



FAIR LABOR
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INDEPENDENT EXTERNAL ASSESSMENT REPORT



Verification Assessment

COMPANIES: New Era Cap Co., Inc
COUNTRY: Vietnam
ASSESSMENT DATE: 06/24/19
ASSESSOR: One Step Vietnam
PRODUCTS: Apparel
NUMBER OF WORKERS: 230

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: Training (Macro)

Finding Explanation

1. There is no orientation training program for new workers, even though the factory provides the new workers with some orientation training. 2. Supervisors are not trained on the factory's policies and procedures. 3. Workers are not trained on Hours of Work or Industrial Relations. 4. The person responsible for training workers on chemical safety is not qualified or certified for this work. 5. Internal trainers, who are not qualified or certified, conduct the Health and Safety training during orientation. 6. Workers at the cap steaming, ironing machines, and cutting machines are not trained on how to operate those machines safely, or how to use the emergency shut-off button. 7. None of the workers receive any copy of the workplace rules.

Local Law or Code Requirement

Decree No. 26/2011/ND-CP on Amending and Supplementing a Number of Articles of the Government's Decree No. 108/2008/ND-CP of October 7, 2008, Detailing and Guiding a Number of Articles of the Chemical Law, Art. 7(a); Circular No. 27/2013/TT-BLDTBXH on Providing for Occupational Safety and Hygiene Training (2013), Art. 7 ; Law No. 84/2015/QH13, Art. 16.; Labor Code No. 10/2012/QH13 (2013), Art. 140; Law No. No. 55/2014/QH13, Art. 108; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, ER.17, and ER.26; Health Safety and Environment HSE.4 and HSE.14)

Recommendations for Immediate Action

Workers should be trained on how to operate machines and equipment safely as well as how to use the emergency shut-off button when working.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Orientation training program will be developed for new workers,
2. Supervisors will be trained on the factory's policies and procedures.
3. Workers are not trained on Hours of Work or Industrial Relations.
4. A qualified trainer will be retained to train workers on chemical safety
5. Internal trainers will be provided with addition training and qualifications.
6. Workers at the cap steaming, ironing machines, and cutting machines will be trained on how to operate their machines safely,

- including how to use the emergency shut-off button.
7. All workers will be provided a copy of the workplace rules.

Company Action Plan Update

The above action plan has been implemented at the factory and verified onsite.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: Based on document review and management interviews, it is noted that the factory provides orientation training for the new workers.

2. Finding Status: Not Remediated

Explanation: Based on document review and management interviews, it is noted that the supervisors and managers of the factory are not trained on the factory's policies and procedures on labor and HSE. [ER.1]

Root Causes: The in-charge person is not aware about this requirement of FLA

3. Finding Status: Remediated

Explanation: Based on document review and management interviews, it is noted that the factory provides training on Hours of Work and Industrial Relations for the workers.

4. Finding Status: Remediated

Explanation: Factory provides training on Hours of Work or Industrial Relations during orientation training.

5. Finding Status: Remediated

Explanation: According to a new law (140/2018/ND-CP, Article 1, point 7f) the HSE staff who are at a higher level and who have worked more than 5 years is qualified to be a HSE trainer.

6. Finding Status: Remediated

Explanation: Factory provided HSE for those worker (defined as Group 3) as legally required.

7. Finding Status: Not Remediated

Explanation: Based on document review and management interviews, it is noted that workers do not receive any copy of the workplace rules (such as factory handbook). [ER.1]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship of Benchmarks ER.1)

Action Plan no 2.

Description

- Preventative actions based on root cause analysis
- Confirmation of corrective actions through document or photo review

Company Action Plan Update

- Root cause analysis completed 11/19/19

1. This issue completed as confirmed by the auditors on 5/23/19

2. Supervisor training conducted in Dec. Plan to do annual supervisor training every Dec (complete Jan 17, 2020).

3. This issue completed as confirmed by the auditors on 5/23/19

4. This issue completed as confirmed by the auditors on 5/23/19

5. This issue completed as confirmed by the auditors on 5/23/19

6. This issue completed as confirmed by the auditors on 5/23/19

7. Sent out workplace rules and had workers sign to confirm receipt (completed 10/1/19). Preventative actions: twice annual review to confirm signed copies of workplace rules on file for all employees.

PREVIOUS FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Policies & Procedures (Macro)

Finding Explanation

A transparency and anti-corruption policy and procedure has not been established. The HR Manager tried to bribe the assessors on the 2nd day of the assessment.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1)

Recommendations for Immediate Action

Establish and implement the Transparency and anti -corruption policy and procedure in the factory and cease any form of bribery.

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory will establish and implement a Transparency and Anti corruption policy and procedure and conduct training for applicable employees

Company Action Plan Update

Transparency and anti corruption policy and procedure have been established and training was provided to all employees with training records kept.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: It is noted that no bribes were offered on the days of the assessment. The company has developed anti-corruption procedures.

PREVIOUS FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The job posting for the Interpreter position on the factory's recruitment website asks for female applicants who are under 30 years old. 2. The factory's recruitment process includes questions on pregnancy and requires a non-pregnancy commitment from female workers. 3. The application form requires information on marital status. 4. The factory tests foreign workers for HIV and HbSAg during

their recruitment health check. As per local law, these tests should be voluntary. 5. The factory has implemented a tattoo check for male workers as a hiring condition.

Local Law or Code Requirement

Labor Code No. 10/2012/QH13 (2013), Art. 5(1); FLA Workplace Code (Employment Relationship Benchmark ER.3; Nondiscrimination Benchmarks ND.1, ND.2, ND.3, ND.4, ND. 6, ND. 7 and ND.10)

Recommendations for Immediate Action

1.Cease discrimination practices on age, gender, appearance (tattoo check) in the hiring and recruitment process. 2.Discontinue questioning female workers on their pregnancy status and requesting for non- pregnancy commitment during the hiring process. 3.Remove questions concerning marital status from the recruitment form. 4.Discontinue the HIV and HbSAg test for foreign staff during recruitment and employment.

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory will cease all discriminatory practices in the recruitment and hiring process. Staff involved in the recruitment and hiring process will be trained on the proper procedures for recruitment and hiring to ensure that only objective criteria are considered in the process.

Company Action Plan Update

The factory has now ceased all practices that would be considered discriminatory in the recruitment and hiring processes.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: Based on document review and management interviews and observation, it is observed that the job recruitment notice does not include age preference.

2. Finding Status: Remediated

Explanation: Based on document review and management interviews, it is noted that the recruitment process does not include questions on pregnancy and non-pregnancy commitment from the female workers.

3. Finding Status: Not Remediated

Explanation: Based on document review and management interviews, it is noted that the application form still includes questions on marital status. [ND.6]

4. Finding Status: Remediated

Explanation: Based on document reviews and management confirmation, it is noted that the current health check for foreign employees do not include the HIV and HASBg tests.

5. Finding Status: Remediated

Explanation: Based on document review and management interviews, it is reported that the factory no longer conducts tattoo checks.

Local Law or Code Requirement

FLA Workplace Code (Nondiscrimination ND.6)

Recommendations for Immediate Action

1. Stop requiring information on marital status of the workers in the application process during hiring.

Action Plan no 2.

Description

- Preventative actions based on root cause analysis

- Confirmation of corrective actions through document or photo review

Company Action Plan Update

- Root cause analysis completed 11/19/19

1. This issue complete as confirmed by the auditors on 5/23/19

2. This issue complete as confirmed by the auditors on 5/23/19

3. All old recruitment forms which included information of marital status have been destroyed. New forms do not include information on marital status (complete Jan 17, 2020).

4. This issue complete as confirmed by the auditors on 5/23/19

5. This issue complete as confirmed by the auditors on 5/23/19

PREVIOUS FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. Workers' wage increases are not based on the registered wage scale. 2. The wages posted on the recruitment website (VND 6,000,000 (USD 264)) is much higher than the wages recorded on the actual labor contracts and payrolls of workers (VND 3,932,25 (USD 18)). 3. The factory conducts excessive deduction for tardiness. The factory's payment set and factory policy states that if a worker is 6 to 30 minutes late to work, they will incur a deduction equal to 30 minutes of workers' wages. If a worker is 31 to 60 minutes late, they will incur a deduction equal to 60 minutes of wages. 4. The factory's internal regulation states that new hirers must work with the company for at least four days, otherwise their wages will not be paid. 5. The wage payment for February 2016 was delayed by eight days. 6. The factory insufficiently compensates workers in the months that have 27 standard working days; for those months, the factory only pays for 26 days of work. 7. The factory insufficiently compensated workers who worked overtime in April and May 2016; these workers worked in shifts. The factory arranged the shift hours separate from the standard shift working time and did not consider those additional shifts as overtime hours. For the rest of the year, workers work on normal office hours, and not shifts. 8. The factory insufficiently compensated for night time overtime for workers who worked over a holiday on April 16, 2016. The factory paid overtime from 0:00 to 3:00 at 130% and 3:00 to 7:00 at 150%. Workers should have been compensated at 390% from 0:00 to 6:00, and 300% from 6:00 to 7:00. 9. The factory insufficiently calculates annual leave for workers with less than one year of service. The factory currently calculates one day of annual leave per month; legally it should be 12 to 14 days a month. 10. Workers with probation and training contracts are not paid for their annual leave. 11. In-kind allowances are not provided to workers working in hard and hazardous working conditions. The noise in the production area was over the legal limit, particularly in the preparation area, sewing, embroidery and packing area. 12. Child care allowance is not paid to female workers who have children who are kindergarten age. 13. When workers take days off, both their attendance performance bonus and technical bonus are deducted.

Local Law or Code Requirement

Vietnam Labor Code No.10/2012/QH13, Art 128.2&3); Labor Code No. 10/2012/QH13 (2013), Art. 8(3); Vietnam Labor Code No.10/2012/QH13, Art 8.6, Art 10, Art 96, Art 97, Art 128.2 and 128.3, Art 154; Decree 05/2015/ND-CP, Art.14 and Art 21.1; Decree 45/2013/ND-CP, Art 6 and Art 7; Circular 47/2015/ND-CP, Art 14.4; Circular 23/2015/BLDTBXH, Art 8; FLA Workplace Code (Employment Relationship Benchmark ER.18; Forced Labor Benchmarks F.1 and F.6; Compensation Benchmarks C.4, C.5, C.7, and C10; Harassment or Abuse Benchmark H/A.2)

Recommendations for Immediate Action

1. Ensure wage increment should be based on the registered wage scale. 2. Cease excessive deduction for tardiness. Furthermore, retroactively pay the deductions back to workers. 3. Ensure the wages of new workers are paid, regardless of the number of days they work. Cease the practice of forced labor. 4. Cease delay on wage payments. 5. Compensate workers sufficiently for all actual working

days, especially in the months with 27 days. 6. Pay for annual leave (4%) into the wage for workers who are on probation or training contract. 7. Ensure the correct calculation of annual leave for workers with less than one year of service. 8. Provide sufficient compensation for workers working overtime. 9. Provide workers with the correct overtime premium (night overtime on a holiday) at 390% of the normal rate. 10. Provide the in-kind allowances to workers working in hard and hazardous working condition as prescribed, such as in areas with noise above the legal limit. 11. Provide child care allowance to female workers who have children who are kindergarten age. 12. Cease advertising wage and benefits higher than the actual offered wage and benefits. 13. Cease deducting from the technical allowance deduction for actions that should only affect the attendance performance bonus.

COMPANY ACTION PLANS

Action Plan no 1.

Description

- 1, Factory will revise the measure to ensure workers' wage are increase based on the registered wage scale, also, factory will increase the skill levels which linked to wage level of employees following their committed wage scale as legal requirements.
- 2, Factory will revise the wages posted on the recruitment website which is exactly matched with the labor contracts and payroll of workers.
- 3, Factory will abolish the policy and measure of excessive deduction of workers late to work.
- 4, Factory will revise the internal regulation and abolish the measure of new hirers must work at least four days to get their wages.
- 5, This was an isolated case. New Era will conduct subsequent audits and ensure wage payments have been made on time and in accordance with the legal requirements, Factory will also ensure all wage payment date are strictly followed the legal requirement. And factory compliance staff will conduct cross-checking to ensure there is no any delay for the wage payment to all workers.
- 6, Factory will ensure to compensate all workers the sufficient wage to comply with legal requirement. Factory compliance staff will also conduct cross-checking to ensure no wage underpay for all workers.
- 7, Factory will revise the shift arrangement to include the additional shift as overtime hours.
- 8, Factory will revise the overtime premiums compensation procedure and ensure the overtime premiums of night time that paid to workers are complied with legal requirement. Factory's compliance staff will also conduct cross-checking to ensure the overtime premiums of night time are compensates to all workers sufficiently.
- 9, Factory will revise the annual leave calculating formula to ensure all workers, included those workers with less than one year of service is complied with legal requirement. Factory's compliance staff will conduct cross-checking to ensure the measure is sustainable implementing.
- 10, Factory will revise the measure to ensure workers with probation and training contracts are also paid for their annual leave. Factory's compliance staff also conducts cross-checking to ensure the measure is sustainable implementing.
- 11, Factory will provide In-kind allowances to workers to workers working in hard and hazardous production areas.
- 12, Factory will provide the Child care allowance of 10,000VND/ month to all female workers who have children who are kindergarten age.
- 13, Factory will abolish the practice for deducting the attendance performance bonus and technical bonus in case of worker takes day off. Factory compliance staff will also conduct cross-checking to ensure the factory's policies are complied with legal requirement.

Company Action Plan Update

- 1, Factory has revised the measure to ensure workers' wage are increase based on the registered wage scale, also, factory has increased the skill levels which linked to wage level of employees following their committed wage scale as legal requirements.
- 2, Factory has revised the wages posted on the recruitment website which is exactly matched with the labor contracts and payroll of workers.
- 3, Factory has abolished the policy and measure of excessive deduction of workers late to work.
- 4, Factory has revised the internal regulation and abolished the measure of new hirers must work at least four days to get their wages.

- 5, This was an isolated case. New Era has conducted subsequent audits and confirmed that wage payments have been made on time and in accordance with the legal requirements, Factory has also ensure all wage payment date are strictly followed the legal requirement. And factory compliance staff conducted cross-checking to ensure there is no any delay for the wage payment to all workers.
- 6, Factory has ensured to compensate all workers the sufficient wage to comply with legal requirement. Factory compliance staff also conducted cross-checking to ensure no wage underpay for all workers.
- 7, Factory has revised the shift arrangement to include the additional shift as overtime hours.
- 8, Factory has revised the overtime premiums compensation procedure and ensured the overtime premiums of night time that paid to workers are complied with legal requirement. Factory's compliance staff also conducts cross-checking to ensure the overtime premiums of night time are compensates to all workers sufficiently.
- 9, Factory has revised the annual leave calculating formula to ensure all workers, included those workers with less than one year of service is complied with legal requirement. Factory's compliance staff also conducts cross-checking to ensure the measure is sustainable implementing.
- 10, Factory has revised the measure to ensure workers with probation and training contracts are also paid for their annual leave. Factory's compliance staff also conducts cross-checking to ensure the measure is sustainable implementing.
- 11, Factory had provided In-kind allowances to workers to workers working in hard and hazardous production areas.
- 12, Factory has provided the Child care allowance of 10,000VND/ month to all female workers who have children who are kindergarten age.
- 13, Factory has abolished the practice for deducting the attendance performance bonus and technical bonus in case of worker takes day off. Factory compliance staff also conducts cross-checking to ensure the factory's policies are complied with legal requirement.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation: Based on payroll and time records review from June 2018 to May 2019 and interview with factory management and workers, it is noted that the factory conducts workers' wage increases in 2017 and 2018. However, workers' wage increases are not based on the registered wage scale. [C.1, C.5]

2. Finding Status : Not Remediated

Explanation: Based on the recruitment website, it is noted that the wages posted on the recruitment website (VND 6,000,000 (USD 258) are much higher than the wages recorded on the actual payrolls of workers (VND 5,200,000 – 5,700,000 (USD 223.6 – 245.1)). [C.1]

3. Finding Status: Remediated

Explanation: Based on payroll and time records review from June 2018 to May 2019 and interviews with factory management and workers, it is noted that the factory bases their payment for workers on the real working hours of workers, if workers arrive late.

4. Finding Status: Remediated

Explanation: Based on document and payroll and time records review from June 2018 to May 2019 and interview with factory management and workers, it is noted that the factory has removed the requirement in the new internal regulation which is sent to the local department.

5. Finding Status: Remediated

Explanation: Based on payrolls review from June 2018 to May 2019 and interview with factory management and workers, it is noted that wage payments have been made on time. The factory has paid on every 10th day of the month by bank transfer and in accordance with internal regulation and labor contracts.

6. Finding Status: Remediated

Explanation: Based on payroll and time records reviewed from June 2018 to May 2019 and interview with factory management and workers, it is noted that the factory revised the salary compensation calculating formula so that workers are paid for 27 days of work for months with 27 days of work

7. Finding Status: Remediated

Explanation: Based on payroll and time records review from June 2018 to May 2019 and interview with factory management and workers, it is noted that the factory only arranges normal working hours from 07:30 to 16:30 for all workers. Overtime hours are also paid at 150% for normal working days and 200% for rest days.

8. Finding Status: Remediated

Explanation: Based on payroll and time records review from June 2018 to May 2019 and interview with factory management & workers, it

is noted that factory only arranges normal working hours from 07:30 to 16:30 for all workers as well as overtime hours are paid at 150% for normal working days and 200% for rest days. Based on time records, the factory did not work the nightshift during the review period.

9. Finding Status: Remediated

Explanation: Based on payroll and time records review from June 2018 to May 2019 and interview with factory management and workers, it is noted that the factory applies the calculation method on annual leave as law requirement with detail: The number of days of annual leave equals the number of days of annual leave plus additional days off according to seniority (if any) divided by 12 months, then multiplied by the actual number of working months in the year; the result shall be rounded up if the decimal is 0.5 or greater.

Interviewed workers also confirmed that they knew and understood this calculated method.

10. Finding Status: Remediated

Explanation: Based on payroll and time records review from June 2018 to May 2019 and interview with factory management and workers, it is noted that probation and training periods are added to working time to calculate the annual leave for workers.

11. Finding Status: Not Remediated

Explanation: Based on payroll and time records review from June 2018 to May 2019 and interview with factory management and workers, it is noted that the factory does not implement the in-kind benefits for workers who work in hazardous conditions. [C.1, C.5]

12. Finding Status: Remediated

Explanation: Based on payroll and time records review from June 2018 to May 2019 and interview with factory management and workers, it was noted that factory has provided Child care allowance of VND 10,000 (USD 0.43) for female workers who have children who are kindergarten age. There is no limit to the number of children.

13. Finding Status: Remediated

Explanation: Based on document review and interview with factory management & workers, it was noted the factory has abolished the practice for deducting the attendance performance bonus and technical bonus in case of worker takes day off.

Local Law or Code Requirement

Labor Code 2012, Art. 8, 128; Circular 25/2013/TT-BLĐTBXH, Article 2, 3 and 4; FLA Workplace Code (Compensation Benchmarks C.1, C.5)

Recommendations for Immediate Action

1. Ensure that workers' wage increments are based on the registered wage scale.
2. Revise the website to provide the actual wage information on the hiring notices.
3. Provide the in-kind benefits for all workers, including those who work in hazardous conditions.

Action Plan no 2.

Description

- Preventative actions based on root cause analysis
- Confirmation of corrective actions through document or photo review

11. Factory still reviewing this issue

Company Action Plan Update

- Root cause analysis completed 11/19/19
- 1. Wage increase correspond with performance level (completed Jan 17, 2020).
- 2. Removed the salary number from recruitment website (completed 7/1/2019)
- 3. This issue completed as confirmed by the auditors on 5/23/19
- 4. This issue completed as confirmed by the auditors on 5/23/19
- 5. This issue completed as confirmed by the auditors on 5/23/19
- 6. This issue completed as confirmed by the auditors on 5/23/19
- 7. This issue completed as confirmed by the auditors on 5/23/19

8. This issue completed as confirmed by the auditors on 5/23/19

9. This issue completed as confirmed by the auditors on 5/23/19

10. This issue completed as confirmed by the auditors on 5/23/19

12. This issue completed as confirmed by the auditors on 5/23/19

13. This issue completed as confirmed by the auditors on 5/23/19

PREVIOUS FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

The factory has three sets of payroll and bank transfer proof of wage payments. The first one includes the regular wage and overtime up to 17:00. The second one is the balance of payment for overtime compensation and include overtime from 17:00 to 22:00. The last one reflects actual compensation. The second and last one was provided to the assessors at 16:00 on the 1st day of the assessment.

Local Law or Code Requirement

FLA Workplace Code (Compensation Benchmarks C.5, C.6, C.15 and C.16)

Recommendations for Immediate Action

Only have one set of time records, payroll records, and wage payments.

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory must maintain accurate and reliable time-keeping and payroll systems to ensure that workers are compensated correctly for all hours worked.

Company Action Plan Update

The factory invested in a new finger print system and the new system has been in use since May 2017.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: Based on payroll and time records review from June 2018 to May 2019 and interview with factory management and workers, it was noted that factory only maintained accurate and reliable time-keeping and payroll systems and bank transfer proof of wage payments. Workers are compensated correctly for all hours worked.

PREVIOUS FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. Three sets of the time record systems are maintained, the swipe card and the two manual time records. There is no procedure to control overtime hours at the factory. 2. The new hirers do not record their working time on the swipe card system until they sign their labor contract, which is at least a month after probation. Their working time is recorded manually by the line leaders. The factory said that they were provided with the swipe cards right after joining the factory but there is no record to prove when swipe cards are delivered to the new workers. Also, shift work is not recorded on the time record system, but manually recorded in excel tracking sheets.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2, and ER. 23; Compensation Benchmarks C.5)

Recommendations for Immediate Action

Ensure that Factory maintains only one time recording system, and working hours of all employees are accurately recorded.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The factory must establish a procedure to control overtime hours.
2. All workers should be responsible for clocking in and out by themselves as soon as they begin work. Shift work should be recorded in the time keeping system.

Company Action Plan Update

1. The factory has established a procedure to control overtime hours.
2. All workers are responsible for clocking in and out using the finger print system. Shift work is recorded in the time keeping system.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: Based on payroll and time records review from June 2018 to May 2019 and interview with factory management and workers, it was noted that the factory maintains accurate and reliable time-keeping and payroll systems and bank transfer proof of wage payments. Workers were compensated correctly for all hours worked. Factory is applying the fingerprint system to record all working hours of workers.

2. Finding Status: Remediated

Explanation: Based on payroll and time records review from June 2018 to May 2019 and interview with factory management and workers, it was noted that the factory has changed and has been applying the fingerprint system to record all working hours of workers from 2018. Workers scan their fingerprints on the first day and then can record their working hours by themselves.

PREVIOUS FINDING NO.7

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. The factory does not provide sufficient break time for embroidery workers who work during the night shifts. They are provided with 30

minutes of break instead of 45 minutes. 2. The 30-minute break during overtime work is not provided when workers work two hours of overtime per day. The factory only provides the 30-minute break for overtime work when workers work three or more hours of overtime per day. 3. The break times between shifts are not sufficient. They are not arranged on 12 hours of break between shifts but on 9.5 hours between shifts. 4. Excessive daily, weekly, monthly and yearly overtime occurred in 2016. In April and May, 2016 about 90% of workers worked overtime. Daily overtime is from four to 5.5 hours, five to six days a week and workers work 8 hours of overtime on Sundays. Weekly overtime is at a maximum of 41 hours, monthly overtime is at a maximum 194.28 hours; overtime accumulated in 4- 5 months exceeds the yearly overtime limit. 5. Overtime is due to lack of workers and the factory receiving more orders than production capacity; the factory sets production targets for more than eight hours a day. 6. Menstruation break is not provided. 7. A seventh days of rest is not guaranteed for about 30% to 60% of workers every month in 2016. Workers work one to three Sundays a month without compensatory days off. 8. Workers that are nursing a child less than one-year-old work excessive regular working time and work overtime.

Local Law or Code Requirement

Labor Code No. 10/2012/QH13 (2013), Art. 106, Art.108, Art.109, Art. 110 and Art. 155 (5); Decree No. 45/2013/ND-CP on Elaborating a Number of Articles of the Labor Code on Hours of Work, Hours of Rest, Occupational Safety and Occupational Hygiene (2013), Art. 5; FLA Workplace Code (Employment Relationship Benchmarks ER.24; Hours of work Benchmarks HOW. 1, HOW.2, HOW.3, and HOW.8; Nondiscrimination Benchmark ND.8)

Recommendations for Immediate Action

1. Break for workers working in the night shifts should be at least 45 minutes. 2. Additional overtime break of 30 minutes should be provided for overtime work of 2 hours a day. 3. Break time between shifts should be at least every 12 hours. 4. Control the daily, weekly, monthly and yearly overtime as prescribed. Control the weekly working time to 48 hours. 5. Menstruation break of 30 minutes a day should be provided to female workers during their menstruation. 6. Provide one day of rest (24 consecutive hours) in every seven- day period to all workers. 7. Ensure nursing workers work 7 hours a day as their regular working time and no overtime work.

COMPANY ACTION PLANS

Action Plan no 1.

Description

- Preventative actions based on root cause analysis
- Confirmation of corrective actions through document or photo review

Company Action Plan Update

- Root cause analysis completed 11/19/19

1. This issue completed as confirmed by the auditors on 5/23/19

2. This issue completed as confirmed by the auditors on 5/23/19

3. This issue completed as confirmed by the auditors on 5/23/19

4. Working hours management system improvements: A) track weekly/monthly hours and investigate reasons of overtime, B) Replace clock in/out system by using fingerprint to ensure accuracy. Production improvements: A) improvements to pre-production process, B) implementation of ERP system to track order progress, C) Provide sufficient cross-training to workers. Human Resources management improvements: A) onboarding process for new employees, training manual and orientation, B) conduct worker satisfaction survey and track and investigate absenteeism and turnover. Detailed monthly working hours tracking reports submitted to New Era from Jan 2018 to Sept 2019: please see attached. Results:

A) % of employees working over 60 hours/week (6 month average):

- ┆ Feb 18 - Aug 18: 11%
- ┆ Sept 18 - Feb 19: 10%
- ┆ March 19 - Sept 19: 7%

B) % of employees working over 66 hours. week (6 month average):

- ┆ Feb 18 - Aug 18: 8%
- ┆ Sept 18 - Feb 19: 5%
- ┆ March 19 - Sept 19: 2%

New Era update: responsible purchasing practices review with sourcing and production teams concluded we are loading them roughly 20% under their stated capacity. Further review is needed to determine if the capacity numbers provided are accurate or if there is another cause of the excessive OT.

5. See results of finding 4

6. This issue completed as confirmed by the auditors on 5/23/19

7. Top management commitment on 12/6/19 to not work more than 3 hours of OT per day and commitment to guarantee 24 consecutive hours of rest in every 7 days period.

8. A) top management commitment to eliminate practice of pregnant and nursing mothers working overtime on 12/6/19, B) set up new line for pregnant workers, C) update the list of pregnant workers on a weekly basis, and D) make production planning based on the capacity these workers can provide rather than regular workers (completed 11/1/19)

Jan 17, 2020 updates:

4/5/6/7: new factory policy to communicate to buyers ahead of time if factory is anticipated to exceed capacity. Update to labor-output ratio to -15% less productivity to factory in absenteeism and unexpected events such as material arrival delays. New Quality improvement plan to reduce rework by 20%.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: Based on payroll and time records review from June 2018 to May 2019 and interview with factory management and workers, it was noted that it was noted that the factory revised and has maintained normal working hours from 07:30 to 16:30 for all workers from 2018 until now. Moreover, the internal regulation includes that the factory will ensure and provide a 45 minutes of break for workers when workers worked in the night shift if applicable. Additionally, based on time records, the factory did not work on a night shift during the review period.

2. Finding Status: Remediated

Explanation: Based on payroll and time records review from June 2018 to May 2019 and interview with factory management and workers, it was noted that it was noted that the factory revised and has maintained normal working hours from 07:30 to 16:30 for all workers from 2018. Workers who work two hours of overtime are provided the 30-minute break.

3. Finding Status: Remediated

Explanation: Based on payroll and time records review from June 2018 to May 2019 and interview with factory management and workers, it was noted that it was noted that the factory revised and has maintained normal working hours from 07:30 to 16:30 for all workers from 2018. Moreover, the internal regulation includes that the factory provides 12 hours of break between shifts for workers who work both shifts.

4. Finding Status: Not Remediated

Explanation:

Excessive daily overtime hours

Based on time records & payroll review from June 2018 to May 2019 and interview with factory management and workers, it is noted that workers worked excessive daily overtime (from 4.5 to 5.5 OT hours) which exceeds the legal requirement of 4 overtime hours per day in June 2018 (33 workers) & December 2018 (61 workers) and January 2019 (7 workers) & May 2019 (3 workers). HOW.1, HOW.8

Excessive monthly overtime hours

Based on time records & payroll review from June 2018 to May 2019 and workers interview, it is noted that:

1. Approximately 40% of workers had excessive monthly overtime. Those workers worked from 31 to 138 OT hours in June, and August to December 2018, and from 31 to 95 OT hours in January, and March to May 2019, which exceeds the legal requirement of 30 overtime hours per month.
2. Workers worked from 301 to 650 OT hours in 2018 which exceeds the legal requirement of 300 overtime hours per year.
3. The excessive monthly overtime hours are worked by contracted workers including five canteen workers and nine security guards who are all from service providers:
 - Canteen staff work from 32 to 42 overtime hours per month in January 2019 to May 2019.
 - Security guards work from 96 to 124 overtime hours per month in January 2019 to May 2019. HOW.1

Excessive weekly working hours

Based on time records and payroll review from June 2018 to May 2019 and worker interviews, it is noted that:

1. Approximately 45% of workers work excessive weekly working hours (from 61 to 86 working hours) including regular, overtime hours & rest day which exceeds 60 hours per week in June & December 2018 and January, March & May 2019.
2. The excessive total weekly working hours are found for the contracted canteen staff and security guards:
 - Canteen staff worked from 61.5 to 71 working hours per week in January 2019 to May 2019.
 - Security guards work from 64 to 72 working hours per week in January 2019 to May 2019. HOW.1, HOW.8

5. Finding Status: Not Remediated

Explanation: Based on document review and interview with factory management, it is noted that the factory only provides production planning for sewing line with eight working hours per day, and not the rest of the departments. HOW.2, HOW.8

6. Finding Status: Remediated

Explanation: Based on payroll and time records review from June 2018 to May 2019 and interview with factory management and workers, it is noted that the factory paid the menstruation break (30 minutes break for 3 days) for the female workers. Interviewed workers also confirmed that they could take the menstruation breaks in the clinic room.

7. Finding Status: Not Remediated

Explanation: Based on time records & payroll review from June 2018 to May 2019 and workers interview, it is noted that:

1. Approximately 25% of workers work 13 consecutive days (including Sundays) in June 2018, December 2018 and March 2019. These workers were not entitled to at least 24 consecutive hours of rest in every seven-day period or receive compensated days off.
2. The factory uses service providers for canteen staff and security guards. The payrolls and time records from January 2019 – May 2019 were provided for review. Canteen staff worked from one to three Sundays per month in the reviewed period which exceeds the legal requirements of one weekly rest day per week to be provided for employees. In addition, these canteen staff do not receive the compensation rest days. HOW.2, C.7

8. Finding Status: Not Remediated

Explanation: Based on payroll and time records review from June 2018 to May 2019 and interview with factory management and workers, it is noted that 36 workers who are nursing children less than one-year-old and 42 pregnant workers who are at least seven months pregnant work excessive regular working time and work overtime from 1 to 5 hours per day. [HOW.1, HOW.4]

Local Law or Code Requirement

Vietnam Labor Law Article 106; FLA Workplace Code (Hours of Work Benchmarks HOW.1, HOW.2, HOW.8 and Compensation C.7)

Recommendations for Immediate Action

1. Ensure that working hours do not exceed legal overtime limits and FLA working hour's standards.
2. The factory is advised to revise their production plan to ensure workers are provided rest.
3. Ensure that all workers shall be entitled to at least 24 consecutive hours of rest in every seven day period. If workers must work on a rest day, an alternative consecutive 24 hours must be provided within that same seven-day period or immediately following. FLA working hour's standards.
4. Ensure that the female workers who reach 7th month of pregnancy and nursing a child less than one-year-old are reduced 1 working hour per day and shall not work overtime

PREVIOUS FINDING NO.8

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. The factory conducts pat downs. During pat downs, female security guards conduct pat downs to both female and male workers. 2.

Internal factory regulation on disciplinary practices does not match with the official registered factory regulation. 3. The records of disciplinary actions are not maintained in employees' personnel files. 4. Workers do not sign all written records of disciplinary actions taken against them. 5. Disciplinary actions are not witnessed by a third party during imposition nor by labor union representatives.

Local Law or Code Requirement

Decree No. 05/2015/ND-CP on Defining and Providing Guidance on the Implementation of a Number of Contents of the Labor Code (2015), Art. 28 for this finding; Law No. 38/2013/QH13 on EMPLOYMENT (2013), Art. 9.; FLA Workplace Code (Employment Relationship Benchmarks, ER.2, and ER.27; Harassment or Abuse Benchmarks H/A.1 and H/A.10)

Recommendations for Immediate Action

1. Discontinue the pat-down practice. 2. Provide training to security guards to ensure all security practices are conducted appropriately.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The factory's security practices must be gender-appropriate.
2. The factory internal regulations regarding disciplinary practices should match the official regulations registered with the local authority.
3. Disciplinary records should be maintained in employee files.
4. Worker should sign that they understand the disciplinary actions taken against them.
5. Disciplinary actions should be witnessed by a third party.

Company Action Plan Update

The above action plan has been implemented and verified on-site.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: Based on worker interviews, it is reported that the factory does not conduct pat downs anymore.

2. Finding Status: Remediated

Explanation: Based on document review and management interviews, it is noted that the regulation on disciplinary practice matches with the approved Company Regulation.

3. Finding Status: Remediated

Explanation: Based on document reviews and management interviews, it is noted that there is no disciplinary action in the latest 12 months. The factory management said that they would maintain the disciplinary record in employees' personnel file if it happens in the future.

4. Finding Status: Remediated

Explanation: Based on document reviews and management interviews, it is noted that there is no disciplinary action in the latest 12 months. The factory management said that they would follow the legal procedures to discipline the workers if it happens in the future.

5. Finding Status: Remediated

Explanation: Based on document reviews and management interviews, it is noted that there is no disciplinary action in the latest 12 months. The factory management said that they would follow the legal procedures to discipline the workers if it happens in the future.

PREVIOUS FINDING NO.9

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

1. The factory has no written policy and procedures regarding termination and retrenchment, only some documents or systems exist. The factory also has no methods for calculating final payouts. 2. At the time of assessment, December 2016, the payout was not paid yet for at

least one terminated worker, who quit September 1, 2016. 3. The payment date for terminated workers or those who resign is on every 15th of the following month instead of 7 days after the last day of work, as legally required.

Local Law or Code Requirement

Decree No. 05/2015/ND-CP on Defining and Providing Guidance on the Implementation of a Number of Contents of the Labor Code (2015), Art. 28; Labor Code No. 10/2012/QH13 (2013), Art. 101 and 120; Law No. 55/2005/QH11, Art. 40; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2, ER.19, and ER.32; Compensation Benchmarks C.1 and C.4)

Recommendations for Immediate Action

1. Pay severance payments in the legally required timeline. 2. Make all final payments for terminated or resigned workers.

COMPANY ACTION PLANS

Action Plan no 1.

Description

- Preventative actions based on root cause analysis
- Confirmation of corrective actions through document or photo review

Company Action Plan Update

- Root cause analysis completed 11/19/19

1. This issue completed as confirmed by the auditors on 5/23/19

2/3: Updated policy and procedures to pay the terminated worker 7 days after leave and keep record of the payment. (complete Jan 17, 2020).

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: Based on document reviews and management confirmation, it is noted that there are written termination and retrenchment policy and procedures which mention the termination payout.

2. Finding Status: Not Remediated

Explanation: Based on payroll & time records review from June 2018 to May 2019 and interview with factory management and workers, it is noted that the payment date for terminated and resigned workers is on every 10th day of the following month instead of 7 days after the last day of work. At the time of the assessment, the payout was not paid out for nine workers who resigned in June 2019. Moreover, there was no payment record for terminated workers from June to December provided at the assessment time. C.1, C.4

3. Finding Status: Not Remediated

Explanation: Based on payroll and time records review from June 2018 to May 2019 and interview with factory management and workers, it is noted that the payment date for terminated workers is on every 10th of the following month instead of 7 days after the last day of work, as legally required. C.1, C.4

Local Law or Code Requirement

Decree No. 148/2018/ND-CP, Article 1, Clause 8 and FLA Workplace Code (Compensation of Benchmarks C.1, C.4)

Recommendations for Immediate Action

1. Provide payment for terminated resign workers within 7 days

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1.The work stations arranged for workers on the sewing tapping machines are not properly set up. Workers cannot sit directly in front of the machines and have to slide to the left when sewing, which is an ergonomic risk. 2.Working space for sewing workers is not properly set-up to allow them free movement or flexible adjustment. They are sitting in between two big buckets of semi-finished products; this is an evacuation risk.

Local Law or Code Requirement

3733/2002/QĐ-BYT, Principles II and III- Ergonomic standards; Law No.84/2015/QH13, Art. 16.4 FLA Workplace Code (Health Safety and Environment Benchmark HSE.1 and HSE.17)

Recommendations for Immediate Action

Provide workers with proper work stations and working space with accessible evacuation routes.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1, Factory will adjust their work station to make sure workers have the right approach to the machines.

2, Factory will properly set-up the working space for sewing workers, factory's compliance staff also conduct random check to ensure workers free movement.

Company Action Plan Update

1, Factory has adjusted their work station to make sure workers have the right approach to the machines.

2, Factory has properly set-up the working space for sewing workers, factory's compliance staff also conduct random check to ensure workers free movement.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: The factory has changed the old sewing tapping machines to six automatic tapping sewing machines for workers. Therefore, workers could sit directly in front of the machine for operating.

2. Finding Status: Remediated

Explanation: The factory has changed working location for sewing workers by setting up the bucket of semi-finished productions on the chair. Thus, sewing workers could easy to move or adjustment during working time.

PREVIOUS FINDING NO.11

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The placement of needle guards on all sewing machines are too high. The upper pulley guard is missing from about 30% of sewing machines. There are missing guards on all button snapping machines. 2. The fan is not covered in the packing section. 3. Workers working

on the sweat band bonding machines do not use eye guards that are provided on the machines. 4. Personal Protective Equipment (PPE) including earplugs, gloves, and dust masks, were not provided for workers in the preparation area. 5. Dust masks are only provided to some workers. 6. Cutting operators are not equipped with safety shoes, cotton gloves, or dust masks. 7. There are missing safety operation procedures on cap steaming machines, ironing machines and cutting machines. The operational instructions on the cap steaming, ironing machines and cutting machines are not in the local language.

Local Law or Code Requirement

Law No.84/2015/QH13, Art.6.2.b, Art.16.6; Vietnam Labor Code No.10/2012/QH13, Art 138.1.b; Law No.84/2015/QH13, Art.16.3; Circular No. 04/2014/TT-BLDTBXH on Guiding Implementation of Regulations on Personal Protective Equipment (2014), Art. 4; FLA Workplace Code (Health Safety and Environment Benchmark HSE.1, HSE.7, HSE.8, HSE.13, and HSE.14)

Recommendations for Immediate Action

1.Ensure all machines and equipment are equipped with proper machine and/or needle guards. 2.Train and ensure workers use the machine guards to protect them from machinery risks. 3.Provide all workers with proper Personal Protective Equipment and train workers on the proper use. 4.Equip safety operation procedures and operational instructions in the local language on all machines and equipment.

COMPANY ACTION PLANS

Action Plan no 1.

Description

- Preventative actions based on root cause analysis: will train line supervisors and hold them accountable for team's PPE use and machine safety.
- Confirmation of corrective actions through document or photo review

Company Action Plan Update

- Root cause analysis completed on 11/19/19
- 1. Communicate to workers that the needle guards need to be in correct place at all times (completed 7/2/19). Checking included in weekly PPE use monitoring (complete Jan 17, 2020).
- 2. This issue completed as confirmed by the auditors on 5/23/19
- 3. This issue completed as confirmed by the auditors on 5/23/19
- 4. Posted the PPE sign requiring masks and gloves and earplugs (completed 7/2/19) Checking included in weekly PPE use monitoring (complete Jan 17, 2020).
- 5. Communicate to workers that they need to wear the mask at work (completed on 7/2/19)
- 6. Communicate to workers that they need to use cotton gloves at work (completed 7/2/19). Checking included in weekly PPE use monitoring (complete Jan 17, 2020).
- 7. Provided the safety operation procedure (SOP) for cap steaming and ironing machines (completed 7/2/19). Checking included in monthly HSE committee checklist (complete Jan 17, 2020).

VERIFICATION RESULT

Finding Status
Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation: During the factory walk through, at least 40% of sewing workers did not use their needle guards in the safety position at stitching areas and sample room. [HSE.14]

2. Finding Status: Remediated

Explanation: Fans are covered properly in the packing section

1. Finding Status: Remediated

Explanation: The factory has provided large eye guards for workers who operate sweat band bonding machines. Workers were using the eye guards at the time of assessment.

2. Finding Status: Partially Remediated

Explanation: The factory provided required PPE, including earplugs, gloves and dust masks for four workers who operate heat pressing machines in the preparation area. However, the factory posted the PPE sign which requires masks and gloves, instead of earplugs, mask and gloves. [HSE.7]

3. Finding Status: Partially Remediated

Explanation: At least 10% of workers did not wear masks during working time in the stitching area and sample room. [HSE.7]

4. Finding Status: Partially Remediated

Explanation: Due to the low season, there was only one cutting machine in operation at the time of assessment. The worker was only using safety shoes and dust masks without cotton gloves. [HSE.7]

5. Finding Status: Partially Remediated

Explanation: The factory has not provided the safety operation procedure (SOP) for cap steaming machines and ironing machines. The factory has provided SOPs for the cutting machines. [HSE.14]

Local Law or Code Requirement

Labor Code 2012, Art. 138; Circular No. 04/2014/TT-BLDTBXH, Article 5 & Article 6 and FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.7, HSE.14)

Recommendations for Immediate Action

1. Ensure that machine's guards are installed and put in proper position.
2. Ensure that PPE sign is sufficient information of required PPEs to remind workers.
3. Ensure the personal protective equipment shall be provided and used while working.
4. Ensure to provide the safety operation procedure for machine in the local language

PREVIOUS FINDING NO.12

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory does not conduct required health checks for workers; including, the recruitment health check for new workers, the annual health check for foreign workers, and the occupational health check for workers. Additionally, for the employees that receive health checks, the health checks are only conducted once per year, instead of twice per year. 2. The factory does not record illnesses or injuries. The factory has not sent injury reports to the authorities every six months, as required. The facility does not have documents to manage the workers' health. 3. Pallets are not placed on the flat side, but vertically. 4. There are improper handrails in the old stock warehouse, as there are gaps between the railings. 5. The ladder for the working platform and the lifting tools are not available in the warehouse when workers handle rolls of material. 6. There are a lack of faucets in all the toilets; only four faucets are available for more than 500 workers. 7. The factory has insufficient toilets for male and female workers. There are only six toilets for female workers and four toilets for male workers. The factory is missing a bathroom, menstruation hygienic room and lockers for workers. 8. The factory does not have a breast-milk storage or pumping room. 9. The factory only tests the drinking water once per year. 10. The working condition inspection does not include testing the laser machine or vibration levels throughout the factory. 11. There is poor noise control in workshop one and two, and the factory does not provide earplugs. The noise exceeds the legal limit; eight out of fifteen samples of inspection records exceed the legal limit. 12. On the second floor of the production building, the load ability is not measured or controlled in the packing area. 13. The factory has not conducted a building safety inspection.

Local Law or Code Requirement

Law No.84/2015/QH13, Art.21.1, Art.21.3; Art. 27.2, Art. 16, Art.36, Art.37; Labor Code No. 10/2012/QH13(2013), Art. 138; Circular 19/2016/BYT, Annex 1; Decree 85/2015/NDCP, Art 3.3; Circular 15/2012/BYT, Art 1.6.c; Circular 08/2006/BXD, Art 1.3; FLA Workplace Code (Health Safety and Environment Benchmarks HSE.1, HSE.3, HSE.7, HSE.14, HSE 17, HSE 20, and HSE 23; Employment Relationship Benchmark ER.2)

Recommendations for Immediate Action

1. Provide the legal health checks for all workers. Annual health check should be twice per year and provided to those working in the heavy and hazardous working condition. 2. Maintain and track all illness, injuries, and health status of employees and workers. Ensure that a report of injuries is sent to the authority every six months. 3. Pallets should be placed on the flat side. 4. Equip adequate handrails at the old stock warehouse to prevent risks from falling. 5. Equip the ladder with a working platform or lifting tools for workers handling the material rolls on the racks. 6. Provide adequate faucets in the toilets and provide sufficient toilets for male and female workers. Provide bathrooms, menstruation hygienic rooms and lockers for workers; provide breast-milk storage and pumping room in the factory. 7. Conduct drinking water tests quarterly. 8. Include laser and vibration tests in the scope of working condition inspections. 9. Ensure noise level in the workshop is within legal limits. 10. Ensure that the load ability of the packing area (the second floor of the production building) is measured and controlled properly. 11. Conduct building safety inspections regularly, as legally required.

COMPANY ACTION PLANS

Action Plan no 1.

Description

- Preventative actions based on root cause analysis: factory to provide further skills training for person(s) responsible for these sections.

- Confirmation of corrective actions through document or photo review

Company Action Plan Update

- Root cause analysis completed on 11/19/19

1. Hearing acuity test completed for all necessary workers. Twice annual health exams planned for March and Sept (completed Jan 17, 2020).

2. This issue completed as confirmed by the auditors on 5/23/19

3. This issue completed as confirmed by the auditors on 5/23/19

4. Handrail equipped. Added handrail checking to HSE committee checklist (complete Jan 17, 2020).

5. This issue completed as confirmed by the auditors on 5/23/19

6. This issue completed as confirmed by the auditors on 5/23/19

7. This issue completed as confirmed by the auditors on 5/23/19

8. This issue completed as confirmed by the auditors on 5/23/19

9. This issue completed as confirmed by the auditors on 5/23/19

10. Laser and vibration testing complete. This testing has been included in the working conditions inspection moving forward (complete Jan 17, 2020).

11. This issue completed as confirmed by the auditors on 5/23/19

12. Posted the loading ability in the factory (completed on 7/2/19)

13. This issue completed as confirmed by the auditors on 5/23/19

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Partially Remediated

Explanation: The factory provides regular health check for workers once per year instead of twice per year. The two most recent health checks were conducted on June 05, 2019 and March 07, 2018 which covered all workers.

In addition, there are five workers who require hearing acuity tests due to their occupation, however, the factory does not provide hearing acuity test as required.

Note: factory provides recruitment health check for new workers once a month and regular health check for foreign experts/employees once a year (on May 27, 2019). HSE.1

2. Finding Status: Remediated

Explanation: Based on document reviews and management confirmation, it is noted that factory records and sends injury reports to the authorities every six months, as required. There has been no accidents in 2018 and 2019

3. Finding Status: Remediated

Explanation: It was noted that pallets are placed on their flat side to store goods at all workplaces.

4. Finding Status: Not Remediated

Explanation: It was noted that the factory has not installed handrails with both sides for one staircase at the old stock warehouse at material warehouse. HSE.7

5. Finding Status: Remediated

Explanation: The factory provides one ladder for the warehouse for when workers handle rolls of material.

6. Finding Status: Remediated

Explanation: The factory has rebuilt the toilet area and provides 20 hand-wash faucets for approximately 500 workers.

7. Finding Status: Remediated

Explanation: The factory has 16 toilet rooms (5 rooms for male, 11 rooms for female) and 510 lockers for their workers. The factory has also installed shower pipes (for bath), water pipes (for menstruation) at each room. There is sufficient toilet room for male and female workers at the factory.

8. Finding Status: Remediated

Explanation: The factory provided one breastfeeding room with one fridge to store breast-milk for female workers.

9. Finding Status: Remediated

Explanation: Based on document reviews and management confirmation, it is noted that factory conducts drinking water testing every three months. The latest testing is on June 20, 2019.

10. Finding Status: Not Remediated

Explanation: The working condition inspection, which was conducted in June 2019, did not include testing laser machines or vibration levels throughout the factory. HSE.1

Root Causes: The in-charge person is not fully aware about the legal requirement.

11. Finding Status: Remediated

Explanation: According to the condition inspection, which was conducted in June 2019, all of samples do not exceed the legal noise limit.

12. Finding Status: Partially Remediated

Explanation: Factory conducted a building safety inspection on Feb 25, 2019. The record mentions that loading ability of the floor is 2,400 kg/m². However, the factory does not post the loading ability at the workshop to ensure material and goods do not exceed the limit.

HSE.4

13. Finding Status: Remediated

Explanation: Factory had conducted building safety inspection on Feb 25, 2019 and the factory's building safety meets the requirement.

Local Law or Code Requirement

Law 84/2015/QH13, Article 18, 21; Labor Code 2012, Art. 138; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.4, HSE.7)

Recommendations for Immediate Action

1. Ensure to provide annual health check and occupational diseases health check twice per year

2. Install handrails on both sides of the staircase

3. Ensure that the working condition inspection includes all hazards

4. Ensure that the load ability of the packing area (the second floor of the production building) is controlled properly.

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. There are blocked exits and exit paths in the warehouse. There are blocked aisles in the old stock warehouse and preparation section. Three out of six aisles in the preparation area are too narrow at 40 centimeters. Moreover, workstations in the button snapping and sewing sections are blocked. 2. One of two emergency exits in the embroidery section and in the preparation section do not lead to the outside area. 3. There is a missing exit signs and emergency lights at one exit in the cutting section. Two out of two emergency lights did not work when tested in the area between sewing and counting sections, and between the counting and preparation sections. 4. One of two emergency exits in the cutting section is a sliding door and does not open outwards. Exits are too low in the packing section. They are about 1.75m. 5. Blocked fire hose and fire extinguishers in the material warehouse. 6. None of the fire extinguishers have operational instruction. 7. There are missing fire extinguishers in the old stock warehouse. The fire hoses in front of the material warehouse are missing pipes to connect to the water source. Also, there are no spare fire extinguishers in the factory. 8. The automatic fire extinguishers in the warehouse have not been inspected since they were purchased in 2014. One sampled fire extinguisher was below working pressure. There is no sprinkler system in the finished goods warehouse. 9. There is no procedure to ensure workers do not stack products too high. Finished goods are stacked too high near the nozzles of sprinkler systems in the packing area. 10. Fire extinguishers are not mounted in the warehouse, preparation section, maintenance room or packing section, instead, they are left on the floor. 11. There are no defined assembly points in the factory for emergency situations. 12. There is poor cigarette smoking control, as cigarette butts were found inside the maintenance room. 13. There are insufficient first aid supplies in all first aid kits. The first aid kit in the assessor warehouse is almost empty. First aid spaces on the work floor are not equipped. 14. There is no medical equipment in the clinic, there are only two beds and the empty first aid kit. 15. The factory has not employed any clinic staff. The factory has signed a contract with the hospital for emergency service, but there is no subcontracted clinic staff present in the factory. 16. There is no coordination of the first aid team in the fire drill as per the factory's defined fire protection plan. 17. Visitors and suppliers are not included in the scope of the evacuation procedure. There are missing steps to ensure that all personnel, visitors, contractors, and service providers are safely evacuated. 18. The fire alarm is not audible throughout the entire factory, including the warehouse, embroidery and packing area.

Local Law or Code Requirement

Vietnam Standard: TCVN 2622:1995, Art 7.1, Art 7.17; TCVN 7435-1:2004, Art 5.4 and Art 5.5; Decision 2726/BKHCN, Art 5.1, Art 5.1.7, Art. 6(1)(3), Art 7.2, Art 10.1.5 and Art 10.1.6; Circular 19/2016/BYT, Art 1.g, Art 6 and 8; Law No.84/2015/QH13, Art 73.1; QCVN 06/2010/BXD, Art 3.2.3 , Art 3.2.9;; Decree no. 79/2014/NĐ-CP, Art.7 and Art.13; FLA Workplace Code (Health Safety and Environment Benchmarks HSE.1, HSE.5, HSE.6, and HSE.18)

Recommendations for Immediate Action

1. Clear all exits, exit paths, and aisles from obstacles for a free evacuation. 2. Ensure that all emergency exits lead to an open and safe area. 3. Install exit signs and emergency lights above all exits and exit paths. Emergency lights should be inspected regularly to ensure that they are in good working condition. 4. Emergency exits should be at least 2 meters high. 5. Make all fire equipment accessible and equipped with operational instruction. 6. Equip the factory with adequate and sufficient number of fire extinguishers, as well as spare ones. Equip all fire houses with a connecting pipe. 7. Inspect all fire extinguishers regularly. Install a sprinkler system in the finished good warehouse. 8. Establish and implement procedures to ensure workers do not stack the products too high to cover the sprinkler system. 9. Mount or hang all fire extinguishers. 10. Designate physical assembly points in the factory. 11. Strictly control cigarette smoking inside the factory to eliminate fire risk and hazards. 12. Ensure first aid supplies are fully stocked in all first aid kits as prescribed. Equip the first aid spaces on the work floor as prescribed. 13. Equip the clinic with medical equipment and clinic staff. 14. Implement the coordination between the first aid team in the fire drill, as defined by the company in the fire protection plan. 15. Regularly test the fire alarm so that it is audible throughout the factory.

COMPANY ACTION PLANS

Action Plan no 1.

Description

- Preventative actions based on root cause analysis
- Confirmation of corrective actions through document or photo review

1. Factory will re-design the exit paths before Chinese New Year (planned completion 1/20/2020)

17. To make sure all personnel, visitors, contractors, and service providers during an emergency evacuation are checked (planned completion 1/10/20)

Company Action Plan Update

- Root cause analysis completed 11/19/19

2. Auditor feedback during 5/23/19 audit states, "two out of two emergency exits in the embroider room and preparation section lead to an assembly point (outside area)", however, the issue was marked as 'Partially Completed'. This sounds to us like the issue have been remediated. Please advise if you have a different understanding.

3. Emergency light and exit signs installed (completed 7/2/19)

4. Posted the warning sign "Watch out the height" to remind workers (completed 7/1/19)

5. This issue completed as confirmed by auditors on 5/23/19

6. Operational instructions supplied on 7/1/19. To make sure the HSE committee also inspect the post on monthly check (completed 7/1/19)

7. The committee checks the fire extinguishers in the beginning of every month. The fire drill was conducted after their monthly check and the inspection was conducted in the middle of the month. We have set up a procedure for the committee to check fire extinguishers after the fire drill (completed 8/1/19)

8. Installed sprinkler system in the warehouses (completed 11/1/19)

9. This issue completed as confirmed by auditors on 5/23/19

10. All fire extinguishers mounted with a height not higher than 150cm (complete 7/2/19)

11. This issue completed as confirmed by auditors on 5/23/19

12. This issue completed as confirmed by auditors on 5/23/19

13. This issue completed as confirmed by auditors on 5/23/19

14. This issue completed as confirmed by auditors on 5/23/19

15. This issue completed as confirmed by auditors on 5/23/19

16. This issue completed as confirmed by auditors on 5/23/19

18. This issue completed as confirmed by auditors on 5/23/19

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status: Partially Remediated

Explanation: The exits and exit paths are unobstructed, unblocked and easily accessible during the assessment in the warehouse, old stock warehouse and preparation. However, one out of 25 observed workstations were blocked by cells and goods at the stitching line (next to sewing tapping machine area). In addition, at least one out of five aisles in the stitching section is too narrow at 40 centimeters. HSE.5

2. Finding Status: Remediated

Explanation: Two out of two emergency exits in the embroidery room and preparation section lead to an assembly point (outside area).

3. Finding Status: Partially Remediated

Explanation: The factory has not installed an emergency light and exit sign at one out of two exit doors at the finished goods warehouse. HSE.6

4. Finding Status: Partially Remediated

Explanation: The factory has removed the sliding doors at the cutting section. However, exits are too low in the packing section (about 1.75m). Due to impossible reasons for changing the height, the factory posts the warning sign "Watch out the height" to remind workers. HSE.5

5. Finding Status: Remediated

Explanation: It was noted that the fire hose and fire extinguishers in material warehouse were unobstructed and free to access by workers at the assessment time.

6. Finding Status: Partially Remediated

Explanation: The factory does not provide operational instruction for 2 types of fire extinguishers BC (35kg) and CO2(8kg) in the workplace. HSE.6

7. Finding Status: Partially Remediated

Explanation: The factory installs two fire extinguishers at the old stock warehouse. All fire hydrants have been provided sufficient fire hoses. Additionally, the factory keeps nine spare fire extinguishers in the maintenance room, however, the factory uses all of spare fire extinguisher for fire evacuation drill in June with fire policeman. Therefore, none of the spare fire extinguishers were functional at the assessment time. HSE.6

8. Finding Status: Partially Remediated

Explanation:

1. The fire extinguisher pressures were functional.

2. The sprinkler system is not installed in the finished goods warehouse. Only heat detector system, flash light, speaker and fire alarm buttons are installed. HSE.6

9. Finding Status: Remediated

Explanation: It was noted that the factory post safety signs to not stack goods too high. At the assessment time, finished goods are stacked at the proper height (under 0.5 meters of the nozzles of sprinkler system) in the packing areas.

10. Finding Status: Partially Remediated

Explanation: One out of 12 observed fire extinguishers are installed with a height above 150cm. HSE.6

11. Finding Status: Remediated

Explanation: The factory has assigned the defined assembly points in the factory for emergency situations. The location of the assembly point is in front of the workshop.

12. Finding Status: Remediated

Explanation: No cigarette butts are found in the production area of the workshop. The factory has set up smoking areas and provides two ash-trays to store cigarette butts outside of the workshop.

13. Finding Status: Remediated

Explanation: It was noted that the factory provided 27 items, the information of person in charge, first aid procedure and the list of items for all first aid kits at all workshops.

14. Finding Status: Remediated

Explanation: The factory provides 27 items for one first aid kit at clinic room as legally required.

15. Finding Status: Remediated

Explanation: Factory signs a contract with the hospital for emergency service:

- The hospital will provide emergency service within 20 minutes

- The hospital will arrange doctors if the factory requires.

16. Finding Status: Remediated

Explanation: The factory has revised their fire-fighting plan which now does not include the first aid team. Despite the change in the plan, the first aid team still attended the latest fire drill as legally required.

17. Finding Status: Partially Remediated

Explanation: The factory revised the evacuation procedure, which includes visitors and suppliers. In addition, fire-fighting plan mentions that the factory will account for all personnel, visitors, contractors, and service providers during an emergency evacuation. However, this step was not practiced during the two evacuation drills. Note: Factory confirms that the factory arranged people to check in workshop to ensure all people were evacuated. HSE.1

18. Finding Status: Remediated

Explanation: During testing, the fire alarm is working in good condition to notify workers through all sections.

Local Law or Code Requirement

Vietnam Building Code No. QCVN 06:2010/BXD, Article 3; Vietnam Standard TCVN 3890:2009, Article 5, Article 7, Article 10; Vietnam Standard TCVN 2622:1995, Article 7; Vietnam standard 7435:2004, Article 5; and FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.5, HSE.6)

Recommendations for Immediate Action

1. Ensure that all exit aisles and evacuation routes are free and clear at all time.
2. Ensure that emergency light and exit sign are installed at exit doors.
3. Ensure that the height of exit doors should be complied with local requirement
4. Ensure to provide sufficient operational instruction for all types of fire extinguisher
5. Ensure to store sufficient spare fire extinguishers as legally required
6. Ensure that the sprinkler system should be installed in the finished goods warehouse.
7. Ensure that fire extinguisher is installed with proper height as legally required.
8. Ensure to practice accounting people during evacuation drill

PREVIOUS FINDING NO.14

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The environment protection plan has not been updated from the previous plan which was last updated March 6, 1996. The facility changed the facility owner and name but still uses the environment protection plan from the previous owner.
2. The fan in the maintenance room was not turned off when not in use.
3. There is no secondary containments for empty chemical drums in the hazardous waste storage area.
4. The machine oil and thread oil containers are not properly labeled in the maintenance room, around the fire water pump, and in the accessory warehouse. Neither MSDS nor secondary containment is available for these two oils.

Local Law or Code Requirement

Chemical Law No.06/2007/QH12, Art 21, Art 27; Environment law No.55/2014/QH13, Art 6.2, Art 33.4, Art 91.2, Art 108.1; FLA Workplace Code (Employment Relationship Benchmark ER.31); FLA Workplace Code (Health Safety and Environment Benchmark HSE.1, HSE.9, HSE.10, and HSE.13)

Recommendations for Immediate Action

- 1.Ensure electrical appliances are turned off when not in use.
- Equip empty chemical drums in the hazardous waste storage area with secondary containment.
- 2.Ensure all chemical containers are properly labeled, equipped with proper MSDS and secondary containment.
 - 3.Ensure all chemical containers are properly labeled, equipped with proper MSDS and secondary containment.

COMPANY ACTION PLANS

Action Plan no 1.

Description

- Preventative actions based on root cause analysis
- Confirmation of corrective actions through document or photo review

1. Remake the Environmental Impact Assessment (EIA)report under current entity. Plan to update the procedure based on different levels of production (every 1,000,000 additional units requires an updated EIA) (planned completion 2/1/20)

Company Action Plan Update

- Root cause analysis completed 11/19/19

2. Trained the workers to turn off electrical fans when not in use (completed 7/2/19). Line supervisors are now accountable that all machinery in their department is being properly used. HSE committee will hold quarterly training for supervisors (complete Jan 17, 2020).

3. This issue completed as confirmed by the auditors on 5/23/19

4. Ensure the MSDS are always available (completed 7/2/19)

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation: Environmental impact assessment (EIA) report has not been updated. Factory is using the environment protection plan from the previous owner, which was approved on March 26, 1996. Factory was approved to use EIA report of previous owner on March 23, 2015 with the capacity is 150, 000 dozens/year (1.8 million pcs/year). According to decree No. 18/2015/ND-CP, Article 15 and Appendix II, factory should update their EIA report if the capacity is higher 2,000,000 products per year for those not involving the washing and bleaching process. However, the factory management informs that the current capacity is 6,000,000 pcs/year. HSE.1

2. Finding Status: Not Remediated

Explanation: At least three out of six electrical fans are not turned off when not in use at cutting section. The factory explained that workers open electrical fans for cooling. HSE.1

3. Finding Status: Remediated

Explanation: The factory provided three secondary containment properly to store hazardous wastes (including code of hazardous waste, separation hazardous wastes) in the hazardous waste storage area.

4. Finding Status: Partially Remediated

Explanation: The factory does not provide Material Safety Data Sheet (MSDS) of PP. Oil at chemical room. Besides, workers use chemical SK. 100 at embroidery room without MSDS as applicable required. HSE.9

Local Law or Code Requirement

Decree No. 18/2015/ND-CP, Article 15, FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.9)

Recommendations for Immediate Action

1. Ensure that factory should update environmental impact assessment to comply with local requirement.
2. Ensure electrical devices are turned off when not in use.
3. Ensure that factory has MSDS of each used chemical.

PREVIOUS FINDING NO.15

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1.The factory uses repair electrical tape to connect electric wires. 2.The factory does not have lockout-tag out procedures.

Local Law or Code Requirement

Law No. 27/2001/QH10 on Fire Prevention and Fighting (2001), Art. 24(2)(3); FLA Workplace Code (Health Safety and Environment Benchmark HSE.1, HSE.13, and HSE.14)

Recommendations for Immediate Action

1.Discontinue use of repair electrical tape to connect the electric wires. 2.Establish and execute the lockout-tag out procedures in maintenance.

COMPANY ACTION PLANS

Action Plan no 1.

Description

- Preventative actions based on root cause analysis
 - Confirmation of corrective actions through document or photo review
2. Make a list of equipment and/or machines that require lockout/tag out (planned completion 1/10/20)

Company Action Plan Update

- Root cause analysis completed 11/19/19
1. This issue completed as confirmed by auditors on 5/23/19

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: It was noted that the factory used electrical wires in good condition. None of taped electric wire was found during the assessment time.

2. Finding Status: Partially Remediated

Explanation: Factory developed the lockout/tag out procedure on Apr 01, 2018 and train for relevant workers. However, there is no list of equipment and/or machines that require lockout-tag out. HSE.1

Local Law or Code Requirement

FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1)

Recommendations for Immediate Action

1. Ensure to make a list of equipment and/or machines that require lockout-tag out

New Findings and Action Plans

NEW FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

There are no specific time records for the contracted canteen staff and security guards. For example:

- The time record of canteen staffs shows "1" for one working day, "3.5" for 3.5 overtime hours without details.
- The time record of security guards shows "AB" for 12 working hours

Local Law or Code Requirement

FLA Workplace Code (Hours of Work Benchmarks HOW.1, C.5)

Recommendations for Immediate Action

Ensure that working times are recorded accurately

COMPANY ACTION PLANS

Action Plan no 1.

Description

- Preventative actions based on root cause analysis
 - Confirmation of corrective actions through a review of documentation or photo evidence
1. Provide training to service providers to ensure that working times are recorded accurately

Company Action Plan Update

- Root cause analysis complete Jan 17, 2020

Action Plan no 2.

Description

- Preventative actions based on root cause analysis
 - Confirmation of corrective actions through a review of documentation or photo evidence
1. Provide training to service providers to ensure that working times are recorded accurately

Company Action Plan Update

- Root cause analysis complete Jan 17, 2020

NEW FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

Based on payroll & time records review from June 2018 to May 2019 and interview with factory management and workers, it is noted that the wage level for the workers who got wage level 1 is paid at VND 4,696,000 (USD 201.83) instead of at least VND 4,696,230 (USD 201.84). This calculation also affected to the following wage levels in the wage scale as well as compensation for normal working and overtime hours; annual leave and holiday for 170 workers from January to May 2019. C.1, C.7

Based on payroll & time records review from June 2018 to May 2019 and interview with factory management & workers, it is noted that the responsibility allowance (VND 200,000 – VND 1,389,000 (USD 8.6 – USD 59.6) per month) has not been added into the base wage calculation for overtime hours for 20 employees as legally required.

Noted that the allowance has been added into the base wage used to contribute the compulsory insurance as legally required. C.1, C.7

There are no payroll and time records from June 2018 to December 2018 provided for review of the service providers for canteen staff and security guards. Thus, the wage, benefits and working hours of these canteen staffs during that period of time were not fully verified. C.5

The payroll records of the canteen staff for 2019 were provided for review. The payroll includes seniority allowance and responsibility allowance. However, these allowances are not added into basic wage to calculate the overtime premium. In addition, the overtime premium in February 2019 is under-paid due to the overtime rate in February 2019 calculated based on 26 days of work rather than 24 days of work for February. C.1, C.7

The service provider for canteen staff provides five in-house canteen staffs. However, all these canteen staffs are not part of the contribution for the compulsory insurance as legally required. C.1,

The service provider for canteen staff provides five in-house canteen staffs. However, these canteen staffs worked on Holidays (in January 2019, February 2019, April 2019 and May 2019) without compensation as overtime premium as legally required. C.7

7. The factory uses a service provider for security guards. The overtime premium for the security guards were paid insufficiently from January 2019 to May 2019 as follows: Overtime during the day-shift is paid at 100% instead of at least 150% of the regular salary; Overtime during night-shift is paid at 130% instead of at least 200% or 210% of the regular salary; Overtime during day-shift of rest days is paid at 100% instead of at least 200% of the regular salary; Overtime during night-shift of rest days is paid at 130% instead of at least 270% of the regular salary; Overtime during night-shift of holidays is paid at 330% instead of at least 390% of the regular salary; Overtime rate in February 2019 was calculated based on 26 days of work, instead of 24 days. C.7

The minimum wage of security guards is paid insufficiently in February 2019 as the daily rate in February 2019 was calculated on a monthly salary of 26 days, instead of monthly salary for 24, as February 2019 only has 24 paid day. For example, one security guard was paid at VND 4,128,923 (USD 179.52), instead of at least VND 4,473,000 (USD 194.48) as legally required. This practice is applied the same for the canteen staff service providers. Thus, the minimum wage in February 2019 is under-paid for the canteen staff. C.2

There were no documents provided for review to verify that outsourced security guards are contributed for compulsory insurance, or if they are entitled to the correct annual leave benefit. In addition, there is no document provided to verify the five canteen staff. C.10
The payroll records from June 2018 to May 2019 were provided for review. It is noted that the factory provides responsible allowance for the applicable workers. However, this allowance is not added into the base wage to calculate the overtime premium as legally required. C.1, C.7

Factory did not provide monthly allowance for members of safety-hygiene network since July 2017.

Note: New regulation of safety-hygiene network, established on June 01, 2019 mentioned that members of safety-hygiene network will receive allowance of VND 10,000 (USD 0.43) per month. C.1

Based on payroll record and management interviewed, it was noted that factory did not provide allowance for two fire-fighting skill training days (November 09-10, 2018) for 30 members of fire brigade members. C.1

Local Law or Code Requirement

Article 7 – Decree No. 49/2013/ND-CP; Article 3 – Circular No. 23/2015/TT-BLDTBXH; Labor Code 2012, Art. 6, Art. 90, Art. 97; Social Insurance Law 2014; Law No. 84/2015/QH13, Article 74; Decree 79/2014/ND-CP, Article 35; FLA Workplace Code (Compensation of Benchmarks C.1, C.2, C.5, C.7, C.10)

Recommendations for Immediate Action

<!--[endif]-->Follow the legal requirements in establishing the wage scale and in implementing the wage payment for the workers.

<!--[endif]-->Add the responsibility allowance to the basic wage to calculate overtime hours for the workers.

<!--[endif]-->Factory should ensure all documents regarding payroll and time records are available for review.

<!--[endif]-->Add the seniority allowance and responsibility allowance into the basic wage to calculate overtime hours for the workers.

<!--[endif]-->Ensure that all employees are contributed the compulsory insurance.

<!--[endif]-->Ensure that the compensation for overtime premium is guaranteed as legally required.

<!--[endif]-->Factory should ensure employees are paid sufficiently.

<!--[endif]-->Ensure that the basic salary is guaranteed.

<!--[endif]-->All documents regarding annual leave and social insurance documents should be available for review.

<!--[endif]-->Add the responsibility allowance to the basic wage to calculate overtime hours for the workers.

<!--[endif]-->Factory to pay monthly allowance for members of safety-hygiene network as legally required.

<!--[endif]-->Factory to correctly compensate the fire brigade for the amount of time used for fire safety training. They should be entitled a training allowance of 0.5 daily salary for one training day.

NEW FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

At least one out of six circuit breakers are attached to wood, a flammable material, instead of non-flammable materials in the warehouse. HSE.13

Two out of two exit doors are sliding doors instead of doors that open outwards at the finished goods warehouse as legally required.

Additionally, two out of two exit doors are sliding doors instead of open outward doors at the packing section. HSE.5

One out of two exit routes are obstructed by working activities in the finished goods warehouse. At least one out of two exit routes are obstructed by goods in the button snapping room. HSE.5

It is noted that some exit routes are not clearly marked or visible at some working areas:

a) All exit routes (three routes) and directional arrows in the cutting section.

b) One out of one exit route at the preparation section.

c) Two out of eight exit routes in the stitching area. HSE.5

5. The factory has not provided operating instructions for the control panel in the fire pump room. HSE.14

6. Factory provided a set of protective cloths for seven out of eight members of fire-fighting team instead of all members. HSE.1

Local Law or Code Requirement

Vietnam Building Code No. QCVN 06:2010/BXD, Article 3; Vietnam Standard TCVN 2622:1995, Article 7.5; Circular No. 56/2014/TT-BCA, Article 4; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.5, HSE.7, HSE.13, HSE.14)

Recommendations for Immediate Action

<!--[endif]-->Avoid attaching electrical sources to flammable material.

<!--[endif]-->Ensure that exit doors open outward, as legally required.

<!--[endif]-->Ensure that exit routes and aisles are unobstructed and freely accessible.

<!--[endif]-->Ensure that all exit routes are clearly marked and visible at working areas.

<!--[endif]-->Ensure to provide the operating instruction of control panels for fire pump.

Ensure provide sufficient fire-fighting equipment for all members of the intramural fire brigade.

NEW FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

Four out of four workers who operate button snapping machines do not wear glasses during operation. HSE.7
At least three out of seven workers do not wear earplugs in the embroidery room while working. HSE.7

Local Law or Code Requirement

Circular No. 04/2014/TT-BLDTBXH, Article 6 and FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.7)

Recommendations for Immediate Action

Provide personal protective equipment and train workers on the use of personal protective equipment.

COMPANY ACTION PLANS

Action Plan no 1.

Description

- Preventative actions based on root cause analysis: further training for person in charge of this area on the requirements from the local law and their customers.
- Confirmation of corrective actions through document or photo review

Company Action Plan Update

- Root cause analysis completed 11/19/19

1. Communicated to workers that they need to wear glasses at work (completed 7/2/19). We will train Line supervisors on PPE use and hold them accountable for their team's PPE use. Weekly PPE use monitoring will be performed and track the percentage of workers who use PPE correctly during this weekly PPE monitoring (completed Jan 17, 2020)

2. Communicated to workers that they need to wear earplugs at work (completed 7/2/19) We will train Line supervisors on PPE use and hold them accountable for their team's PPE use. Weekly PPE use monitoring will be performed and track the percentage of workers who use PPE correctly during this weekly PPE monitoring (completed Jan 17, 2020)

NEW FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

The factory has not provided warning signs for the elevator in the packing area. The following notification is missing: "Not using in emergency cases". HSE.14
One electrical box and one transformer are placed next to two working locations in the embroidery room. HSE.16
The factory uses one metal ladder for production purposes. However, the safety lock of three out of four wheels do not work properly when tested. HSE.5

Local Law or Code Requirement

Labor Code 2012, Art. 138, FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.5, HSE.14, HSE.16)

Recommendations for Immediate Action

1. Post warning signs at the required areas.
2. <!--[endif]-->Ensure that high-risk machines are properly covered.
3. Ensure the safety lock of ladders are functional at all time.

COMPANY ACTION PLANS

Action Plan no 1.

Description

- Preventative actions based on root cause analysis: further training for person in charge on local law and customer requirements.
- Confirmation of corrective actions through photo review

Company Action Plan Update

- Root cause analysis completed 11/19/19
- 1. Posted "No using in emergency cases" in elevator (completed: 12/1/2019). HSE committee added this to their monthly checklist (complete Jan 17, 2020).
- 2. Move the electrical equipment further away from workstations (complete Jan 17, 2020).

NEW FINDING NO.6

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

The factory provides an email address direct to the FLA affiliate's headquarter to receive complaints from workers, however, after testing the email address, it was found that the email is invalid. Instead, a response to email a new email address is received. The factory has not updated information on the new email address to workers. ER.25

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.25)

COMPANY ACTION PLANS

Action Plan no 1.

Description

- Preventative actions based on root cause analysis
 - Confirmation of corrective actions through document or photo review
1. Test the updated email to confirm it works.

Company Action Plan Update

- Root cause analysis completed 11/19/19
1. Updated the email address (completed 7/1/19)

NEW FINDING NO.7

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

Based upon document review and factory management and workers interviews, it is noted that the factory develops written policies to review the performance of new employees during their probation period. However, the factory does not implement this policy. ER.1
Based on document reviews and management interviews, it is noted that the supervisors and managers of the factory are not trained on the factory's policies and procedures on labor and HSE. ER.1

Based on document reviews and management confirmation, it is noted that workers do not receive any copy of the workplace rules (such as hand book of the factory). ER.1

The factory does not have the labor contracts or personnel files of the five outsourced canteen staff. The factory does not have the personnel files of the nine outsourced security guards. ER.10

The labor contract of the nine outsourced security guards were provided for review. However, it lacks: Date of Birth, Identification Number, address of the employer's representative, details of working hours, overtime, break time, overtime working conditions. ER.10

Factory does not develop steps for workers to raise health and safety concerns. ER.31

Factory does not develop policy/procedure to against retaliation for workers who raise health and safety concerns. ER.31

The environmental policy mentions that workers could report the environmental concerns to the board of directors. However, the factory does not develop steps for workers to raise these environmental concerns. ER.31

Local Law or Code Requirement

Decree 05/2015/ND-CP, Article 4; FLA Workplace Code (Employment Relationship of Benchmarks ER.1, ER.10, ER.31)

COMPANY ACTION PLANS

Action Plan no 1.

Description

- Preventative actions based on root cause analysis: insufficient skills and training for the person responsible for this area were deemed to be the root cause of these issues. Factory looking into ways to ensure the person responsible gets further training on the requirements in this area.
 - Confirmation of corrective actions through document or photo review
2. Provide trainings to management every June (planned completion: 6/1/2020)

4. Ensure we have labor contracts or personnel files of all service providers
5. Ensure all service providers personnel files at site are provided
6. We will announce and train that workers could raise health and safety concerns through health and safety committee. And then review the concern with the committee in the monthly review meeting.
7. We will train all workers about this policy and procedure and point out that all complaints are confidential.
8. We will announce that workers could report the environmental concerns to the board of directors through health and safety committee. And then review the concern with the committee in the monthly review meeting.

Company Action Plan Update

- Root cause analysis completed 11/19/19

1. Factory has not kept records or documents when executing the policy. Will start keeping documents and records when following the procedure (completed 8/1/2019)
1. Factory to review documentation during monthly compliance meetings (completed 1/14/2020).
3. Every workers signed off when they received workplace handbook (completed 10/1/2019)
3. Review twice per year to ensure that signed copies of workplace rules are on file for all employees (completed Jan 14, 2020).
6. Set up steps to raise health and safety concerns (completed 8/1/19)
7. Set up policy and procedure to prevent retaliation against workers who raise health and safety concerns (completed 8/1/19)
8. Set up steps for workers to raise environmental concerns (completed 8/1/19)

NEW FINDING NO.8

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

There is no document to review how the eight representatives of the Trade Union are chosen from the workers to ensure that the factory conducts free election for the Trade Union in 2017. FOA.11

The factory did not conduct the 2018 Labor conference. The factory plans to conduct the Labor conference in June 2019. FOA.1

The workers are not provided with a copy of the Collective Bargaining Agreement (CBA). FOA.19

Local Law or Code Requirement

FLA Workplace Code (Freedom Of Association And Collective Bargaining FOA.1, FOA.11, FOA.19)

COMPANY ACTION PLANS

Action Plan no 1.

Description

- Preventative actions based on root cause analysis
- Confirmation of corrective actions through document or photo review

1. We will keep documents and ballots from election (planned completion: 2/1/20)

Company Action Plan Update

- Root cause analysis completed 11/19/2019
- 2. Labor conference conducted in July. Plan to conduct every June moving forward (completed: 7/1/19)
- 3. We sent out all workers a copy of workplace rules but some workers lost them or forgot they received. Implemented a plan to ensure that every worker signs off when they receive Collective Bargaining Agreement in the future (completed: 7/1/19)
- 3. Monthly review of sign-off sheet in monthly compliance meeting to ensure that all workers have signed CBA (completed: 1/14/2020)

NEW FINDING NO.9

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

Based on document reviewed, it was noted that the factory has not renovated the fire hydrant system as required by the fire department on May 02, 2018. HSE.1

Local Law or Code Requirement

Vietnam Standard TCVN 3890:2009, Article 8 and FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1; HSE.6)

COMPANY ACTION PLANS

Action Plan no 1.

Description

- Preventative actions based on root cause analysis
- Confirmation of corrective actions through document or photo review

Company Action Plan Update

- Root cause analysis completed 11/19/19
- 1. The fire hydrant system has been renovated

NEW FINDING NO.10

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

The factory has not conducted Environmental Evaluation or Monitoring Report, as noted in the Environmental Impact Assessment (EIA):

- In 2018, the factory conducted two environmental impact assessments (in June and November 2018) instead of three times per year, as required by the EIA.
- The Ambient Air Assessment noted in the Environment Evaluation report from November 2016, was only sampled at one spot, instead of two spots in the factory premise. HSE.1

Local Law or Code Requirement

Circular No. 27/2015/TT-BTNMT, Article 10; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1)

COMPANY ACTION PLANS

Action Plan no 1.

Description

- Preventative actions based on root cause analysis
- Confirmation of corrective actions through document or photo review

Company Action Plan Update

- Root cause analysis completed 11/19/2019

1. We have a plan to conduct environmental impact assessments 3 times per year and make sure the Ambient Air Assessment is conducted in 2 spots (completed Jan 17, 2020)

NEW FINDING NO.11

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

The control panel and emergency button of some of the machines, including the laser cutting machine, metal inspection machine, air compressor tank, and ironing machine, are not labeled in the local language. HSE.14
The elevator has not provided signs that indicate the maximum loading amount. HSE.14

Local Law or Code Requirement

Labor Code 2012, Art. 138 and FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.14)

COMPANY ACTION PLANS

Action Plan no 1.

Description

- Preventative actions based on root cause analysis
- Confirmation of corrective actions through document or photo review

Company Action Plan Update

- Root cause analysis complete 11/19/19
1. We have labeled these buttons in Vietnamese (completed: 12/1/19)
 2. We have posted signs that indicate the maximum loading amount of the elevator (complete Jan 17, 2020)

NEW FINDING NO.12

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

One out of eight observed first aid kits are locked in the packing area during the assessment. HSE.6
The factory has not provided identifiable signs for all first aid kits at the workplace. HSE.6
The factory provides four drinking water machines for workers. However, one out of the four machines is stabilized using stones due the rough surrounding ground. HSE.24
One door out of five male toilet rooms was broken at time of the assessment. The factory explained that it was in the process of being repaired, however, none of warning signs were provided. HSE.19, HSE.20
The foods samples were not kept for at least 72 hours. They were kept 24 hours instead, which is in compliance with local law. In addition, as per reported by responsible person, the cooling temperature was about five degree Celsius instead of four degree Celsius or lower than 4 degree Celsius, as applicable standard. HSE.22
The factory has not provided chairs with back support for sewing workers in the stitching area or the sample room. The factory explained that the factory has a plan to provide chairs with back support for workers in the future. HSE.17
Quality Control workers were not provided anti-fatigue mats in the stitching area. HSE.17

Local Law or Code Requirement

FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.6, HSE.17, HSE.19, HSE.20, HSE.22, HSE.24)

COMPANY ACTION PLANS

Action Plan no 1.

Description

- Preventative actions to address root cause analysis
- Confirmation of corrective actions through document or photo review

6. We will provide chairs with back support for sewing workers in the stitching area and the sample room (planned completion: 3/1/20)

Company Action Plan Update

- Root cause analysis completed 11/19/2019

1. First aid kits have been unlocked (completed: 7/2/19)

2. We have provided identifiable signs for all first aid kits at the workplace (completed Jan 17, 2020)

3. We changed how we place the drinking fountain (completed Jan 17, 2020).

4. Made a warning sign to be posted if a toilet is under maintenance (completion: 8/1/19)

5. Keep food samples for 72 hours and in storage place at 4 degrees (completion: 12/1/2019)

7. We provided anti-fatigue mats for Quality check workers (complete Jan 17, 2020).

NEW FINDING NO.13

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

Based on document reviewed, the factory appointed new fire brigade on April 1st 2019. However, four out of 32 members are not trained and certificated by the Fire department. Factory management confirms that the factory had provided skill training for fire brigade at the beginning of June 2019. However, the factory could not provide documents for verification. HSE.6

The previous regulation of safety-hygiene network requires that the network meets once a month. However, there were no meeting minutes since October 2018 available for review. In addition, only seven out of 30 members of the network join the meeting and sign their signature into the minutes. HSE.1

Local Law or Code Requirement

Circular No. 66/2014/TT-BCA, Article 16; Law No. 84/2015/QH13, Article 74; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.6)

COMPANY ACTION PLANS

Action Plan no 1.

Description

- Preventative actions to address root cause analysis

- Confirmation of corrective actions through document or photo review

Company Action Plan Update

- Root cause analysis completed 11/19/2019

1. The certificates have been located and made available for inspection (completed: 8/1/2019)

2. All meetings have meeting minutes with members' signatures (complete Jan 17, 2020).