review and management confirmation, the factory has a written Environmental Protection policy, established in January 2018. In addition, the factory keeps a record for updating local law and FLA Workplace Code and Benchmarks.

Local Law or Code Requirement

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

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Immediate Action Required: The factory must identify the Top management and/or team who will ensure to review the existing Environmental Protection and Procedures that must include: A) The Top Management commitment to conservation; B) a reviewing process of targets to reduce environmental impacts; C) a plan to course-correct in the case of missed targets; and D) statement from Top Management's general support and commitment to: a) Energy and water efficiency; b) minimize impacts with respect to: i) Air emissions; ii) waste; iii) hazardous materials and iv) other environmental risks;

PREVIOUS FINDING NO.9

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The Health & Safety procedures do not cover the following topics: measures to protect the reproductive health of employees through minimizing exposure to workplace hazards, steps on how to ensure that all personnel, visitors, contractors, service providers safely evacuated, steps on how to ensure that all special categories of workers and children in childcare facilities safely evacuated, and a list of equipment and/or machines that require lockout/tagout. 2. A policy/procedure exists for asbestos and hazardous chemicals, such as Polychlorinated Biphenyl (PCBs); however, the factory has not conducted a survey or test on asbestos and PCB levels. 3. The factory does not conduct specific workplace safety training to designated employees with special responsibilities. 4. Local governmental labor inspectors mandated third party Health & Safety trainings for managers and supervisors in April 2015. However, the factory has not yet conducted these trainings as legally required. 5. Machine guarding in the sewing department is inadequate. The workers do not use most needle guards and eye shields. 6. Machines and workstations in production lack posted safety standard operating procedures (SOP) throughout the production departments. 7. The factory lacks procedures and training for ergonomics and safe lifting. Some warehouse staff were not following proper safety procedures. In addition, the factory does not provide lifting belts to eligible workers. 8. The factory does not post loading limits for the racks in the material warehouse. 9. Workers in the laser cutting section regularly operate machines with covers fully or partially open and no safety interlocks. Standard operating procedures have not been posted and fail to mention the requirement to close the lid. The poster for the requirement to use Personal Protective Equipment (PPE) listed carbon masks, but these were not in use in the cutting department. 10. The use of Personal Protective Equipment PPE is inconsistent throughout the production departments: Workers do not wear or incorrectly wear masks in all areas where glue is used. Workers often use regular masks in place of carbon masks. 11. Glue is applied at workstations throughout the factory, where (in some cases) there is no proper ventilation. In addition, there are no posted safety procedures, and requirements for Personal Protective Equipment PPE. The smell of solvent was strong in some areas where glue was applied in blocks D and E, and the factory has not conducted any detailed testing for chemical solvents or volatile organic compounds (VOC) throughout the production areas where chemicals are used. 12. The factory records accident reports according to local law, but does not track, analyze, and review the accidents. The factory currently has no tracking or analysis of days lost due to accidents in 2015. Report exists for 2014 but they need better review and follow up. 13. Workers do not have unrestricted access to all Material Safety Data Sheets (MSDS) in the storage and production areas. 14. Not all chemical containers in the production areas are appropriately labeled with their contents and main hazards. 15. Not all employees who work with chemicals know how to work with chemicals safely.

Local Law or Code Requirement

Vietnam labor code, Chapter IX on HSE, Circular 04/2014/TT-BLĐTBXH on PPE; FLA Workplace Code (Health, Safety, & Environment Benchmarks HSE.9, HSE.10, HSE.12, HSE.14, and HSE.17; Nondiscrimination Benchmark ND.8)

Recommendations for Immediate Action

1. <!--[endif]-->Conduct an assessment on asbestos and PCB levels throughout the whole factory.
2. <!--[endif]-->Comply with all mandated third party Health & Safety trainings for managers and supervisors, as required by labor inspectors in April 2015.
3. <!--[endif]-->Ensure that workers use needle guards and eye shields as appropriate machine guarding and Personal Protective Equipment PPE at all times.
4. <!--[endif]-->Provide eligible workers with lifting belts as proper PPE. Regularly train and communicate workers on the requirement to use them.
5. <!--[endif]-->Post loading limits for the racks in the material warehouse.
6. <!--[endif]-->Ensure that workers use PPE at all times, including carbon masks throughout all departments. Train workers on the requirement of PPE usage and regularly communicate them about the requirements.
7. <!--[endif]-->Ensure that in all areas where glue is applied, workers use proper PPE at all times. Conduct a detailed assessment on chemical solvents or volatile organic compounds (VOC) in block D and E to ensure an assessment of potential health hazards.
8. <!--[endif]-->Ensure that workers have unrestricted access to all Material Safety Data Sheets in the storage and production areas.
9. <!--[endif]-->Label all chemical containers appropriately as such with their contents and main hazards.
10. <!--[endif]-->Ensure that all workers working with chemicals are trained on chemical usage and chemical safety.

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status (Remediated)

Explanation: Based on document review, the factory has some written Health and Safety procedures including a step to ensure that all personnel, visitors, contractors, services providers, and people with disabilities are safely evacuated, since January 2014, and measures to protect the reproductive health of employees by minimizing exposure to workplace hazards since August 2018 (e.g. procedure of health and safety environment at workplace, regular maintenance the machine and equipment and providing appropriate PPE and warning signs). The factory also has a list of equipment and machines that require lockout and tag-out, persons in charge, and a list of devices.

2. Finding Status (Remediated)

Explanation: Based on document review and management confirmation, the factory conducted asbestos assessments and PCBs tests in August 2017 and November 2011. According to the results, all items passed. The factory established chemical management procedures and trained relevant workers in August 2018.

3. Finding Status (Remediated)

Explanation: Based on document review, the factory provided specific workplace safety training to designated employees with special responsibilities: ten electricians in May 2018, seven forklift drivers in April 2017, 14 cutters and pressing machine operators in November 2017, three welders and cutting on metal in October 2018, and four air compressor operators in May 2018.

4. Finding Status (Remediated)

Explanation: Based on document review and management confirmation, the factory provided HSE Training for managers and supervisor in May 2018 for ten employees, as legally required.

5. Finding Status: Partially Remediated

Explanation: Based on observations and management confirmation, at least 45% observed sewing workers did not use needle guards. Workers explained that using need guard was inconvenient for production operation because of the product's characteristics.

The factory installed new eye shields, bigger and more visible for workers to use. As observed, 5 out of 5 workers at the bar tacking machine and sewing machine used it during production operations. [HSE.8]

Root Causes: Lack of reminders from team leaders for workers on importance of needle guards; lack of verification by Compliance team.

6. Finding Status (Remediated)

Explanation: Based on observations at the time of assessment, the machines, including the cutting machine, embroidery machine, rivet machine, laser machine, and pressing machine, had standard operating procedures (SOP) for the operators. Workers confirmed they know where the SOPs are posted and understand how to work safely.

7. Finding Status (Remediated)

Explanation: Based on document review, observations, and management confirmation, the factory has had a written ergonomics procedure since September 2015. The factory conducted an annual training for all workers on HSE, Ergonomic Procedures, Environment, CTPAT, Regulations of factory, and the FLA Standards on August 2018. The factory provides lifting belts to eligible workers.

8. Finding Status (Remediated)

Explanation: Based on observations, all racks at the accessories and finished good warehouses had posted loading limits. The factory also posted a visual on each column.

9. Finding Status (Remediated)

Explanation: Based on observations, the factory has two laser cutting machines for production. They were installed on the third floor at building B. The SOP and warning sign are posted at the laser cutting machine. The operator follows the SOP for closing the cover while the machine is cutting and uses a carbon mask during operation.

10. Finding Status: Partially Remediated

Explanation: Based on observations, at least 45% of sewing workers observed did not use a dust-mask while working. Workers who interact with chemicals did not wear required PPE (gloves) as required by MSDS. Laser-cutting workers used the carbon mask, embroidering workers used their ear-plugs properly, and cutting workers used metal gloves. [HSE.8]

Root Causes: Lack of supervisor reminders regarding required PPE.

11. Finding Status (Remediated)

Explanation: Based on observations, the SOP for glue was posed at the areas where glue is used. In addition, factory conducted an Environment Workplace inspection in June 2018, including volatile organic compounds (VOC) tests. The VOC tests had 37 samples for CO, SO₂, NO₂, C₄H₈O and n-C₆H₁₄, all aligned with the national standard (QĐ 3733/2002/QĐ-BYT).

12. Finding Status: Partially Remediated

Explanation: Based on document review and management confirmation, the factory had six accident cases at the time of the assessment in 2018, four cases before, and two after June 2018. Only two of the cases have completed the legal requirements for occupational accident investigations: Photos of the scene and the victim, a record of testimony from the victim, testimony from a person who knows the facts or person concerned, a record of the labor accident investigation, minutes of a meeting announcing the occupational accident investigation, records of the autopsy or injury examination, as declared by the Court.

For four cases before June 2018, the factory only had record of the labor accident investigation and photos of the scene and victim.

The factory explained that in the past, they did not know how to investigate or prepare the labor accident documentation according to local law. Since June 2018 the factory has conducted investigations into occupational accidents following local laws. [HSE.3]

Root Causes: Lack of awareness of person in charge and low awareness of HSE.

13. Finding Status (Remediated)

Explanation: Based on observations, the factory has installed full MSDS at the workplace, so workers have unrestricted access to the Material Safety Data Sheets (MSDS) at storage and workplaces.

14. Finding Status (Remediated)

Explanation: Based on observations, the chemical containers (Glue 7103, glue 550, UA-400H, etc.) were posted properly with chemical labels in the local language, that match their contents and main hazards, in workplaces and chemical storage.

15. Finding Status (Remediated)

Explanation: During the factory tour and worker interviews, assessors learned all 38 workers received HSE training about chemical safety in August 2018. Thus, workers know how to work with chemical safely.

Local Law or Code Requirement

Article 138 of Vietnam Labor Law 2012, Decree 39/2016/ND-CP, Circular 04/2014/TT-BLDTBXH on Guiding implementation of regulation on Personal Protect Equipment and FLA Workplace Code (Health, Safety, and Environment Benchmarks HSE.3, HSE.8)

Recommendations for Immediate Action

1. Ensure workers use needle guards and eye shields as appropriate machine guarding and Personal Protective Equipment PPE always.
2. Ensure workers use PPE always, including carbon masks, in all departments. Train workers on PPE requirement and usage and regularly communicate about requirements.

COMPANY ACTION PLANS

Action Plan no 1.

Description

5. Immediate Action Required: Ensure workers use needle guards and eye shields as appropriate machine guarding and Personal Protective Equipment PPE always. Train workers on PPE requirement and usage and regularly communicate about requirements.

To ensure that workers at all times: a) Use needle guards and eye shields as appropriate machine guarding and b) Personal Protective Equipment PPE. Factory is implement a documented written PPE use positive incentive/reward/award system that workers: i) Use PPE at all times, including carbon masks throughout all departments; ii) conduct documented training session forcefully emphasizing risks and harms of failing to wear/properly use, PPE and iii) post posters, written in the language(s) understood by its workers and managers, in each workplace showing the necessary and proper use of PPE for each Worker.

10. Immediate Action Required: Ensure workers use PPE always, including carbon masks, in all departments. Train workers on PPE requirement and usage and regularly communicate about requirements.

Workers in the laser cutting section are operating the machines that are: A) Install with full enclosures/covers with safety interlocks; B) Posted with standard operating procedures to mention the requirement to close the lid and C) Post poster for use of appropriate Personal Protective Equipment (PPE) such as carbon activated masks;

12. Immediate Action Required: To set up a system to ensure all accident records and reports are regularly: A) Track: B) analyze; C) review of all incidents and accidents; D) conduct tracking or analysis of days lost due to accidents in 2018; E) review existing accidents reports and G) create a follow up action plan to prevent recurrence.

PREVIOUS FINDING NO.10

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The local fire department (so called "fire police") required the factory to install an automatic fire fighting systems (e.g. sprinklers) throughout the factory. Despite reminders at recent quarterly inspections, the factory has failed to develop a plan to comply with therequirements, such as the fire approval for the new building E still pending. The local fire department requested the factory to install the sprinklers throughout the factory; however, the factory has installed a sprinkler system in this building, but has not installed any sprinkler systems in older buildings. Furthermore, there is no automatic electric pump for the sprinkler system although there is one reported to be in for December 2015. The 2014 fire police review specified that the water tank should be larger than 298 m3, but the factory remains unclear regarding the exact size and specifications of the tank.
2. The factory does not keep any maintenance logs or records of service for the fire alarm system or fire extinguishers in the factory. the factory does not maintain any maintenance and service records for pumps and air compressors.
3. The factory has conducted internal risk assessments for Health & Safety and fire, but there has not been a third party expert fire assessment, as per FLA Standards.
4. Assembly areas are not marked clearly or properly on the evacuation maps.

Local Law or Code Requirement

TCVN 3890:2009; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.5, and HSE.6)

Recommendations for Immediate Action

1. <!--[endif]-->Comply with applicable local fire regulations and inspections: complete the installation of a fire pump and fire system, get approval for building E, and ensure that sufficient water is available for all buildings.
2. <!--[endif]-->Develop plans that comply with fire inspections for the rest of the factory's older buildings.
3. <!--[endif]-->Keep maintenance logs and records of service for the fire alarm system, fire extinguishers. fire pumps, and air compressors.
4. <!--[endif]-->Carry out a third party expert fire risk assessment and address any issues found.

5. <!--[endif]-->Mark assembly areas properly as part of evacuation plans.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status (Remediated)

Explanation: Based on observations, the automatic firefighting system was installed at the factory 2E and the warehouses, materials and finished goods. They were verified before operation by fire policeman in April 2016. In the report, a fireman confirmed the factory had installed a full fire alarm system, sprinkler system, and a water pump for fire suppression. According to the latest Inspection Report of the Fire Police Department of Binh Duong province (August 10, 2017 and April 19, 2018.), the factory is not required to install more automatic firefighting systems in the factory.

2. Finding Status (Remediated)

Explanation: Based on document review and management confirmation, the factory signed a contract with a qualified third-party to maintain and inspect the fire alarm system and firefighting equipment service. The fire alarm system is inspected quarterly and the latest inspection reports were in January, June, and September 2018. The factory has internal tracking records for firefighting equipment, a weekly record for water pumps for firefighting system, and an air compressor.

3. Finding Status (Remediated)

Explanation: Based on document review and management confirmation, the factory conducted internal risk assessments for Health & Safety and the annual fire explosion risk assessment with a third party expert in June 2018, per the FLA standards.

4. Finding Status (Remediated)

Explanation: Based on observations, the assembly area was marked on the general map at all building of the factory. The assembly area was also marked near the factory gate. Workers are trained on the assembly point location.

New Findings and Action Plans

NEW FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. At least four of nine observed emergency exit routes were partially obstructed by goods and working locations on third floor of building B and the second floor of building A. [HSE.5.1]
2. At least two of six observed arrows were blurred and unclear on the second floor at building A. Two working locations did not match the layout in the gluing or button area of workshop E. [HSE.5.1]
3. All three exit signs in the canteen and one of the 6 exit signs on the second floor of building B were not illuminated during work time. [HSE.5.1]
4. 8 of 8 chemical containers were not stored in a secondary container on the first floor (building A). [HSE.9.1]

Local Law or Code Requirement

Circular 07/2010/TT-BXD, Article 3, Clause 3.3 and 3.2; TCVN 4879:1989, Clause 1.5; TCVN 7435-2:2004, Article 4, Section 4.2.2; Vietnam standard TCVN 3890: 2009, Article 10, Section 10.1.5 and FLA Workplace Code (Health, Safety & Environment Benchmarks HSE 5.1 and HSE.9.1)

Recommendations for Immediate Action

<!--[endif]-->Ensure all firefighting equipment is unobstructed and ready for emergencies.

<!--[endif]-->Remove obstructions and clear arrows indicating the escape route for workers.

<!--[endif]-->Fix the emergency light and exit light so they have a redundant power supply to ensure a minimum operation time of at least 2 hours.

<!--[endif]-->Store chemicals in secondary containers to avoid chemical spilling.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Immediate Action Required: Ensure all emergency exit routes are unobstructed and ready for emergencies.
2. Immediate Action Required: Remove obstructions and clear arrows indicating the escape route for workers.
3. Immediate Action Required: Fix the emergency light and exit light so they have a redundant power supply to ensure a minimum operation time of at least 2 hours.

4. Immediate Action Required: Store chemicals in secondary containers to avoid chemical spilling.

NEW FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory has four fire extinguishers at chemical storage and hazardous waste. However, the fire extinguishers have no operating instructions or signs. [HSE.6]
2. Based on observation and management confirmation, 6 of 6 pregnant workers do not have ergonomic chairs. The factory has not conducted an ergonomic assessment for pregnant workers; the factory only provided an ergonomic assessment for sewing and rivet operation. [HSE.17]
3. Based on observation and worker interviews, workers in the canteen have one first aid box. However, only 3 out of 10 supplies were provided in the first aid box at the assessment time. Management explained that sometimes they stored supplies in a private area instead of the first aid box to control who uses the supplies. A pair of rusty scissors was in a first aid box on the third floor of building B. Management explained that they sometime use this scissor to open suppliers. [HSE.6]
4. One hauling winch was found at workshop E. However, the chains did not cover the hauling winch at assessment time, though the factory provided chains and a warning sign. The factory explained that workers may have forgotten to close it. [HSE.16]

Local Law or Code Requirement

Decree 44/2016/ND-CP, Appendix No.3 and FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.6; HSE.16 and HSE 17)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Sustainable Improvement Required: 1) all workers must receive fire safety training, including fire extinguisher usage, as it applies to their work location and their dormitory; 2) all workers are expected to receive the fire safety training that must include: a) The essential knowledge, skills and attitudes that enable them to perform their duties in a manner that does not represent fire safety hazards; b) instructions on emergency evacuation procedures and a hardcopy must be given as part of the worker's initial orientation and regularly thereafter; 3) instruction on location and use of alarm pull boxes or other alarm activation methods; 4) the use of portable fire extinguishers in the effort to extinguish small, newly started fires and the actual use of such equipment and 5) clear communication of expectation of trained workers that in the event of an actual fire that they must only respond to: a) Relatively small, early stage fires and b) if they have any doubt, then they must evacuate

2. Sustainable Improvement Required: The factory must identify the authorized and qualified expert (3rd Party or internal) person/team who/that will: 1) implement a formal written ergonomics program, based on results of point above, implement recommendations from the experts, which may include: a) adaptation of work equipment- e.g., chairs based workers' height; b) daily exercises or breaks that are conducted according to a written schedule and are aimed at decreasing the effects of repetitive movements; c) purchasing and install in groups and over time ergonomically designed chairs with back supports and d) anti-fatigue mats for workers who stand when they work, to name a few of the features to include in a preventive occupational hazards program, 2) documentation of each of these processes should be maintained on file, and whenever applicable, with worker's and trainer's signatures, and 3) conduct ergonomic training for related employees.

Please send us ergo program (specifically incorporating pregnant workers) for review once available, and supporting documentation for training, such as attendance sheets and photos.

3. Sustainable Improvement Required: The factory must identify the top manager who will ensure there is system in place to: 1) Sufficiently maintain the standards for First Aid Kits; 2) ensure there is appointed responsible person and team to: a) Periodically monitor and restocking first aid items and ensuring: i) All first aid boxes are clearly marked; ii) easily accessible for workers; iii) protected against dust and water; inspection tag to document monthly checks and iv) written first aid instruction in the local language; 3) create a list of required contents of the kit (for restocking), which include the following guide:

a) CPR barrier; b) Eye wash bottle (15milliliter size); Instant cold pack; c) Scissors, tweezers and safety pins; c) Adhesive tape; d) Disposable latex gloves; e) Burn Treatment application (spray or cream); f) Antiseptic applications; g) Sterile eye coverings (either two pads or a single cover for both eyes); h) Individually wrapped sterile adhesive bandages of assorted sizes; i) Small-sized individually wrapped sterile unmediated wound dressings (absorbent compress) and j) Medium-sized individually wrapped sterile unmediated wound dressings (absorbent compress).

Please send us copies of the inspection logs, first-aid kit checklist.

4. Immediate Action Required: Please provide supporting documentation the hauling winch is not in workshop E.

NEW FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

1. Based on document review and an interview with the factory manager, internal regulation was not mentioned as a form of labor discipline in cases of forced labor (Indentured/Bonded) or freedom of association. [ER.27; H/A.1; H/A.4; FOA.5.1]
2. The factory provided no specific training in 2018 for 20 supervisors/managers (including local and migrant employees) on company internal policies on a) Freedom of association; b) Recruitment, Hiring & personal development; c) Grievance system; d) Termination & Retrenchment; e) Labor Discipline; f) Industrial relations; g) Female protection; or k) Health Safety and Environment ("HSE"). [ER.1]
3. 150 representatives attended the labor conference in December 2017, not 180 representatives, as stated in Article 17, Decree 60/2013/ND-CP; 2) Lack of step: Electing members representing for labor collectives to participate in periodical discussion. [FOA.1]
4. 25 of 60 sampled worker evacuation forms, used after their probation, lacked some information (e.g. employee, appraiser, line leader/team leader, supervisor/manager, director) to ensure transparent and fair factory implementation. [ER.1; ER.29]
5. Production targets and hourly rates require workers to work beyond regular working hours of 48 hours per week, against the FLA Benchmarks. [ER. 24]

Local Law or Code Requirement

Article 119 of Vietnam Labor Law 2012 and FLA Benchmark (Employment Relationship Benchmarks ER.1; ER.17; ER.24; ER.27 and ER.29; Harassment or Abuse H/A.4; H/A.5; Freedom of Association and Collective Bargaining FOA.1; FOA.5.1)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Finding 1. Sustainable Improvement Required: The facility shall identify the manager who will be responsible for ensuring that implementation of all listed requirements is completed in a timely and effective manner, and that evidence of the implementation is provided to the Under Armour Sustainability Team. This manager must ensure that at a minimum: The facility complies with all national laws, regulations and procedures concerning the prohibition of forced labor and human trafficking.

Finding 2. Sustainable Improvement Required: The factory must identify the person who will conduct documented educational sessions (in, and with materials in,) Vietnamese and any other applicable dialects and languages, with its workers, supervisors and managers about their legal rights and responsibilities, and its written personnel policies covering topics such as: 1) wages; 2) benefits; 3) deductions; 4) vacations; 5) leave; 6) regular hours; 7) overtime hours; 8) regular and overtime pay rates; 9) discipline and termination; 10) grievance procedures, 11) harassment/abuse, 12) the Under Armour Code of Conduct; 13) the Fair Labor Association's Workplace Code of Conduct (<http://www.fairlabor.org/our-work/labor-standards> and related benchmarks (copies attached here); 14) incentive schemes; 15) promotion; 16) job-re-assignment, and 17) compliance with all applicable laws. Going forward, the factory also must address these topics with newly hired personnel in documented meetings. The meeting documentation should be filed in each worker's personnel file, and include: 1) the date of the meeting; 2) a completed checklist of the topics covered; 3) the worker's typed/printed name and (factory identification number (FIN), if applicable) workers' signature, and 4) the typed/printed name (FIN, if applicable), the title and the signature of the factory representative that conducted the meeting. The factory must document its efforts (interactive training, with questions and answers about the topics/sections) to ensure that all: 1) managers; 2) supervisors and 3) workers are knowledgeable (know the topics/sections/content) of both: a) the Under Armour Code of Conduct and b) the Fair Labor Association's Workplace Code of Conduct (<http://www.fairlabor.org/our-work/labor-standards> and related benchmarks

Finding 3. Immediate Action Required: Please provide supporting documentation that 180 representatives are elected, as required by law.

Finding 4. Sustainable Improvement Required: The factory must identify the top manager and teams who will

1. Develop policies and procedures for Personnel Development; including performance reviews during probation period for all workers (direct/indirect) that a) outline review steps and process, b) demonstrate linkages to job grading, c) prohibit discrimination, d) are provided in writing and seek feedback and agreement/disagreement from employees in writing, e) and that follow all local legal requirements.

2. Facilitate communication with and active participation from workers on the development of the policies and procedures, continuous training to broaden worker skills, and develop a mechanism for workers to express their views and opinions on Personnel Development.

3. Facilitate ongoing evaluations and revisions of policies and procedures.

4. Provide continuous training for all workers, supervisors, and managerial staff on the new policies and procedures.

5. Include information on the new Personnel Development policies and procedures during worker orientation or induction process.

6. Designate staff with the responsibility for policy/procedure enforcement and implementation.

7. Provide workers with documents detailing the information that is covered during the orientation or induction process.

Please send us an updated copy of the Personnel Development policies and procedures

Finding 5. Sustainable Improvement Required: The factory must identify the top and middle management personnel who will: 1) conduct documented and regular analyses of the factory's voluntary overtime policy implementation with a view to ensure that no worker is subject to work overtime without their written consent. Analysis should include random interviews with workers during overtime, written consent review; 2) monitor hours of work in order to progressively reduce total weekly hours to no more than 60; 3) implement adequate systems and controls (add shifts, hire more workers, conduct documented worker skills training to increase efficiency, etc.) in order to ensure compliance with these standards.

NEW FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

1. The attendance and detail payroll records, CBA, and Company Regulation of Canteen service (39 persons), and Security service (42 persons) were not available for review during the time of assessment. Therefore, the compliance status of wages and benefits and working hours could not be verified during the time of assessment.

Local Law or Code Requirement

FLA Benchmark (Employment Relationship Benchmarks ER.23.2)

Recommendations for Immediate Action

Ensure that the required document is available for review.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Sustainable Improvement Required: The facility shall identify the manager who will be responsible for ensuring that implementation of all listed requirements is completed in a timely and effective manner, and that evidence of the implementation is provided to the Under Armour Sustainability Team. This manager must ensure that at a minimum: In the administration of any hours of work/time-recording system:

- Policies are in place for managing all working hour, overtime, and leave records in both normal and exceptional circumstances;
- Accurate time records is maintained by employers, including overtime, breaks, and leave;
- Time worked by all workers, regardless of wage system, is fully documented by time cards or other mechanical or electronic recording systems;
- The facility does not maintain multiple time-keeping systems and/or records;
- Time records maintained are authentic and accurate; and
- If not provided by law, employers provide protection to workers who allege existence of multiple time-keeping systems or falsification of work time records.