



FAIR LABOR  
ASSOCIATION®

## INDEPENDENT EXTERNAL ASSESSMENT REPORT



### Verification Assessment

COMPANIES: Kathmandu  
Mountain Equipment Co-op (MEC)  
COUNTRY: Vietnam  
ASSESSMENT DATE: 06/12/19  
ASSESSOR: One Step Vietnam  
PRODUCTS: Apparel  
NUMBER OF WORKERS: 569

## 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

#### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Compensation

##### Finding Explanation

1. Five members of the canteen staff and seven security guards receive a basic salary lower than the legal minimum wage (approximately VND 3,500,000 (USD 153.85) to 4,000,000 (175.82)) instead of the legally required VND 4,012,500 (USD 176.37). C.2 2. The factory did not provide the legally required half day's basic salary per training day for each member for the 20 members of the firefighting team who took the fire skill training on May 23 – 24, 2017. C.1 3. The factory provided a legal allowance of VND 300,000 (USD 13.19) to the team leader of the firefighting team instead of the legally required VND 390,000/month (VND 1,300,000 x 0.3) (USD 17.14). Note that this new regulation took effect in July 2017. C.1 4. Three members of the canteen staff, who have signed fixed term labor contracts, were not contributing to the mandatory insurance as required by law. C.10.1, ER.22

##### Local Law or Code Requirement

Decree 49/2013/ND-CP; Decree No. 79/2014/ND-CP, Article 35; Decree 47/2017/ND-CP; Article 186, Vietnam Labor Law; FLA Workplace Code (Compensation Benchmarks C.1, C.2, and C.10.1; Employment Relationship Benchmark ER.22)

##### Recommendations for Immediate Action

1. Follow all legal requirements related to compensation and minimum wage and ensure that all subcontractors are doing so as well.
2. Provide 0.5 day's basic salary per training day for each member as back pay and ensure that the fire-fighting team is provided with the sufficient support and incentives.
3. Retroactively pay the legally required monthly allowance for the team leader and vice-squads of the fire-fighting team.
4. Ensure that all employees with fixed term labor contract contribute to mandatory insurance as required by law.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

4.1

IA

1. Follow all legal requirements related to compensation and minimum wage and ensure that all subcontractors are doing so as

well.

SI

1. Train HR and related personnel on legal wage rates for all staff and implement the legal wages within the factory.
2. Communicate with workers and post on bulletin boards, include in worker handbook, orientation and training.
3. Create system to monitor the payment of wages.
4. Ensure payments for workers are timely and accurate.
5. Implement contributions.
6. Monitor implementation

#### Action Plan no 2.

##### Description

4.2

IA

Provide 0.5 day's basic salary per training day for each member as back pay and ensure that the fire-fighting team is provided with the sufficient support and incentives.

SI

1. Train HR and related personnel on legal wage rates for all staff and implement the legal wages within the factory.
2. Communicate with workers and post on bulletin boards, include in worker handbook, orientation and training.
3. Create system to monitor the payment of wages.
4. Ensure payments for workers are timely and accurate.
5. Implement contributions.

#### Action Plan no 3.

##### Description

4.3

IA

Retroactively pay the legally required monthly allowance for the team leader and vice-squads of the fire-fighting team.

SI

1. Train HR and related personnel on legal wage rates for all staff and implement the legal wages within the factory.
2. Communicate with workers and post on bulletin boards, include in worker handbook, orientation and training.
3. Create system to monitor the payment of wages.
4. Ensure payments for workers are timely and accurate.
5. Implement contributions.
6. Monitor implementation

#### Action Plan no 4.

##### Description

4.4

IA

Ensure that all employees with fixed term labor contract contribute to mandatory insurance as required by law.

SI

1. Train HR and related personnel on legal wage rates for all staff and implement the legal wages within the factory.
2. Communicate with workers and post on bulletin boards, include in worker handbook, orientation and training.
3. Create system to monitor the payment of wages.
4. Ensure payments for workers are timely and accurate.
5. Implement contributions.
6. Monitor implementation

## VERIFICATION RESULT

### Finding Status

Not Remediated

## Remediation Details

### 1. Finding Status: Not Remediated

Explanation: The factory uses security service provider that provides seven in-house security guards who work in the factory. It is noted that the basic wage (minimum basic wage) is not guaranteed for the security guards in January 2019, February 2019, April 2019 and May 2019 because the security service provider did not pay the Holiday payment on January 1, 2019 (New Year Eve), February 4 – 8, 2019 (Lunar New Year), April 14, 2019 (Hung King Commemoration Day), April 30, 2019 (Victory Day) and May 1, 2019 (International Labor Day). [C.7]

### 2. Finding Status: Partially Remediated

Explanation: The payroll and time records from June 2018 – May 2019 showed that the factory provided firefighting skill training and certification on May 28 - 29, 2019 by the Fire Police department for 39 members of firefighting team. However, the fire fighting team only received 0.5 daily salary for 2 training days instead of one (1) daily salary for 2 training days as legally required. [C.1]

### 3. Finding Status: Partially Remediated

Explanation: The payroll and time records from June 2018 – May 2019 showed that the responsibility allowance (VND 417,000 per month (USD 18)) has not been added to the basic wage used to calculate the compulsory insurance; overtime, and annual leave, as legally required for three employees who are team leader & vice leader for the firefighting team. [C.1]

### 4. Finding Status: Not Remediated

Explanation: The factory uses an outsourcing food service provider who provides seven in-house canteen staff. However, these staff have not been contributed for the compulsory insurance. Hong Phat Co., Limited pays the insurance payment to the monthly salary for the canteen staffs instead. [C.1]

## Action Plan no 5.

### Description

The factory will re-discuss the contract with the food supply company and security guard company before the end of 2019. Both contracts will renew by end of January 2020. The factory will share the contract for review once updated. The factory has agreed to share both MEC's and KMD's Code of Conducts with these suppliers, to ensure they understand standards laid out by the brands, in alignment with the FLA.

1. Factory will be sure both canteen staff and security guards are covered by complete salary, benefits and rest based on legal requirements. It is recommended to create an oversight system/process of all subcontractors. As these subcontractors are working for Tai Viet, it is the responsibility of your management team to ensure legal requirements (at a minimum) are always being met.

4. It is recommended that the factory ensure that all employees with fixed term labor contract contribute to mandatory insurance as required by law. Create an oversight system/process of all subcontractors to ensure this continues in future.

### Planned completion date

08/30/19

### Company Action Plan Update

2 & 3. Attached please find photographs demonstrating that the factory did provide the legally required half day's basic salary per training day and the legal allowance of VND390,000 per month. In August 2018, the factory payed allowance in total amount of VND\$510,000 (VND390,000 allowance of firefighting team leader and VND\$120,000 of travel allowance).

Pending remediation efforts:

Please provide further clarity on the difficulties for the subcontractors to meet the requirements of the factory.

The factory has asked relevant departments to make a list of the firefighting team and to confirm those members are still working in the factory by March 2020. The legally required monthly allowance will be reissued when the salary is paid in April. Pending confirmation of receipt of payment once provided. This requires onsite verification during the next audit.

#### Action Plan no 6.

##### Description

1-4. N/A Continuous Improvement.

##### Planned completion date

08/30/19

##### Company Action Plan Update

1-4. N/A Continuous Improvement.

#### Action Plan no 7.

##### Description

Continuous improvement

##### Planned completion date

08/30/19

##### Company Action Plan Update

Continuous improvement

## PREVIOUS FINDING NO.2

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Hours of Work

##### Finding Explanation

1. The factory did not provide complete and detailed attendance records for the canteen staff or the security guards. Therefore, the compliance status of Hours of Work and Wages & Benefits could not be verified during the assessment. ER.1, ER.2 2. There were 7 people who were not entitled to a break of at least 12 hours before starting another shift during the past 12 months. HOW.3 3. In April, May and September 2017, approximately 50% of workers had excessive monthly overtime. Those workers worked from 31 to 96 hours maximum, which exceeds the legal requirement of 30 overtime hours per month. HOW 1.1 4. In May 2017, approximately 15% of workers had excessive weekly working hours. Those workers worked up to 72 hours, which exceeds the FLA's requirement of 60 hours per week. HOW 1.3, HOW.8.3 5. Security guards are not entitled to at least 24 consecutive hours of rest in every seven-day period. Seven security guards work 30 to 31 working days/month (including Sundays) during past 12 months. In addition, these workers do not receive compensated days-off, as required by law and FLA Benchmarks. HOW.2, C.1, C.6 6. The production plan was not available for review. The factory management stated that they could not provide this confidential information. Thus, it could not be verified that the production plan was based on the regular working hours only or not. ER.24

##### Local Law or Code Requirement

Vietnam Labor Law Article 106, Article 109, and Article 110 Section 1; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2, and ER.24; Hours of Work Benchmarks HOW.1.1, HOW.1.3, HOW.2, and HOW.8.3; Compensation Benchmarks C.1 and C.6)

##### Recommendations for Immediate Action

1. Maintain all records about Hours of Work and Wages & Benefits of the canteen staff and the security guards for reference and be able to verify when necessary. 2. Provide workers with reasonable rest breaks between two shifts. 3. Ensure that working hours do not exceed legal overtime limits and FLA working hours standards. 4. Ensure that workers receive at least 24 consecutive hours of rest in every seven-day period. And ensure workers are credited for all time worked for the factory and get paid accurately.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

5.1

IA

1. Maintain all records about Hours of Work and Wages & Benefits of the canteen staff and the security guards for reference and be able to verify when necessary.

SI

1. Train HR and related personnel on workers' time records and their use of permits to go home early.
2. Communicate the legal requirements with workers and post on bulletin boards, include in worker handbook, orientation and trainings.
3. Create system to monitor workers' time records and their use of permits to go home early.
4. Monitor implementation.

### Action Plan no 2.

#### Description

5.2 IA Provide workers with reasonable rest breaks between two shifts. SI 1. Train HR and related personnel on hours of work and legal requirements related to it. 2. Communicate the legal requirements with workers and post on bulletin boards, include in worker handbook, orientation and trainings. 3. Create system to monitor hours of work. 4. Monitor implementation.

### Action Plan no 3.

#### Description

5.3 IA Ensure that working hours do not exceed legal overtime limits and FLA working hours standards. SI 1. Train HR and related personnel on hours of work and legal requirements related to it. 2. Communicate the legal requirements with workers and post on bulletin boards, include in worker handbook, orientation and trainings. 3. Create system to monitor hours of work. 4. Monitor implementation.

### Action Plan no 4.

#### Description

5.4 IA Ensure that working hours do not exceed legal overtime limits and FLA working hours standards. SI 1. Train HR and related personnel on hours of work and legal requirements related to it. 2. Communicate the legal requirements with workers and post on bulletin boards, include in worker handbook, orientation and trainings. 3. Create system to monitor hours of work. 4. Monitor implementation.

### Action Plan no 5.

#### Description

5.5 IA Ensure that workers receive at least 24 consecutive hours of rest in every seven-day period. And ensure workers are credited for all time worked for the factory and get paid accurately. SI 1. Train HR and related personnel on hours of work and legal requirements related to it. 2. Communicate the legal requirements with workers and post on bulletin boards, include in worker handbook, orientation and trainings. 3. Create system to monitor hours of work. 4. Monitor implementation.

### Action Plan no 6.

#### Description

6 IA Provide a copy of the production plan. SI 1. Review with management the need for transparency during audits as part of the

## VERIFICATION RESULT

### Finding Status

Not Remediated

### Remediation Details

#### 1. Finding Status: Not Remediated

Explanation: The payroll and time records from June 2018 – December 2018 of the security guard service provider were not available for review. The factory management said that the head office of this service provider kept all the required documents. Thus, the minimum wage, benefits, working hours in this period could not be verified. [C.5]

#### 2. Finding Status: Not Remediated

Explanation: The factory uses an outsourcing security service provider. Security guards receive a break of eight hours instead of at least 12 hours before starting their next shift, as legally required. This occurred for 5 out of 7 security guards when they change their shift on Saturday and Sunday of every week. [HOW.2]

#### 3. Finding Status: Not Remediated

Explanation: Excessive monthly overtime hours that exceeds 30 overtime hours per month and 300 overtime hours per year were found for the factory's workers and a security service provider workers (7 in-house security guards who work in the factory). Details as follows:  
a) Based on time records & payroll review from June 2018 to May 2019 and workers interview, approximately 50% of the workers work from 31 to 110 OT hours in June 2018, October 2018 and from November 2018 to May 2019. Workers worked from 301 to 720 OT hours in 2018 which exceeds the legal requirement of 30 overtime hours per month & 300 overtime hours per year.  
b) Seven security guards worked from 38 to 104 overtime hours per month which exceeds the legal requirement of the limit of 30 overtime hours per month from January 2019 to April 2019. [HOW.1, HOW.8]

#### 4. Finding Status: Not Remediated

Explanation: The excessive weekly working hours exceeded 60 working hours per week for factory workers and security service providers, details are as follows:

a) Based on time records & payroll review from June 2018 to May 2019 and workers interview, it is noted that approximately 40% of workers work up to 81 hours per week in June, July 2018 and from October 2018 to May 2019.  
b) Seven security guards worked up to 84 hours per week (including regular plus overtime hours) in January 2019 – April 2019. [HOW.1, HOW.8]

#### 5. Finding Status: Not Remediated

Explanation: Security guards are not entitled to at least 24 consecutive hours of rest in every seven-day period. The factory uses security service provider. This security service provider has 7 in-house security guards who work in the factory. These security guards work 4 – 5 Sundays per month (30 – 31 consecutive working days per month) without compensation day-off as required by law and FLA Benchmarks. [HOW.2]

#### 6. Finding Status: Not Remediated

Explanation: The production plan was not available for review because of the factory's confidential procedure. Thus, it could not be verified if the production plan was based on regular working hours. [ER.24]

### Local Law or Code Requirement

Vietnam labor code 2012, Article 109; Vietnam Labor Law Article 106; Labor Law Article 106; FLA Workplace Code (Employment Relations Benchmarks ER.24; Compensation Benchmarks C.5; Hours of Work Benchmarks HOW.1, HOW.2, HOW.8)

### Recommendations for Immediate Action

1. Ensure all documents regarding payroll and time records are available for review.
2. Ensure employees who work in shifts are entitled to a break of at least 12 hours before moving to another shift.
3. Ensure that working hours do not exceed the legal overtime limits.
4. Ensure that working hours do not exceed legal overtime limits and FLA working hour's standards.

5. Ensure that all workers receive at least 24 consecutive hours of rest in every seven-day period.
6. Provide the production plan for review.

## Action Plan no 7.

### Description

The factory will re-discuss the contract with the food supply company and security guard company before the end of 2019. Both contracts will renew by end of January 2020. The factory will share the contract for review once updated. The factory has agreed to share both MEC's and KMD's Code of Conducts with these suppliers, to ensure they understand standards laid out by the brands, in alignment with the FLA.

1. it is recommended that the factory maintain all records on Hours of Work and Wages & Benefits of the canteen staff and the security guards for reference and be able to verify when necessary.

2-4. It is recommended that the factory create a policy that entitles all workers receive at least 12 hour break before starting another shift. To support in the reduction of overtime hours, the factory has built a second facility and have started to work with some customers to move their production. The movement will begin for Spring 20 production. The factory is asked to provide quarterly updates on monitoring working hours. For tents, there two seasons of production per year: Spring & Fall. The volume is about 2/3 of the entire year's order volume, and the factory needs to complete all orders within ~4 - 5 months. The factory has been proactive in trying to engage brands to provide their committed forecast earlier in order to allow production to start earlier; however, most brands stick to the initial lead-time commitments with the factory. Under the circumstance, the factory tries to push the material vendors to shorten the material lead-time and sometimes air shipping materials to the factory in order to provide additional production time with an earlier start time.

- To note with clarification: the factory only has one shift. The finding was found in relation to the security guards shifts. The factory will negotiate working hours and regulations around hours during the contract renewal.

5. The factory is requested to ensure that workers receive at least 24 consecutive hours of rest in every seven-day period. And to ensure workers are credited for all time worked for the factory and get paid accurately. The factory will discuss with the security company during the contract negotiation before the end of this year.

6. As per the factory's comments, the documents were not provided due to the confidential customer information of quantities for each brand. The factory typically plans their capacity based on 60 hours / week / person x 90% of workers as planned capacity. As the factory receives purchase orders from customers, they will inform the factory to block capacity. If new purchase orders come in and we it happens that the factory is not able to ship per required ship date, the factory informs their customers to extend the lead-time. The majority of Spring purchase orders are issued in June, so the factory pushes vendors to shorten the material lead-time and air ship materials to the factory, so that they can use the slow season capacity as much as possible.

As per the factory comments: The production plan shows how many hours are required to complete production and how many hours are supplied of each month. When they see potential OT issues, they start to ship materials early to allow for an earlier production start; using the capacity in the months that are less busy. This information is not represented on the production plan.

### Planned completion date

08/30/19

### Company Action Plan Update

Pending remediation:

1, 3, 4. The factory has provided the updated contract between the factory and the canteen company staff. They also provided the health check reports of the canteen staff. The typical hours of work in the provided contract for a canteen members was not clear. Please resend to clarify the regular hours per day. In the contract, it states that overtime may be required. Please clarify if this is voluntary for all canteen and security staff. Please provide a copy of the revised contract with the security staff for review. Please provide sample time card records to review regular hours and overtime hours for both security guards and canteen staff - providing oversight from the Tai Viet team.

2. Please confirm the status of contracted workers for security and the canteen receive a 12 hour break between shifts.

5. Please confirm whether or not contracted staff are entitled to 1 day off in 7.

6. Please provide additional clarity as to the production plan and how many hours a week it is based off of.

Action Plan no 8.

Description

1-6. N/A. Continuous Improvement

Planned completion date

08/30/19

Company Action Plan Update

1-6. N/A. Continuous Improvement

## PREVIOUS FINDING NO.3

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Environmental Protection

Finding Explanation

1. The Material Safety Data Sheet (MSDS), secondary containment, chemical safety equipment and chemical labels are not provided for the machine oil or the other chemical containers located in the basement of the warehouse. HSE.9, HSE.10 2. The factory has uses five types of chemicals (machine oil, HS-004, printing ink SUB, A-107, and A-404) but only one chemical has a Material Safety Data Sheet (MSDS). HSE.10 3. Hazardous waste, such as used chemical containers and used light bulbs, is not stored in the designated area. In addition, the hazardous waste was not classified and labeled properly in the hazardous waste storage. HSE.1, HSE.9 4. Oil waste leaks into the environment (the ground) at the compressor area. HSE.1

Local Law or Code Requirement

Law No. 06/2007/QH12 on Chemicals (2007), Article 29; Circular No. 36/2015/TT-BTNMT on Management of Hazardous Wastes (2015), Article 7; FLA Workplace Code (Health, Safety, & Environment Benchmarks HSE.1, HSE.9, and HSE.10)

Recommendations for Immediate Action

1. Provide the Material Safety Data Sheet (MSDS), secondary containment, chemical safety equipment, and chemical labels for all chemicals of the factory when transporting, storing, and using.

2. Maintain and post the MSDS for all chemicals that are used and stored in the factory.

3. Store, classify, and label hazardous waste in the designated area.

4. Inspect and maintain the air compressor tanks to prevent the leaking of machine oil. Collect and treat machine oil according to applicable requirements.

### COMPANY ACTION PLANS

## Action Plan no 1.

### Description

7.1 IA 1. Provide the Material Safety Data Sheet (MSDS), secondary containment, chemical safety equipment, and chemical labels for all chemicals of the factory when transporting, storing, and using. SI 1. Review current environmental policy and procedures 2. Revise policies to align with legal requirements of management and labeling of chemicals. 3. Train HR and related personnel on changes 4. Include changes on worker orientation and trainings.

## Action Plan no 2.

### Description

7.2 IA Maintain and post the MSDS for all chemicals that are used and stored in the factory. SI 1. Review current environmental policy and procedures 2. Revise policies to align with legal requirements of management and labeling of chemicals. 3. Train HR and related personnel on changes 4. Include changes on worker orientation and training.

## Action Plan no 3.

### Description

7.3 IA Store, classify, and label hazardous waste in the designated area. SI 1. Review current environmental policy and procedures 2. Revise policies to align with legal requirements of management and labeling of chemicals. 3. Train HR and related personnel on changes 4. Include changes on worker orientation and trainings.

## Action Plan no 4.

### Description

7.4 IA Inspect and maintain the air compressor tanks to prevent the leaking of machine oil. Collect and treat machine oil according to applicable requirements. SI 1. Review current environmental policy and procedures 2. Revise policies to align with legal requirements of management and labeling of chemicals. 3. Train HR and related personnel on changes 4. Include changes on worker orientation and training.

## VERIFICATION RESULT

### Finding Status

Not Remediated

### Remediation Details

1. Finding Status: Not Remediated

Explanation: 1. Three bottles of cleaning oil in the basement of the material warehouse, one bottle of acid in the welding section, five containers of unidentified printing ink and one container of unidentified solvent are not provided secondary containment, labels or material safety data sheet (MSDS). 2) 14 containers of printing ink SUB at chemical storage are not labeled in the local language. [HSE.9, HSE.10]

2. Finding Status: Not Remediated

Explanation: The factory does not have MSDS of unidentified chemicals (acid, printing ink and solvent) which are used at the welding section and stored at the printing section. The factory management confirms that they do not know what those substances or chemicals are. [HSE.10]

3. Finding Status: Partially Remediated

Explanation: Two cans of used chemical (acetone) are stored in the basement of material warehouse instead of designated hazardous waste storage. Noted that the hazardous waste stored in the hazardous waste storage are classified and labeled properly. [HSE.1]

4. Finding Status: Partially Remediated

Explanation: Waste oils are stored in secondary containment properly. However, there are water (mixing with oil) leaks on the ground at one out of 5 observed air compressors, which could lead to the ground contamination. [HSE.1, HSE.14]

### Local Law or Code Requirement

#### Recommendations for Immediate Action

1. Ensure that all chemical containers are provided label in spoken language, secondary containment and MSDS at where they are stored and used.
2. Ensure that factory has MSDS of each used chemical.
3. Store all hazardous waste in the appropriate areas.

#### Action Plan no 5.

##### Description

4. It is recommended to place an absorbent mat on the ground. This mat can help collect any oil dripping and can be exchanged easily and properly disposed of in the haz. waste. The factory will check with their vendor if the solution is workable; wanting to be sure it won't cause another safety issue with the mat. The factory will provide an update by end of November.

The management will discuss with the EHS team to set up a procedure to manage the chemicals onsite more efficiently. They will provide a new procedure by end of December.

It is recommended to provide annual training to staff on chemical management. Ensure Health and Safety personnel is well trained and with authority to properly manage all chemicals onsite.

##### Planned completion date

08/30/19

##### Company Action Plan Update

1 - 3. (photographs attached). The factory has provided SDS and have labeled all chemicals throughout the factory. Secondary containment is provided for all chemicals.

4. When the machine is turned on before work, the workers check to ensure there are no problems with oil leakage. The replacement oil is taken away when the oil maintainer comes to site to replace it. The factory has been cooperating with the local government certified units for training every year. The attendees are employees on chemical management, such as the printing department. A checklist for the staff to inspect and maintain the air compressor regularly is attached. Supporting documents show efforts to mitigate risk. The factory is asked to continue to manage. Will be reviewed during next onsite visit.

## PREVIOUS FINDING NO.4

### IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. The fire extinguishers in the non-hazardous waste storage and hazardous waste storage equipped are not equipped. HSE.5, HSE.6 2. Semi-products are blocking at least 5 observed emergency exit routes (aisles) in the cutting area and the sewing area. In addition, some workers in the sewing area are blocked. HSE.5 3. The factory has yet to comply with the Inspection Report of the local Fire Police Department on September 11, 2017, which requires the factory to equip more emergency exit lights and exit signs along the emergency

exit paths. HSE.5, HSE.6 4. The factory has yet to comply with the Inspection Report of the local Fire Police Department on September 11, 2017, which requires the factory to maintain the fire alarm system. The factory has not conducted the maintenance for the fire alarm system. HSE.5, HSE.6 5. The factory has yet to comply with the Inspection Report of the local Fire Police Department on September 11, 2017, which requires the factory to equip a sufficient number of fire-fighting clothes and equipment for the fire-fighting team. The factory has 52 members of the fire-fighting team but has only provided four sets of clothes and equipment. HSE.6

#### Local Law or Code Requirement

TCVN 3890:2009, Article 5; Vietnam Building Code No. QCVN 06:2010/BXD, Article 3; Art.6, and Art.10, TCVN 3890:2009; Circular 56/2014/TT-BCA; Circular 48/2015/TT-BCA; FLA Workplace Code (Health, Safety, & Environment Benchmarks HSE.5 and HSE.6)

#### Recommendations for Immediate Action

1. Equip the fire extinguishers in the non-hazardous waste storage and hazardous waste storage as per local law. 2. Keep emergency exits and aisles clear from obstructions at all times. 3. Install more emergency exit lights and exit signs as per the local Fire Police Department requirement. 4. Maintenance the fire alarm system and conduct regular inspections. 5. Provide the fire-fighting team sufficient fire-fighting clothes and equipment.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

10.1 IA 1. Review procedures on fire safety and a fire risk assessment. 2. Equip the fire extinguishers in the non-hazardous waste storage and hazardous waste storage as per local law. SI 1. Create or amend Health and Safety Policy and Procedure addressing fire safety. 2. Provide training or source external training for all employees who need to follow up on a fire risk assessment. 3. Create procedures to ensure that the the fire safety reports are regularly assessed and followed up on.

### Action Plan no 2.

#### Description

10.2 IA 1. Keep emergency exits and aisles clear from obstructions at all times. SI 1. Create or amend Health and Safety Policy and Procedure addressing fire safety. 2. Provide training or source external training for all employees who need to follow up on a fire risk assessment. 3. Create procedures to ensure that the the fire safety reports are regularly assessed and followed up on.

### Action Plan no 3.

#### Description

10.3 IA Install more emergency exit lights and exit signs as per the local Fire Police Department requirement. SI 1. Create or amend Health and Safety Policy and Procedure addressing fire safety. 2. Provide training or source external training for all employees who need to follow up on a fire risk assessment. 3. Create procedures to ensure that the the fire safety reports are regularly assessed and followed up on.

### Action Plan no 4.

#### Description

10.4 IA 1. Review procedures on fire safety and emergency evacuation. 2. Maintenance the fire alarm system and conduct regular inspections. SI 1. Create or amend Health and Safety Policy and Procedure addressing fire safety. 2. Provide training or source external training for all employees who need to follow up on a fire risk assessment. 3. Create procedures to ensure that the the fire safety reports are regularly assessed and followed up on.

### Action Plan no 5.

#### Description

10.5 IA 1. Review procedures on regularly inspecting and testing the emergency exit lights. 2. Provide the fire-fighting team sufficient fire-fighting clothes and equipment. SI 1. Create or amend Health and Safety Policy and Procedure addressing fire safety. 2. Provide training or source external training for all employees who need to follow up on a fire risk assessment. 3. Create procedures to ensure that the the fire safety reports are regularly assessed and followed up on.

## VERIFICATION RESULT

### Finding Status

Not Remediated

### Remediation Details

#### 1. Finding Status: Remediated

Explanation: The factory has equipped one powder fire extinguisher (35 kg) in the non-hazardous waste storage and hazardous waste storage area. [HSE.5, HSE.6]

#### 2. Finding Status: Partially Remediated

Explanation: The factory has marked tape along the floor in certain areas to remind workers not to place any objects to block exits. However, there are still some areas that had blocks. At least five emergency exit routes are partially blocked by trolleys, fans, and tables in the material warehouse and sewing section. [HSE.5]

#### 3. Finding Status: Partially Remediated

Explanation: There is no exit sign for two out of four exits and no emergency light for one out of two exit staircases at the dormitory. Noted that the factory installed seven emergency exit lights along the path as required in Inspection Report of the local Fire Police Department on September 11, 2017. [HSE.6]

#### 4. Finding Status: Remediated

Explanation: Based on document reviews and management interviews, the factory's electrician teams have conducted monthly maintenance for the fire alarm system. In the case that the electrician team finds any errors or damages, the factory requires a qualified service company to repair it. The record of internal inspection and acceptance report by the qualified service company were provided for verification.

#### 5. Finding Status: Remediated

Explanation: Based on observation, worker interviews and management interviews, the factory has supplemented 25 fire-fighting clothes and equipment for the fire-fighting team as legally required.

### Local Law or Code Requirement

Vietnam Building Code No. QCVN 06:2010/BXD, Art. 3; Vietnam Standard TCVN 3890:2009, Article 8; Vietnam Standard TCVN 3890:2009, Article 8; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.5, HSE.6).

### Recommendations for Immediate Action

1. Ensure that all exit aisles and evacuation routes are free and clear at all times.
2. Install exit signs for the remaining two exit signs and install the second emergency light in the exit staircases in the dormitory.

### Action Plan no 6.

#### Description

2. It is recommended that Tai Viet use their Health and Safety committee to conduct weekly and monthly walkthroughs to ensure all exits and aisles remain clear and free from obstacles at all times. Please place signage around points identified to remind workers not to place any objects that would block exits and aisles.

#### Planned completion date

08/30/19

#### Company Action Plan Update

1. The factory had equipped a fire extinguishers outside of the hazard waste storage area (attached photograph). The fire department conducts an annual assessment at the factory. The last audit was in January 2019. As per this report, no further improvements are required from the fire department; the factory meets the regulation.

2. The factory has marked tape along the floor in certain areas to remind staff to maintain a clear space (photographs). The factory will require the supervisors to pay attention during production to ensure the exits and aisles remain clear at all times.

3. After the 2017 SCI, the factory had installed additional emergency signs and lighting to meet the requirements of the as set by the fire department - at both the dormitory and the factory (photographs attached).

4. After the 2017 SCI, the factory continues to maintain and inspect the fire alarm system annually. The factory inspects the fire alarm system on a monthly basis, using a checklist provided by the local fire department. All records are maintained (attached).

5. After the 2017 SCI, the factory had purchased additional fire-fighting equipment. During the SCI 2019 assessment, there were 38 fire fighting team members and the factory has 25 units of fire-fighting equipment.

#### Action Plan no 7.

##### Description

Nil

##### Planned completion date

08/30/19

##### Company Action Plan Update

1. CAP is not required;

2. The work section had a work area and a fire escape aisles divided by fabrics and tape. After discussion, the facility changes the floor color to make it more visible. Attached the photo of changing the floor color.

(Photo to be attached)

3. Please find photos attached. The facility has install more emergency exit lights and exit signs.

4&5 CAP is not required

## PREVIOUS FINDING NO.5

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

At least 10 observed sewing workers set the needle-guard too high that could not be able to protect their fingers. HSE.7, HSE.14

##### Local Law or Code Requirement

Circular No. 04/2014/TT-BLDTBXH on Guiding Implementation of Regulations on Personal Protective Equipment (2014), Article 4; FLA Workplace Code (Health, Safety, & Environment Benchmarks HSE.7 and HSE.14)

##### Recommendations for Immediate Action

Train workers on the use of the machine guards.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

12.1

IA

1. Appoint Health and Safety person responsible for training staff on the correct use and monitoring of needle-guards, providing safety instructions and placing warning signs on all the machines in factory.
2. Review which staff are not using the guards on their machines and require such guards to be used and safety instructions to be followed.
3. Install guards, safety instructions or warning signs where there are none.

SI

1. Create or amend Health and safety Policy and Procedure addressing the use of guards, safety instructions and warning signs
2. Provide Health and safety training to all employees on the safe use of machinery and ensuring that all machines ha

## VERIFICATION RESULT

#### Finding Status

Not Remediated

#### Remediation Details

Some sewing workers set the needle-guard too high to protect their fingers. [HSE.17]

#### Local Law or Code Requirement

Circular No. 04/2014/TT-BLDTBXH on Guiding Implementation of Regulations on Personal Protective Equipment (2014), Art. 4 and FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.17)

#### Recommendations for Immediate Action

Train workers on the use of the machine guards.

### Action Plan no 2.

#### Description

4. The management will discuss with the EHS team whether or not they can add the needle guard inspection included in the EHS team checklist.

#### Planned completion date

08/31/19

#### Company Action Plan Update

1. The factory asked the supervisor to inspect and remind the sewing workers of the importance of maintaining the proper height of the needle guard.
2. The factory maintains a needle Change Book and Broken Needle Record book (attached). There is no injury related to broken needle in the past months.
3. Currently the supervisors review the needle guard installation every day to make sure the needle guard is installed properly. Factory will set up a system to conduct inspection monthly and maintain records.

Remediation plan is OK. Supporting documents show efforts to mitigate risk. Continue to manage. No further action required at this time. Will be reviewed during next onsite visit.

### Action Plan no 3.

#### Description

Nil

Planned completion date

08/31/19

Company Action Plan Update

The factory do provide needle guard protection (attached 1-Needle-guard 01), but if the sewing staff request they need to set it higher in order to sew smaller piece (1-Needle-guard 02 + 03), like label or small trims. Factory remind them the potential risk when they set the needle guard higher and we ask them to mind their safety instead of putting the speed as the first priority.

Attaching the photos of the daily needle inspections (Needle Change Book 1+2+3) and broken needle record book (Broken Needle Record book 1+2)

## New Findings and Action Plans

### NEW FINDING NO.1

#### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Compensation

##### Finding Explanation

1. The factory uses an outsourcing food service provider that provides seven in-house canteen staffs for the factory. The canteen staffs of this service provider work nine hours per day (eight regular hours plus one overtime hour). However, canteen staffs are not paid for the overtime as checked on their payroll records. [C.7] 2. The payroll and time records from January 2019 to April 2019 of the security guard service provider were provided for review. The net salary of at least five security guards in January 2019 and April 2019 is paid insufficiently. For example, the salary of one security guard in January 2019 is paid insufficiently at VND 441,525 (USD 19) without any provided reason; the salary of one security guard in April 2019 is paid insufficiently at VND 635,131 (USD 28) without any provided reason. These security guards should receive VND 8,171,669 (USD 355) and VND 8,758,698 (USD 381). [C.5] 3. The documents regarding annual leave and social insurance documents of the security guard service provider from June 2018 to May 2019 are not available for review to verify the annual leave and insurance benefit of the seven security guards. [C.10, ER.22]

##### Local Law or Code Requirement

Labor Code 2012, Art. 97; Labor Code 2012, Art. 96; Social Insurance Law 2014; FLA Workplace Code (Compensation Benchmarks C.5, C.7, C.10; Employment Relationship Benchmark ER.22)

##### Recommendations for Immediate Action

1. The factory shall ensure employees are paid sufficiently as legally requirement. 2. The factory should ensure employees are paid sufficiently. 3. Ensure all documents regarding annual leave and social insurance documents be available for review.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

The factory is asked to create and maintain regular oversight of the security company to ensure legal requirements are met. As these subcontractors are working for Tai Viet, it is the responsibility of your management team to ensure legal requirements (at a minimum) are always being met.

1. The factory shall ensure employees are paid sufficiently as legally requirement.

2. The factory should ensure employees are paid sufficiently.

3. Ensure all documents regarding annual leave and social insurance documents be available for review.

The factory agreed to adding this topic into the contract negotiation discussion this year. They will send the updated contract for review once complete.

Planned completion date

08/30/19

Company Action Plan Update

Pending remediation:

1. Please provide an update on the overtime wages paid to the canteen staff. Please provide evidence that wages are meeting legal requirements.

2. Please provide evidence of adequate payment for security guards and retro active pay for missed wages below minimum wage.

3. Please provide an update on social insurance benefits paid to the security guards. Noted it is included in the canteen staff contract - thank you. Please submit evidence of coverage.

Action Plan no 2.

Description

Continuous Improvement

Planned completion date

08/30/19

Company Action Plan Update

Continuous Improvement

## NEW FINDING NO.2

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Hours of Work

##### Finding Explanation

1. Based on time records, a payroll review from June 2018 to May 2019, and worker interviews, approximately 35% of workers work excessive daily overtime. Those workers worked from 4.5 to 6 overtime hours in a day in June and July 2018 and from September 2018 to March 2019. These hours exceed the legal requirement of four overtime hours per day. [HOW.1, HOW.8] 2. The factory uses an outsourced food service provider. The provider has seven in-house canteen staff at the factory. However, there are no specific time records for this staff. The time record shows "X" for eight working hours, but nothing more. Assessors noted the same situation for security service providers. This security service provider does not apply the specific record for the working hours. For example, they record "AB" in the time record, which means that a security guard works from 6:00 am – 6:00 pm. [HOW.1]

##### Local Law or Code Requirement

Vietnam Labor Law, Article 106; FLA Workplace Code (Hours of Work Benchmarks HOW.1, HOW.8)

##### Recommendations for Immediate Action

1. The factory to ensure that working hours do not exceed legal overtime limits.
2. The factory to ensure that working time is recorded accurately for workers to avoid inconsistency.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. It is well noted the root cause and challenges with a very seasonal product type. As per several discussions with MEC's sourcing team, it is again requested to lean on your brand partners to have open and transparent conversations on flexibility of lead times and production variances to alleviate some of the pressure placed on workers during the peak season. Please ensure that working hours do not exceed legal overtime limits and FLA working hours standards. Tai Viet is encouraged to proactively engage customers on responsible purchasing practices - encouraging customers to maintain adequate lead times and within agreed upon MOQs. It is recommended that Tai Viet research areas of production that can be more automated and streamlined - creating efficiencies which can help alleviate OT hours.

The factory acknowledges and agrees to the importance of keeping overtime to a minimum. Whenever they see a bottleneck of the capacity, they always ask their customers to accept longer lead-time or ask their material vendors for shorter lead-time.

2. For the food service company and security guard company, the factory has committed to ensuring that the salaries, benefits and rest are covered by the law.

The factory is asked to create and maintain clear and accurate records for all working hour by the food service provider and the security service provider. Create and maintain regular oversight of the security company to ensure legal requirements are met. As these subcontractors are working for Tai Viet, it is the responsibility of your management team to ensure legal requirements (at a minimum) are always being met.

#### Planned completion date

08/30/19

#### Company Action Plan Update

pending remediation:

1. The factory is opening another facility to help reduce overtime hours. Requires additional evidence on actual hours and efforts to decrease. Concerns with waiting until 2021 to decrease the excessive overtime hours for factory staff - as these are not sustainability from a health and safety point of view. Please provide additional clarity.

2. For the canteen staff, please refer to previous comments regarding the unclear hours per day in the contract and provide evidence of detailed time records. Pending review of revised contract and time records with the security team.

### Action Plan no 2.

#### Description

Continuous Improvement

## NEW FINDING NO.3

### IMMEDIATE ACTION REQUIRED

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

##### Finding Explanation

1. The factory uses a security company for their security guards. It was reported that security guards have to deposit VND 1,100,000 (USD 47) to the security company for two sets of uniform. After the probation period (two months), this deposit is paid back to the security guards when they sign the official labor contract with the security service company. If the security guard does not stay for two months, he/she will lose the deposit. [F.7]

##### Local Law or Code Requirement

FLA Workplace Code (Forced labor Benchmarks F.7)

##### Recommendations for Immediate Action

1. Require the security company to stop requesting employees to make a deposit in cash or property.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

Require the security company to stop requesting employees to make a deposit in cash or property. It is recommended that the factory create and maintain regular oversight of the security company to ensure legal requirements are met. As these subcontractors are working for Tai Viet, it is the responsibility of your management team to ensure legal requirements (at a minimum) are always being met.

The factory will re-discuss the contract with the food supply company and security guard company before the end of 2019.

The factory will provide the contract to MEC by end of January.

Pending remediation:

The factory stated the revised contracts should be completed by mid-April 2020 - delayed from the initial schedule. Once completed, they will be provided to the brands for review against the finding details identified.

## Action Plan no 2.

### Description

NIL

### Planned completion date

08/30/19

### Company Action Plan Update

Continuous improvement

## NEW FINDING NO.4

### IMMEDIATE ACTION REQUIRED

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

##### Finding Explanation

1. According to the factory's recruitment procedures, security guards are in charge of filtering candidates/workers and the security entry log mentions this practice. The security log mentions "receives skilled sewing worker from 18 to 45 year olds (female only), unskilled sewing worker from 18 to 35 year olds (both male and female)". Based on factory management and security guard interviewed, security guards noted this notification to filter candidates. [ND.2]

##### Local Law or Code Requirement

Labor Code 2012, Article 8.1; FLA Workplace Code (Nondiscrimination Benchmarks ND.2)

##### Recommendations for Immediate Action

1. The factory should stop discrimination activities and remove the language on age and gender in the security entry log.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

The factory should stop discriminatory activities and remove the language on age and gender in the security entry log. Please provide supporting documentation to show completion of this item: training/education files of discussion with the security guards and revised advertisement for recruitment and security entry log forms. The factory has committed to update and provide supporting document by the middle of November.

##### Planned completion date

08/30/19

##### Company Action Plan Update

Pending remediation and on-site verification:

The factory confirmed that there is no written policy stating any age discrimination for recruitment. The wording was hand written by the security guards. The factory has been encouraged to conduct training to the security guards on their policies around non-discrimination. Supporting documentation required and will be followed up during the next onsite audit.

#### Action Plan no 2.

##### Description

NII

Planned completion date

08/30/19

Company Action Plan Update

The factory had established non-discrimination policy.

## NEW FINDING NO.5

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. There is no warning sign at generator area for dormitory. [HSE.14] 2. At least ten fire extinguishers are not marked and do not have instruction near the material warehouse, security room, workshop and finished goods warehouse. [HSE.6]

##### Local Law or Code Requirement

FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.6 and HSE.14)

##### Recommendations for Immediate Action

1. The factory should post warning sign at restricted machine.
2. The fire extinguishers shall be marked and provided using instructions.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

The factory checks the fire extinguishers every month. They will have the person in charge to not only check the fire extinguisher, but also make sure they are free from obstacles and clearly identified. Management and the EHS team will review the current procedure and will ensure it is updated before the end of December.

##### Planned completion date

08/30/19

Company Action Plan Update

1 & 2. The factory has posted warning sign at restricted machine. See supporting documents.

1& 2. This will be reviewed during the next onsite review. Pending the factory's submission of evidence of the monthly HS walk-throughs - by end of April 2020.

#### Action Plan no 2.

##### Description

NIL

Planned completion date  
08/30/19  
Company Action Plan Update

1 & 2. The factory has posted warning sign at restricted machine. See supporting documents.

The factory checks the fire extinguishers every month. They will have the person in charge to not only check the fire extinguisher, but also make sure they are free from obstacles and clearly identified. Management and the EHS team will review the current procedure and will ensure it is updated before the end of December.

## NEW FINDING NO.6

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Compensation

##### Finding Explanation

1. The factory has a Collective Bargaining Agreement (CBA) which was established on November 28th, 2017. The CBA mentions that the child-care allowance (children under 6 years old) is only provided for the workers who have maximum two children, which conflicts with legal requirements. The factory management stated that if a worker has 3 children, they still provide this benefit for all 3 children. However, worker interviews confirmed that this issue is an error in the CBA. Female workers confirmed that if a worker has more than two children, they will receive the benefit for all the children. [C.1]

##### Local Law or Code Requirement

Law No. 38/2005/QH11, Article 21; Decision No. 14/2008/QĐ-BGDDT, Article 42 & FLA Workplace Code (Compensation Benchmarks C.1)

##### Recommendations for Immediate Action

1. The factory should review and update the Collective Bargaining Agreement (CBA) to comply with the legal requirement.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

As the current CBA is out of compliance with legal requirements, it is asked that Tai Viet update this without delay.

The current CBA was updated in 2017. The CBA will be sent by late December and will be approved by end of January. The factory will send the updated CBA for review per schedule. The actual approval date will depend on the general union as this is a government department. If there is any delay from the general union, the factory will inform the brands.

Planned completion date  
08/30/19  
Company Action Plan Update

Pending remediation:

The factory has revised the CBA. In the clause around childcare, please help clarify where it states benefits for all three children (if applicable). The factory stated that they submitted the updated CBA to the government; however, it was not accepted as they are not in the review period. Pending the factory's update as to when the government say they would accept the revised CBA.

## Action Plan no 2.

### Description

The CBA attached last time is the revised one. We will submit this revision to the government base on their instruction. According to our experience from the past, we are estimated that the updated content can be complete, submit and approve by the government at the end of December.

### Planned completion date

08/30/19

### Company Action Plan Update

The CBA attached last time is the revised one. We will submit this revision to the government base on their instruction. According to our experience from the past, we are estimated that the updated content can be complete, submit and approve by the government at the end of December.

## NEW FINDING NO.7

### IMMEDIATE ACTION REQUIRED

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

##### Finding Explanation

1. This security service company applies a two month probation period for their security guards, which exceeds the legal requirement of 30 days. One security guard at the factory started working in June 2018 and had the probation period last until August 2018, which exceeded the 30 days limit for jobs which require professional and technical qualifications of intermediate vocational level, professional secondary level, or for technical workers and skilled employees. [ER.1]. 2. The factory has a grievance procedure which includes an email that is used to receive complaints from the worker. However, the assessors tested the email and received a response that noted that the email could not be found. This email is also mentioned in other internal policies, for example the policy against forced labor, harassment, and abuse. The factory has not reviewed the applicable and function of this email, thus, the grievance process is nonfunctioning. [ER.25] 3. The factory has a juvenile worker policy (established on February 16, 2012). This policy has not been updated on the working hours for juvenile workers. The current policy mentions that the working hours for the juvenile workers shall be within seven hours per day and 42 hours per week. However, the legal requirement has been changed and the policy should note eight hours per day and 40 hours per week for juvenile workers as per new legal requirements. [ER.14] 4. The hiring procedure is provided for review. However, it is not consistent with the labor laws. It is mentioned that the probation time is one month instead of 6 days, 30 days and 60 days depending on the job's position. [ER.1]. 5. This food service provider has seven in-house canteen staff work in the factory. This service provider signs the labor contract with all canteen staffs. However, the labor contract lacks required information, such as information of the employer's representative (BOD, ID or passport number, address), ID number of employee, details of working hours, break time and overtime. In addition, the security guards labor contracts do not mention details on working hours, break time, and overtime. [ER.10]

##### Local Law or Code Requirement

Vietnam labor code 2012, Article 27; Vietnam labor code 2012, Article 163; Vietnam labor code 2012, Article 27; Decree 150/2015/ND-CP, Article 4; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.10, ER.14, ER.25)

##### Recommendations for Immediate Action

1. The factory should apply probation period properly as local requirement for security guards. 2. The grievance address should be reviewed and updated within the policies to a functioning grievance mechanism. 3. The factory should apply working hour for the juvenile workers as legally required. 4. The factory should review and update the hiring procedure and ensure it is consistent with the labor laws. 5. The factory should update and provide sufficient information within labor contract as legally required.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. The factory should apply probation period properly as local requirement for security guards. Please create a SOP around

probation. Provide training to security management team and during onboarding of all new security guards. Factory will review details when renewing the contract with the security guard company. The contract will be renewed by end of January and we will share with MEC then.

5. Factory will renew the contract with the food service company and we will discuss with the food service company to ensure the salary, benefits and leave provided to the canteen staff comply with the law.

Planned completion date

08/30/19

Company Action Plan Update

Achieved remediation:

2. Factory has set up a new email box thugopytaiviet@gmail.com. An announcement has been made to all staff. Evidence document is attached.

3. The factory should apply working hours for the juvenile workers as legally required. The internal policy is updated as attached.

4. The factory should review and update the hiring procedure and ensure it is consistent with the labor laws. The internal policy is updated as attached.

Pending remediation:

1. Noted the timeline for the updated security guard contract - mid April 2020. Please send once available.

5. As noted in another finding, the contracted provided the hours of work are unclear. Please send another contract for review. In the contract, it states that overtime may be required. Please clarify if this is voluntary for all canteen and security staff. Please confirm the allocated breaks in the contract.

Action Plan no 2.

Description

1&5. N/A. Continuous improvement

Planned completion date

08/30/19

Company Action Plan Update

1&5. N/A. Continuous improvement

2. Factory has set up a new email box thugopytaiviet@gmail.com. An announcement has been made to all staff. Evidence document is attached.

3. The internal policy is updated as attached.

4. The internal policy is updated as attached

**NEW FINDING NO.8**

**IMMEDIATE ACTION REQUIRED**

## FINDING TYPE: Health & Safety

### Finding Explanation

1. Based on documents reviewed and worker interviews, the factory has not provided a health check-up at least every six months for employees doing heavy and harmful jobs, as legally required. The period of health check-up was seven months from April 2019 to August 2018. Additionally, the factory provided health check-up for workers on April 2019 (for 506/530 workers: 95.4%) and August 2018 (for 503/550 workers: 92%). The factory has not provided health check-ups for workers who were absent on those days. [HSE.1] 2. Based on document review and management interviews, the factory has developed a written occupational accident investigation in November 2012. The factory has not reviewed and updated the members of the internal investigation group to investigate occupational accidents. Besides, time limit for investigation of occupational accidents were not aligned as legally required, including: - 04 days if the accident only causes minor injuries to employees; - 07 days if the accident causes major injuries to an employee; - 20 days if the accident causes major injuries to at least two employees; - 30 days if the accident is fatal; 60 days if the accident requires technical assessment or forensic examination. [HSE.1] 3. Based on document review and management confirmation, at least 5 out of 13 workers who interacted with chemicals directly in the printing area have not received chemical safety training as legally required. [HSE.9] 4. Based on document review and management interviews, the factory has not provided the OSH training for: a) Group 2: one employee has not been provided refresh OSH training (after every 2 years) as legally required. The certificate expired on June 2, 2019. b) Group 4: the factory provided an eight hour OSH training for current workers and new workers (on August 3, 2018 for 324 employees and August 4, 2018 for 175 employees). The factory did not provide sufficient training time (16 hours) for 62 new workers as legally required. According to legal requirements, new workers shall receive 16 hours of training (for the first training time) and current workers shall receive eight hours of training (for the annual training) for the OSH training (defined as Group 4). However, the factory only provided eight hours of training for both new and current workers in 2018. [HSE.14] 5. Based on document review and confirmation from the factory, it was noted that the factory had 2 occupational accidents so far in 2019. However, the occupational accident investigation records have do not include: 1) meeting minutes to announce the record of occupational accident investigation; 2) establishment of an occupational accident investigation team as legally required. In practice: the factory conducted 1) scene outline; 2) photos of scene and victim; 3) record of occupational accident investigation; 4) record of testimony of the victim, the person who knows the facts or person concerned; 5) certificate of discharge of the medical facility which has treated the victim's injury. [HSE.3] In addition, the factory has not conducted the re-risk assessment after accident occurrence. [HSE.1] 6. The foods samples are not kept for at least 72 hours. They are kept 24 hours instead, which is in compliance with the law. In addition, as per reported by the responsible person, the cooling temperature is about 5 degrees Celsius instead of 4 degrees Celsius or lower, as applicable standard. [HSE.22] 7. Based on document review and management confirmation, the factory has not provided any guidance documents for external contractor/service providers concerning health and safety as FLA's requirement. [HSE.2] 8. The first aid kits are equipped at canteen and the workplace with ten items instead of 27 items as legally required. [HSE.18] 9. The clinic room had only one sick-bed instead of two sick-beds. [HSE.18]. 10. The ergonomic assessment was conducted on October 29, 2018. However, sewing workers who sit are not provided with the chair with back-support or adjustable height. Noted that the Factory has provided two types of chairs with different height for sewing workers. [HSE.1] 11. There is no hand-washing basin at the canteen area for workers to wash their hands before and after meals. [HSE.19] 12. The cutting boards at the canteen are made of wood instead of water resistant materials, such as plastic. [HSE.19, HSE.22] 13. Based on document review and management confirmation, the factory has developed written emergency response plan (including earthquake, flood and typhoon, etc.). However, the factory has not provided the training about their duties in the event of earthquake, or chemical spills. [HSE.6] 14. The factory management provided two type of waste bin for recyclable and non-recyclable type of non-hazardous waste and trained workers about waste classifying. However, recyclable and non-recyclable waste are mixed together at the assessment time. [HSE.1]

### Local Law or Code Requirement

Law 84/2015/QH13, Article 21; ND 113/2017/ND-CP, Article 32; Decree 140/2018, ND-CP, Article 1, Clause 5; Decree 39/2016/ND-CP, Article 13; Circular No. 19/2016/TT-BYT on Guidelines for Occupational Health and Safety Management (2016), ANNEX 4; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.2, HSE.3, HSE.6, HSE.9, HSE.14, HSE.18, HSE.19, HSE.22)

### Recommendations for Immediate Action

1. Provide sufficient health check-up at least every six months for employees doing heavy and harmful jobs as legally required. 2. Review and update the occupational accident procedure to comply with local law. 3. Employees who interact directly with chemicals should receive the chemical safety training as legally required. 4. Provide sufficient training time and re-new the OSH training for workers as legally required. 5. Conduct the occupational accident investigation sufficiently as legally required. 6. Keep food samples within at least 72 hours as FLA's requirement. 7. Provide guidance documents for external contractor/service providers concerning health and safety. 8. Equip the first aid kits with sufficient items (27 items) at workplaces. 9. Provide two sick-beds at clinic room as FLA requirement. 10. Provide workers who sit during working hours with chairs with back support and adjustable heights. 11. Provide sufficient hand-washing basins for workers. 12. Ensure that the cutting boards in the canteen are made of a water-resistant material, such as plastic. 13. Provide training on the emergency response plan, including employee's duties in the event of earthquake and chemical spills. 14. Ensure that recyclable and non-recyclable waste are separated.

## COMPANY ACTION PLANS

## Action Plan no 1.

### Description

1. Provide sufficient health check-up at least every six months for employees doing heavy and harmful jobs as legally required. Should an employee be absent on the day of the arranged health checkup, please arrange an alternative day to ensure all workers deemed to be working heavy and harmful jobs still maintain their check up every 6 months. Factory will investigate how many workers did not receive the health checks due to their leave and will arrange alternative date to complete the health check. The investigation and the completing will be complete by end of 2019.
2. Review and update the occupational accident procedure to comply with local law. Management will discuss with the general affairs department to update the procedure to make sure it is aligned as legally requirement.
3. Employees who interact directly with chemicals should receive the chemical safety training as legally required. The training was completed in August. The certifications are attached.
4. Provide sufficient training time and re-new the OSH training for workers as legally required. The OSH training for group 4 and group 2 were completed. The certifications are attached for review.
5. Conduct the occupational accident investigation as legally required. Factory has a procedure for accident investigations; however, it is not consistently in use. It is recommended that the person in charge receives additional training and reminding to continuously use/update the form. The latest investigation report is attached. The occupational accident investigation team was established as legally required. The team member list is marked in red on the lower part of page 2. The factory will follow up on the instruction by 1) meeting minutes to announce the record of occupational accident investigation; 2) conduct a re-risk assessment after accident occurrence.
6. Keep food samples within at least 72 hours as FLA's requirement (see cell B21). The brands are following the FLA standard, which is above the law. This is requested to be met by the factory.
7. Provide guidance documents for external contractor/service providers concerning health and safety. MEC has shared the EHS benchmarks with the factory. Unfortunately they are only provided in English. We ask for the factory's support to translate and communicate to the service providers.
- 8-9. The factory currently complies with legal requirements for first aid kits and the clinic room; not yet to the higher standard set by the FLA. The factory has the first aid kit with necessary items (27 items) in the clinic room. They have raised concerns regarding the space to equip all first aid boxes with all 27 items due to the size required. The factory is asked to meet the FLA standards and to ensure all first aid kits are equipped with necessary items. It is recommended that the factory look into installing first aid boxes on the columns throughout the facility (stacking two on top of each other if easier to accommodate space). Update from the factory: Attached please find photos of the 27 items first aid kit. The factory has a first aid kit at the production area that is fixed on the column. The items in the first aid kit box at production site is decided by the staff who is in charge of the clinic center. There are about 15 items in the first aid box in production area and covers most of the items except the long boards.
9. At this time, the first aid room/clinic does not have enough space for two beds. The factory will look into other solutions to meet this requirement. In the meantime, the factory has communicated that the hospital is located about 3 minutes away from factory. Should they have the case whereby several employees are in need of care, they can send them to the hospital.
10. Provide workers who sit during working hours with chairs with back support and adjustable heights.
11. The factory has set up hand-wash basin at canteen. Photo is attached for review.
12. Ensure that the cutting boards in the canteen are made of a water-resistant material, such as plastic. The factory is asked to make this change and provide reasoning with the canteen staff as to why (re: sanitary) the change was made.
13. Provide training on the emergency response plan, including employee's duties in the event of earthquake and chemical spills. Factory will update the written policies. The update will be completed by end of November.

14. Ensure that recyclable and non-recyclable waste are separated. Factory has set up signs and photographs as examples for teaching the worker what is recycle and what is non-recycle. The factory will have the supervisors remind workers regularly to improve step by step.

Planned completion date  
08/30/19

Action Plan no 2.

Description

NIL

Planned completion date  
08/30/19  
Company Action Plan Update

1. The factory completed the health check and the report is attached.

6. The factory established a policy to make ensure all canteen staff be aware of food sample requirements. The policy requires all canteen staff to check the list regularly.

## NEW FINDING NO.9

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Environmental Protection

##### Finding Explanation

1. Based on document reviews and management confirmation, the factory has not developed the procedures to enable workers to raise environmental concerns. [ER.31] 2. Based on document reviews and management confirmation, the factory has not developed a written policy regarding environmental protection. [ER.30] 3. Based on document reviews and management confirmation, the factory has not developed written processes/procedures for how workers can raise health and safety concerns. [ER.31]

##### Local Law or Code Requirement

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

### COMPANY ACTION PLANS

Action Plan no 1.

Description

1 & 3. In order to set up a process whereby employees can raise concerns, it is recommended to include in the factory grievance policy and procedure - using the guidance and standard document provided by MEC. It is recommended to include in the roles & responsibilities of the EHS committee, so that they can implement check-in's and make it be known that during their regular walk-throughs, and at any point, an employee can go to them to share a concern. Multiple channels for a worker to raise a concern is recommended.

2. The factory has a basic written policy about the health and safety. There is currently no environmental policy. The policies shall contain the framework for a comprehensive health and safety and environmental management system within which the following

are clear and regularly tested and reviewed: employers' responsibilities, workers' rights and duties, responsibilities of designated personnel, procedures that enable workers to raise health, safety, and environmental concerns, procedures for reporting death, injury, illness and other health and safety issues (for instance, near-miss accidents) and environmental emergencies, and, protections to workers who allege health, safety, and environmental violations. Environmental policies shall commit to minimize environmental impacts with respect to energy, air emissions, water, waste, hazardous materials, and other significant environmental risks. The factory is recommended to adopt the framework provided by the Higg Index Facility Environmental Module (FEM 3.0) to assess and report on year over year progress against environmental areas of impact. The factory can measure each impact area to ensure there is an environmental management system, including policies and procedures in place. Another resource to help build your environmental policy with is ISO 14001.

Planned completion date

08/30/19

Action Plan no 2.

Description

NIL

Planned completion date

08/30/19

Company Action Plan Update

The factory had updated the process whereby employees can raise concerns related to environment, health and safety. Please find the Word file attached.

## NEW FINDING NO.10

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. The factory does not have a breastfeeding room for female workers. [ND.8]

Local Law or Code Requirement

FLA Workplace Code (Nondiscrimination Benchmarks ND.8)

### COMPANY ACTION PLANS

Action Plan no 1.

Description

It is recommended that the factory create and maintain a room for new mothers to use - onsite - for breastfeeding. Inform and provide training to all workers once the room is available. Provide evidence once complete.

The factory reviewed the legal requirements and have deemed that the creation of the room is not a legal requirement. The collaborating brands confirm that this is a requirement under the FLA benchmarks: FLA Workplace Code (Non-discrimination Benchmarks ND.8): ...temporary adjustment of working hours during and after pregnancy, and the provision of breast-feeding breaks and facilities.

Additional context for the factory: UNICEF conducted a study in the region and determined that women are spending up to 1/3 of their income on formula, as they feel they need to give up breastfeeding in order to work. The factory is asked to provide a thorough training to the workforce and to have the room available for anyone who wishes to use.

Planned completion date

08/30/19

Company Action Plan Update

Pending remediation:

Due to the limited space in the factory, they cannot set up a separate nursing room. The factory has purchased a refrigerator to store breast milk. The fridge will be located at the clinic room. This will be verified onsite during the next audit.

Action Plan no 2.

Description

Nil

Planned completion date

08/30/19

Company Action Plan Update

Due to the limit space, the facility has decided to use clinic room as nursing room. The fridge will be located at the clinic room. The factory had provided fridge and the room for new mothers.