



FAIR LABOR
ASSOCIATION®

INDEPENDENT EXTERNAL ASSESSMENT REPORT



Verification Assessment

COMPANIES: Hanesbrands
COUNTRY: Vietnam
ASSESSMENT DATE: 08/12/19
ASSESSOR: Social Compliance Services Asia
PRODUCTS: Apparel
NUMBER OF WORKERS: 3030

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.

FLA Code Element	Number of Violations
Compensation	2
Employment Relationship	3
Health, Safety, and Environment	4
Harassment and Abuse	1
Freedom of Association	2

Previous Report Findings and Verification Results

PREVIOUS FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1.The factory paid sick leave and maternity leave allowance late because of the time it took to collect legal documents from workers and the time it took to submit to the Social Insurance Department for approval. Workers who took sick leave from the end of August 2016 to the middle of September 2016 were paid in middle of November 2016. 2.The amount equal to the social, health & unemployment insurance has not been added to workers' wages for those workers on probation contracts. 3.The factory did not provide annual leave to trainee workers who did not pass the three-month training. These workers should have been given pro-rated annual leave. 4.The factory does not pay out a sufficient number of annual leave days to resigned workers. One worker who worked seven months in the factory (from January 21 to August 20, 2016) was paid for six days of annual leave instead of eight days (the entitled numbers of vacation leave is 14 days per year). 5.The unused annual leave days for 2015 for the majority of workers were carried over to the first and second quarters of 2016 instead of being paid out to workers in cash. 6.The training, probation and maternity periods are not included in workers' tenure when calculating the severance allowance for resigned workers. 7.The wage scale for production workers, from new hires to workers who have worked nine years at the factory have the same wage rate of VND 3,183,450 (USD 140) per month, which is level 1 on the wage scale (there are 5 levels in wage scale). The wage scale is based on skill level and all workers are on level 1. 8.Seniority allowance is not taken into consideration when calculating the overtime payment for workers, the overtime payment is only based on the level of the wage scale the worker is at.

Local Law or Code Requirement

Circular no. 47/2015/TT-BLĐTBXH, Article 4; Decree 45/2013/NĐ-CP dated May 10, 2013, Article 6, Clause 1, 2; Decree 05/2015/NĐ-CP, Article 4, Clause 5 and Article 14, Clause 3; Labor Code 10/2012/QH13 Article 90, Clause 1 and Article 186, Clause 3; Labor Code 2012 dated in June 18, 2012, Article 102; Social Insurance Law No. 58/2014/QH13, November 20, 2014, Article 102, Clause 2; Vietnam Standard TCVN 48:1996; FLA Workplace Code (Employment Relationship Benchmark ER.12, ER.19, ER.22, and ER.32; Hours of Work Benchmark HOW.11 and HOW.14; Compensation Benchmark C.1, C.5, C.6, and C.7)

Root Causes

1.There is a lack of internal monitoring on settlement of sick leave, annual leave, and maternity leave. 2.Different interpretation of local

labor law. 3.The factory is unaware of the FLA Code and Benchmark requirements. 4.The issues have not been brought to the attention off factory management in past audits. 5.The factory has not implemented the wage scale. 6.There is a lack of internal review on skills and experience of workers.

Recommendations for Immediate Action

1.Ensure payments of sick leave and maternity leave meet legal requirements. 2.Include the amount equal to the social, health & unemployment insurance to wages of workers on probation contracts. 3.Include training, probation and maternity leave in workers' tenure when calculating the severance allowance for resigned workers. 4.Provide sufficient annual leave to all workers, including those who have resigned and those who did not meet training requirements. 5.Take into consideration seniority when calculating overtime payments. 6.Properly implement the wage scale. 7.Compensate unused annual leave rather than carrying over unused leave to the following year.

FLA's Recommendations for Sustainable Improvements

1.Establish a monitoring mechanism on settlement of sick leave, maternity leave and annual leave. 2.Establish plan and procedures to implement wage scales. 3.Provide training to relevant management on local laws and their implementation. 4.Review employment practices and align with local law. 5.Provide training to workers, managers, supervisors, and other relevant personnel on policy and procedures on sick leave, vacation leave, and maternity leave.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Immediate Action: 1. Work with Social Insurance Dept on pending items, verify process 2. Pay insurance during probation for NE/EX 3. Review maternity, training, probation period when calculating payment for employees 4. Include anual leave for training employees 5. Include seniority in OT payment Sustainable Improvement: 1.Align with Insurance Department on sick leave payment process, within 10-15 working days 2. Update contract format, pay insurance during probation 3. Formula the termination payment sheet 4. Training employees on process of sick leave, annual leave.

Company Action Plan Update

1. The factory needs to ensure that the payment of sick leave and maternity leave allowance meets the relevant legal requirements.

Immediate Action taken:

- For the pending cases, the factory has worked with the local social Insurance Dept. All the outstanding/pending cases have been settled and paid. Up to July 23, 2017, all the cases were settled timely and within the legal time frame.

Sustainable Action taken:

- The factory management will review the factory's employment practices and align them with the relevant local law. With effect from July 23, 2017, the factory has amended the document submission process of sick leave and maternity leave. The Human Resources Dept will collect those documents twice per week (ie. every Tuesday and Thursday), and send them to the local social insurance department within 10 days. These documents will then be approved and returned to the plant in the next 20 days. By doing so, the employees shall receive the payments within 30 days (ie. the legal maximum) counting from the submission date. This will be in compliance with the legal requirements.

- Training on sick and medical leave, and the legal time frame of sick leave and maternity leave payment was provided to the relevant factory management. This training will be conducted annually.

2. The factory has registered the workers during the probation period to the labor department, and they are covered by social insurance protection in the probation period.

Immediate Action taken:

- Effective Dec 28, 2016, the Human Resources department has proceeded to register all employees within the probation period to the social insurance department.

Sustainable Action taken:

- N/A

3. The factory has provided pro-rated annual leave to the trainee workers. This benefit will be added to the training contract.

Immediate Action taken:

- On Dec 28, 2016, the Human Resource department reviewed the documents of the resigned workers to ensure that the pro-rated annual leave was provided to all these workers, including those who had already resigned and those who did not meet the training requirements.

4. The factory has performed the recalculation and ensure that the resigned workers are entitled to the correct and sufficient annual leave days.

Immediate Action taken:

- On Dec 28, 2016, the factory management re-formulated the calculation method on termination payment sheet to ensure that the payment including annual leave for resigned workers were properly calculated.

Sustainable Action taken:

- The factory has provided training to relevant factory management on local laws. The training was conducted on an annual basis. The last training was conducted on Jul 15, 2019.

5. The factory has ensured that unused annual leave was paid to all workers. In some special cases, if workers register to bring over the unused annual leave to the next year, those annual leave shall be carried over to next year.

Immediate Action taken:

- For all the direct workers, the unused annual leave are paid to them. Some staffs who would like to carry over the annual leave to the next year need to be approved. The unused annual leave was paid at the end of Dec 2018.

Sustainable Action taken:

N/A

6. The factory has included training, probation and maternity periods in workers' tenure when calculating the severance allowance for resigned workers.

Immediate Action taken:

- On Dec 28, 2016, the factory management has re-formulated the calculation method on termination payment sheet to include training, probation and maternity leave in workers' tenure when calculating the severance allowance for resigned workers.

Sustainable Action taken:

- The factory has provided training to relevant management on relevant local laws. The training was performed annually. The last training was conducted on Jul 15, 2019.

7. The wage scale was designed to grade workers and reward workers based on their required skills (for example, skill worker level 1 - wage level 1, skill worker level 2 (multi-skill) - wage level 2).

Immediate Action taken:

- Base on the job requirements, workers shall be provided with the skill training. If any workers earn enough skills (multi-skills), they will be rewarded with wage level 2). This became effective Dec 28, 2016.

Sustainable Action taken: N/A

8. The factory has included the seniority allowance when calculating the overtime payment for workers.

Immediate Action taken:

- With effect from Dec 28, 2016, the Human Resources Department added the seniority allowance when calculating the overtime payment for workers.

Sustainable Action taken:

- On Dec 28, 2016, the factory management has revised the payroll software system to ensure correct wage calculation (including the overtime premium).

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding status: Remediated.

Explanation: It was noted that sick leave and maternity leave were paid within a month.

2. Finding status: Remediated.

Explanation: It was noted that social, health & unemployment insurance has been contributed for probation workers.

3. Finding status: Remediated.

Explanation: It was noted that trainee workers who passed the 3-month training were provided pro-rated annual leaves.

4. Finding status: Remediated.

Explanation: It was noted that resigned workers were provided sufficient number of annual leaves.

5. Finding status: Remediated.

Explanation: Majority of workers spent their annual leave in 2018. A few of them carried over the AL to the first quarter in 2019 with agreement between workers and the factory which is allowed by law.

6. Finding status: Remediated.

Explanation: It was noted that severance allowance for resigned workers were sufficiently calculated including training, probation and maternity periods in workers' tenure.

7. Finding status: Partially Remediated.

The factory has established a wage level upgrading assessment policy & procedure that includes wage scales. The policy and procedure has been approved by the labor bureau. Currently, the wage upgrading assessment is carried out for non-production staff. However, the facility has yet to formally implement the assessment policy for production workers. Production workers receive a base wage of around VND 3,801,000 (USD 165.26) per month, and then receive a seniority bonus and productivity bonus based on efficiency, which is between level 1 and level 2 on the wage scale. [C.1]

8. Finding status: Remediated

Explanation: Seniority allowance was included in workers' overtime payment.

Local Law or Code Requirement

Decree 49/2013/ND-CP, Article 7, Clause 4, FLA Workplace Code (Compensation Benchmark C.1)

Recommendations for Immediate Action

Implement the wage scale assessment process in the wage policy which was approved by the local authority, which means workers should be eligible to do a skills assessment at least every three years to upgrade their base wage according to the levels defined.

PREVIOUS FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1.The shift allowance of VND 300,000 (USD 13.20) per month is not provided to workers who violate internal company's rules and regulations, in addition to them receiving a written disciplinary letter. 2.The factory deducts VND 30,000 (USD 1.32) from workers' wages if they lose their cards. 3.The factory's regulation on labor discipline includes a six months delay of worker's salary review. While the factory has not implemented this and conforms to local labor law, the practice is not aligned with FLA requirements.

Local Law or Code Requirement

Clause 2, Article 128 of Article 138 of Vietnam Labor Code 2012; FLA Workplace Code (Employment Relationship Benchmark ER.27; Harassment & Abuse Benchmarks H/A.1 and H/A.2)

Root Causes

1.The Factory is not aware of the FLA Code and Benchmark requirements. 2.The issues have not been brought to the attention of factory management in past audits. 3.The practice is aligned with local law but in violation of FLA requirements.

Recommendations for Immediate Action

1.Cease the imposition of monetary fines as a means to maintain labor discipline, including disciplining for poor performance or violating company rules and regulations. 2.Ensure that the amount for the lost ID card is actually the cost of the ID Cards.

FLA's Recommendations for Sustainable Improvements

1.Establish a system of progressive discipline. For a lost ID card, recommend issuing a warning letter for the first offence, informing workers that a second offence will result in a deduction of VND 30,000 (USD 1.32). 2.Develop procedures on positive reinforcement rather than a negative reinforcement approach, such as the use of fines. 3.Train relevant management on positive reinforcements. 4.Review company policy and procedures to align with FLA requirement. 5.Continue to educate, dialogue and seek feedback from workers on disciplinary procedures of the factory.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Immediate Action: 1. Do not deduct allowance 2. Revise card expense Sustainable Improvement:: 1. Our policy did not include any disciplinary action against workers for losing ID. Factory did not put any discipline against workers. We only collect the cost of remaking card (30,000 VND) to issue card. 2. Our policy did not include any fine against workers when they are losing their ID card. 3. All managers were trained on the policy. 4. Company policy was reviewed aligned with FLA requirement. 5. Factory continue, to educate, dialogue and seek feedback from workers on disciplinary procedures of the factory.

Company Action Plan Update

1. The shift premium is being treated as an "added" benefit with an aim of rewarding employees, who have a positive working attitude (ie. no violation against company regulations). This is an "additional reward" to workers' normal salaries. As a result, the employees who do not fulfill the requirement will not be entitled to this additional benefit.

Immediate Action taken:

- The factory does not impose any kind of monetary fines as a means to maintain labor discipline.

2. When a worker joins the factory, he or she will be given a staff card free of charge. The card is basically used for recording workers' daily attendance (ie. clocking in/clocking out of the factory). When the card is damaged/malfunctioned, and returned to the company, a new card will be issued to workers free of charge. When a worker loses the card, there will be no disciplinary action. The company only collects VND 30,000 (USD 1.32) from the worker. And, the company absorbs the rest of the costs of issuing a new card.

3. The factory's current practice aligns to the local labor law.

Immediate action:

- See above.

Sustainable Improvement taken:

- The factory in a longer term will consider to be fully in line with FLA requirements.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding status: Not remediated.

Explanation: The factory continues the practice of deducting the shift allowance for workers who violate internal company's rules and regulation. During the closing meeting, they explained that: "shift premium" is a bonus above legal requirement with condition. Hence, the factory only provides the bonus if workers meet the conditions. Workers have not been disciplined in the last month. [H/A.2]

2. Finding status: Not remediated.

Explanation: Factory would deduct VND30,000 (USD1.32) from workers' wages if they lose, damage, or break their cards. In case cards were returned due to them not working properly and there was no physical damage, the factory provides a new one without any deduction. During the closing meeting, the factory explained that: "employees were provided card the first time free of charge. If the card is invalid or not working they will be provided another card free of charge. If employees break or lose the card, they will have to pay for the new card". [H/A.2]

3. Finding status: Not remediated.

Explanation: During the assessment, it was noted that there was a case of disciplinary action applied to employee (assistant supervisor) whose salary review was delayed by six months, and was disciplined from 8th November 2018 to 8th May 2019. The factory's salary review policy has an element related to disciplinary history. [H/A.2]

Local Law or Code Requirement

FLA Workplace Code (Harassment or Abuse Benchmark H/A.2)

Recommendations for Immediate Action

1. The factory shall not use the shift bonus as a way to ensure workers follow factory regulations.
2. Factory shall ensure there is a system to identify the cause of the damage of cards and workers are not required to pay for the cards for causes out of their control.
3. Factory shall ensure that salary review is not being delayed due to the disciplinary action.

PREVIOUS FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. Fourteen out of 90 selected workers worked 13 consecutive working days from February 15 to February 27, 2016. 2. Twelve workers worked 13 consecutive working days from February 29 to March 12, 2016 and from March 15 to March 27, 2016. Twelve workers worked 13 consecutive working days from July 1 to July 13, 2016.

Local Law or Code Requirement

Vietnam Labor Code 10/2012/QH13, Clause 1, Article 104 and 110; FLA Workplace Code (Hours of Work Benchmarks HOW.1.1 and HOW.2)

Root Causes

1. Different interpretations of local labor law. The factory states that rest day work is paid at 200% to the workers, so an alternative day of rest was not necessary. 2. The factory is not aware of the FLA Code and Benchmark requirements. 3. Rushed production for urgent orders that needed to be completed, workers were requested to work on their rest days to complete these orders.

Recommendations for Immediate Action

1. Ensure workers are provided at least 24-consecutive hours of rest for every seven-day period. 2. Ensure that working hours are aligned with local law.

FLA's Recommendations for Sustainable Improvements

1. Provide workers advanced notice if Sunday work is requested. 2. Ensure that overtime work is voluntary. 3. Ensure working hours policy and procedures is aligned with local law. 4. Strengthen production planning and control to anticipate problems and create back-up plans to mitigate effects on working hours.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Immediate Action: 1. Check working hours of employees before changing shift 2. Factory will ensure working hours are aligned with local law Sustainable Improvement: 1. Always have notice in advance for Sunday work to all employees 2. Always have OT registration signed by employee prior to working OT 3. Stop arranging work on Sunday from August 2018 4. Plant manager will hold regular meeting with production to improve the production planning.

Company Action Plan Update

1. & 2. Factory has provided one day off per week to workers as required.

Immediate Action:

- Factory has provided one day off (24 consecutive hours) in every 07 days period. As from Jan 2018, if any employee is mobilized to work in the plant on a Sunday for a particular reason such as maintenance, monitoring contractors' work, etc., a compensated day off will be granted to the employee in accordance with the factory's policy and procedures.

Sustainable Action taken:

- In case any employee is requested to work on Sunday, an advanced notice that there is a compensation leave (ie. entitled to another day off) will be given to the employee. This became effective in Jan 2018.
- All overtime is on a voluntary basis. Employees have a right to refuse Sunday overtime work. They can sign on an overtime sheet to confirm that they work overtime on a voluntary basis. This became effective at Dec 28, 2016.
- There is a notification warning generated by the computer system to alert Human Resources Department. The notification will state the production section which requests Sunday work. The Human Resources Department will step in and ensure that the aforementioned policy and procedures are properly followed. This became effective at Dec 28, 2016.
- A weekly meeting is held between the production and planning team to ensure smooth production, and timely deal with the production/delivery need. This meeting can also be held upon urgent request.
- Since Aug 2018, the overtime issue has been under control. The factory will continue to ensure that all employees are provided with one day off (24 consecutive hours) for every seven-day period.

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding status: Partially remediated.

Explanation: Three out of seventy-three selected workers worked seven consecutive days from December 31 to January 5 or December 23 to 29. Two out of seventy-three selected workers worked eight consecutive days from June 14 to 21. Two out of seventy-three selected workers worked nine consecutive days from October 25 to November 2. One out of seventy-three selected workers worked 14 consecutive days from December 9 to 22, 2019. [HOW.2]

Local Law or Code Requirement

Labor Code of Vietnam No. 10/2012/QH13, Article 110, Clause 1

FLA Work Place Code (Hours of Work HOW.2)

Recommendations for Immediate Action

1. Ensure that all workers have at least 24 consecutive hours of rest during every seven day period.

PREVIOUS FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. During the first day of the assessment, it was difficult to open some of the emergency exits doors. The following emergency exit doors had issues: One out of three emergency exit doors in Workshop 1 Two out of four emergency exit doors in Workshop 2 One out of three emergency exit doors Workshop 3 Two emergency exit doors out of four in Workshop 4 2. During the assessment, the factory maintenance team immediately fixed the doors. Exit door 46 in the supply warehouse still needed to be corrected on the last day of the assessment. 3. There was repeated obstruction in aisles and exit routes in Workshop 2, 3, and 4 and obstruction in front of exit doors in

Workshop 3. The obstructions include pallets, carts, and cardboard boxes. There is also a trolley outside the kitchen door. 4. In the production Workshops 1 and 3, the arrow sign painted on the floor does not point to the nearest exit route. There is no directional arrow sign or exit lighting at the back door of kitchen. 5. Approximately 15-25% of workers do not have clear access to emergency exits as workstations are blocked with tables, and semi-finished products. 6. The marking on aisles are made of rubber tape and adhesive, and their conditions have deteriorated. Aisle markings are broken, not visible, erased, or removed. Most of the sub-aisles in the workshops do not have directional arrow signs painted on the floor. 7. There are no instruction signs in the fire pump machine room informing of the names of the persons and phone numbers of those in charge of operating the machines in each shift so people can contact them in emergency situations. 8. Repeated instances of blocked fire extinguishers, fire hydrant cabinets, and fire alarms were observed in Workshop 1, 2, 3, and 4. Obstruction was observed in front of fire hose reel and electrical cabinet in the materials warehouse. 9. Most of the goods stored in the Material Storage are classified as solid combustible material Class A; however, the fire extinguishers in this storage area are type BC, which are used for Chemical & Electrical fires.

Local Law or Code Requirement

ANSI Z358.1: Emergency Eye wash and Shower Equipment; Decision 35/2003/ND-CP, April 4, 2003, Article 9; Decree 68/2005/ND-CP dated, May 20, 2005, Article 9, Clause 1 and 2; Labor Code 2012 dated in June 18, 2012, Article 138, Clause b, c & d; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.5, HSE.6, HSE.14.3)

Root Causes

1. There is a lack of internal monitoring on emergency preparedness and fire safety. Exit doors are only used for emergency evacuation drills; therefore they are not often used. 2. The factory is lax in its implementation of Health & Safety policy and procedures. 3. The factory is not aware of the FLA Code and Benchmark requirements. 4. The issues have not been brought to the attention of the Factory management during past audits. 5. Health & Safety is not embedded in day to day operations. This should not be the responsibility of just the safety officers, but also production supervisors and managers. 6. There is limited understanding on Fire Safety. The factory explained that most fires are caused by electricity and therefore the fire extinguishers used in the materials warehouse are Types BC.

Recommendations for Immediate Action

1. Keep all aisles, exit routes, and exit doors unobstructed and accessible at all times. Ensure aisles are clearly marked and exit doors are easy to open. 2. Ensure aisles have directional arrow signs painted on the floor, that is visible and leads to the nearest exit. 3. Ensure workers have clear access to their workstations. 4. Keep fire extinguishers, fire alarms and other firefighting equipment are unobstructed and accessible at all times. 5. Post safety instructions in the fire pump room. 6. Provide the correct type of fire extinguishers the different production and storage areas.

FLA's Recommendations for Sustainable Improvements

1. Establish internal monitoring activities for emergency preparedness and fire safety. 2. Provide training to relevant management on emergency preparedness and fire safety. 3. Define the responsibilities of supervisors and line leaders on Health & Safety, and ensure commitment on implementation. Measure performance on Health & Safety issues to ensure supervisors and line leaders are responsible. 4. Establish process to engage workers on the implementation of Health & Safety policy and procedures. 5. Review policy and procedures on Health & Safety and ensure alignment with local laws and FLA requirements.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Immediate Action 1. Maintenance fixed doors in warehouse. 2. Floor has been repainted. 3. Used PA system to train all employees 4. Order Department remove materials which blocked fire fighting 5. Order maintenance issue instruction and post at fire pump room 6. Changed fire extinguisher as VN law rules Sustainable Improvement: 1. Issue checklist for exit door and random check by mgr and supervisor 2. Take plan training for every year 3. Set KPI and training to supervisor 4. Training and set KPI to each supervisor 5. Assign one person to update VN law requirement

Company Action Plan Update

1. The factory has fixed all six mentioned emergency exit doors to ensure that they are easy to open.

Immediate Action

- All the doors of workshop 1, 2, 3, 4 are properly fixed on Dec 08, 2016.

Sustainable Improvement:

- The factory Health and Safety team has updated the checklist for internal routine safety inspection to ensure that all emergency exit doors are easy to open. The supervisor and manager will double check it on a random basis. The checklist is required to be posted on each emergency exit door.

2. The exit door 46 at the warehouse was repaired by facility maintenance team. It is now easy to open.

Immediate Action

Sustainable Improvement:

- Same as point 1.

3. Factory has ensured that the aisles and escape routes are free of obstruction at all times.

Immediate Action

- Removed all obstacles at aisles and escape routes. Educated the workers to keep aisles, exits routes and exit doors unobstructed, and be accessible at all times. This was completed Dec 08, 2016.

Sustainable Improvement

- The Health and Safety team will conduct regular routine inspection to ensure that there are no obstructions. The inspection is also conducted weekly by the supervisors and an H&S committee member. This practice has been in place since Dec 28, 2016.

- Training on emergency preparedness and fire safety is provided to the relevant management to ensure that they understand the importance of keeping aisles and escape routes free of obstruction. The training is to be conducted on an annual basis. The last one was done on Mar 14, 2019.

4. The factory has engaged a vendor to re-paint the directional arrow sign. The emergency lighting at the back door of the kitchen has been installed.

Immediate action

- The factory re-checked the production workshops to ensure that the directional arrow sign painting on the floor is visible, and they are leading to the nearest evacuation exit.

Sustainable Improvement

- The Health and Safety team of the factory will conduct regular inspections to ensure that the directional arrow sign painted on the floor continue to be visible.

5. Factory has ensured that workers have clear access to the emergency exit.

Immediate action

- Ensure that the workers have clear access to the emergency exits.

Sustainable improvement.

- It became the responsibility of the line supervisors to ensure that the workers are granted clear access to the emergency exits. It is one of the KPIs of the supervisor.
- The supervisor and relevant workers were trained on the new KPI at Dec 28, 2016.

6. The factory has re-marked all marking of aisles and painted the directional arrow sign on all sub-aisles.

Immediate action

- Engaged a vendor to re-work all markings on the aisles and paint the directional arrow sign on sub-aisles.

Sustainable improvement

- The factory re-checked the production workshops to ensure that the directional arrow sign painting on the floor is visible, and they are leading to the nearest evacuation exit.
- The Health and Safety team of the factory will conduct regular inspections to ensure that the directional arrow sign painted on the floor continue to be visible.

7. The factory has posted the instruction signs on the fire pump machine room so as to inform the names of the persons, and phone numbers of those in charge of operating the machines in each shift . Staff can contact them in case of emergency.

Immediate action

- The instruction sign was posted on fire pump machine room with the names of persons and phone numbers of those in charges on Dec 28, 2016.

Sustainable improvement: N/A

8. The factory ensured that all fire extinguishers, fire alarms and all other fire fighting equipment are unobstructed and accessible at all times.

Immediate action

- Removed the obstructions from blocking fire extinguishers, fire hydrant cabinets and fire alarms at workshop 1, 2, 3, 4 and material warehouse at Dec 28, 2016.

Sustainable action

- Regularly inspect and report the conditions of fire extinguishers, fire alarms and other fire fighting equipment to ensure that these equipment are easily accessible. The inspection is conducted weekly by supervisors and H&S committee member with proper record documentation. This new practice started at Dec 28, 2016.
- Train workers and supervisors to have the safety awareness that all these equipment must be kept clear, and be readily assessable. The training is to be conducted on an annual basis. The last one was held on Mar 13, 2019.

- Effective Dec 28, 2016, it became part of the KPI of line leader to ensure these equipment is accessible.

9. The factory has installed appropriate type of fire extinguishers in the production and materials storage areas.

Immediate action

- Checked with local fire police, and installed appropriate fire extinguishers at materials warehouse based on their advice at Feb 27, 2017. The fire extinguishers used in materials warehouse are types A, B, and C.

Sustainable action

- The factory has assigned a person to keep abreast of the Vietnamese law requirements, including the requirements pertaining to fire extinguishers.

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding status: Not remediated.

Explanation: At least one emergency exit door at the Accessories warehouse was still a sliding door instead of a door that opens outward. [HSE.5]

2. Finding status: Remediated.

Explanation: The exit doors are properly installed at the workshop and warehouse.

3. Finding status: Not remediated

Explanation: At least one emergency exit door at the accessories warehouse was fully obstructed by pallets and goods. Additionally, several emergency exit routes at the sewing area, QC area of WORKSHOP 1, WORKSHOP 3 and Accessories warehouse were obstructed by pallets, trolley and goods. [HSE.5]

4. Finding status: Not remediated.

Explanation: Several directional arrows at the QC area in WORKSHOP 3 were not updated to reflect the actual layout and routes toward the designated exit. [HSE.5]

5. Finding status: Remediated.

Explanation: It was noted there was no obstruction at workers' work stations and workers had proper access to exit routes.

6. Finding status: Not remediated.

Explanation: Several floor markings at Sewing area – WORKSHOP 1 and WORKSHOP 3 are faded. [HSE.5]

7. Finding status: Remediated.

Explanation: There was a sign posted at the fire pump informing the necessary information and contact of person in charge.

8. Finding status: Not remediated.

Explanation: At least one fire alarm was partly obstructed by drinking water shelves. At least one fire alarm and one fire extinguisher at new warehouse (WORKSHOP 2) were not easily accessed or recognized. It was blocked by shelves and goods and hidden. At least one fire extinguisher at Sewing area of WORKSHOP 1 were fully obstructed by table and chairs. This issue was corrected on the second day of assessment. [HSE.5]

9. Finding status: Remediated.

Explanation: The factory no longer maintains the material storage area. In other areas of storage areas, proper type of fire extinguishers were used.

Local Law or Code Requirement

National Standard (TCVN) No TCVN 3890:2009 (Fire protection equipment's for construction and building – Providing, installation, inspection, maintenance), Clause 10, Item 10.1.6; National Standard (TCVN) No. 7435 - 2:2004, Fire protection- Portable and wheeled fire extinguishers - Part 2: Inspection and maintenance, Item 4; Circular No 66/2014/TT-BCA, Article 5; Vietnam Standard No. TCVN 2622:1995 on Fire prevention and protection for buildings and structures - Design requirements, Part 7, Point

7.24; National Standard (TCVN) No. TCVN 5738:2001. (Fire detection and alarm system - Technical requirements) Item 5 Fire alarm technical requirements; FLA Workplace Code (Health, Safety and Environment Benchmark HSE.5)

Recommendations for Immediate Action

1. It is recommended that factory shall ensure emergency exit doors are open outwards to facilitate the evacuation.
2. Factory shall ensure that all the emergency exits and evacuation routes are free from obstruction at all time.
3. Factory shall ensure that directional arrows are accurate reflecting the factory layout out and evacuation route.
4. Factory shall ensure that floor marking are properly painted to indicate the evacuation route.
5. Factory shall ensure that fire -fighting equipment and alarm are free from obstruction.

PREVIOUS FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. When tested, the ink machines in the following areas had grounding issues: 9 out of 14 machines has grounding issue Workshop 1 8 out of 11 machines has grounding issue Workshop 2 5 out of 5 machines has grounding issue Workshop 3 9 out of 9 machines has grounding issue Workshop 4 2. Some Quality Control work station in lines 51 & 55 of Workshop 3 and seal machines. 3. During the assessment, the factory investigated the issue and installed additional grounding to one ink machine which corrected the issue. Factory committed to do similar action to all ink machines. 4. The Ozone Machine, placed near the wash basin in the kitchen, is an electrical hazard. A cardboard box and plastic bag are used to cover the machine from water spills. This was corrected during the assessment. 5. The gas tank used for cooking is missing safety instructions on the main safety valves, the no-smoking sign is also missing. Sealed and unsealed gas tanks are located together which is problematic in defining whether the tank is full or empty. 6. The outlet of the eye wash station is located near the chemical storage area and is missing a filter. The eye wash station in the ink mixing area does not have water. 7. Some of chemical containers located in the chemical storage area are not labelled in the local language. 8. There is a strong smell of ink when using the ink machine; workers around this machine feel uncomfortable with this odor. In the past, the factory provided chemical resistant masks to these workers, however this has changed. Workers reported that they are now only provided with ordinary fabric masks which are not effective in protecting against the strong odor.

Local Law or Code Requirement

Vietnam Standard TCVN 7435-1:2004-Iso 11602-1:2000- Point 5.2, 5.4; Vietnam Standard TCVN 48:1996, Point 3.6; Vietnam Standard TCVN 7345-2001, Point b, c and d of Article 138 of Vietnam Labor Code 2012; FLA Workplace Code (HSE.1, HSE.5, HSE.6, HSE.7, HSE.9, HSE.13, and HSE.14.3)

Root Causes

1. There is a lack of internal monitoring regarding electrical safety.
2. The factory is lax in its implementation of Health & Safety policy and procedures.
3. The factory did not have the right tools to measure electrical grounding.
4. The Factory is not aware of the FLA Code and Benchmark requirements.
5. The issues have not been brought to the attention of the Factory management during past audits.
6. Limited understanding on safety and use of Compressed Gas.
7. Canteen service provider has limited safety understanding.
8. Health and Safety is not embedded in day to day operations.

Recommendations for Immediate Action

1. Ensure all electrical equipment, including ink machine, QC table, and seal machines are properly grounded. Purchase an electrical tester.
2. Relocate the Ozone Machine to eliminate electrical risk. Post all necessary signage for the gas tank, including safety measures and a no-smoking sign.
3. Ensure engineering control, such as a new layout for machines, possibility of localized exhaust, or redirecting airflow, and provide the appropriate 4. Respiratory Protective Equipment (RPE) to reduce chemical exposure during operation of the Ink Machine.
5. Ensure eye wash equipment is fully functional at all time.
6. Ensure chemical containers are labelled in the local language.

FLA's Recommendations for Sustainable Improvements

1. Provide training to relevant management on electrical safety and chemical safety.
2. Establish internal monitoring activities for electrical and chemical safety.
3. Train canteen service provider on Health & Safety.
4. Review policy and procedures on Health & Safety and ensure alignment with local laws and FLA requirements.
5. Define responsibilities of supervisors and line leaders on Health & Safety, and ensure commitment on implementation. Measure performance on Health & Safety issues to ensure supervisors and line leaders are responsible.
6. Establish process to engage workers on implementation of Health & Safety policy and procedures.
7. Review the service contract

between the gas supplier and the factory to ensure empty gas cylinders are collected in a timely manner. 8. Review purchase contract with and require chemical suppliers to label the chemical purchased in local language before delivery to the factory. 9. Establish process for checking incoming stock of chemicals and ensure all chemical containers are properly labeled in local language.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Immediate Action 1: Maintenance team has connected all machines to ground to ensure didn't have electrics 2. Maintenance has move to other place(Higher and defend the water impact) 3. Facility has posted sign warning no smoking at Gas areas 4. The Ozone machine was moved during the assessment 5. Maintenance order new one to replace 6. Complement label by local language
Sustainable Improvement: 1. Training plan set yearly. 2. Setup plan inspect electrics monthly 3. Vendor trained. 4. Policies reviewed. 5. Set KPI for Supervisor and line. 6. Improved training contents and have more promotion activities 7. Contact reviewed 8. Issue procedure for any chemical import must be compliance approve 9. Purchasing must have confirm to each chemical for label before import

Company Action Plan Update

1. 2. 3. The factory has ensure that all machines are grounded as required.

Immediate Action

- At Dec 8, 2016, the maintenance team ensured that all the machines were grounded to reduce the electrical hazards.

- At Feb 27, 2017, an electrical tester was purchased for safety testing.

Sustainable Improvement

- The maintenance team has instituted a plan to inspect all electrical machinery on a monthly basis to ensure that they are properly grounded.

- Training on electrical safety and chemical safety was provided to relevant managers . The training was conducted annually. The last one was conducted on Jul 15, 2019.

4. The factory maintenance team re-located the ozone machine to a higher place, which is away from water spills on Dec 28, 2016.

Immediate Action

- As above.

Sustainable Improvement

- The factory has trained the canteen service provider on the health and safety, esp. electrical hazards. The last one was conducted on Feb 23, 2019. In addition, the catering employees were trained by the local authority on Feb 12, 2019.

5. The factory ensured that the sealed gas tank be separated from the unsealed gas tank. The factory posted the safety instructions on main safety valves. No-smoking signs were posted at this area.

Immediate Action

- On Dec 28, 2016, posted all necessary signages for the gas tank including safety measures, and a non-smoking sign.

- The factory has found two places so as to separate the sealed gas tanks from the unsealed gas tanks. The gas tanks were also secured by metal chain at each location.

Sustainable Improvement

- The factory has communicated with the gas supplier to ensure that the empty gas cylinder be collected in a timely manner.

6. The factory has installed a filter on the eye wash station, which is located near the chemical storage area. The factory has repaired water tube at the eye wash station in the ink mixing area.

Immediate Action

- On Dec 28, 2016, the factory installed a plastic water filter on the eye wash station, and fixed the water tube to ensure that all eye wash stations are in good working conditions.

Sustainable Improvement

- Conduct routine inspections to ensure that the eye wash stations are in good working conditions at all times. The inspection report (the check sheet) is posted at each eye station.

7. The factory has posted all labels in local language on all chemical containers.

Immediate Action - See above.

Sustainable Improvement

- The factory procurement team should take a proactive approach to ask the chemical suppliers to provide the label (in local language). The label should be provided at the same time when the chemicals are delivered to the factory.

8. The factory provided the affected employees with designated carbon active mask as from Feb 27, 2017.

Immediate Action

- See above.

Sustainable Improvement

- The factory studied all possible ways and layouts to reduce the strong smell impact.

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding status: Remediated.

Explanation: All machines in the factory were properly grounded.

2. Finding status: Not remediated

Explanation: The work stations of QC workers are still not properly rearranged or changed and therefore some Quality Control work stations in Workshop 3 are still disruptive to workforce for evacuation. [HSE.5]

3. Finding status: Remediated.

Explanation: All machines, including the ink machines in the factory, were grounded.

4. Finding status: Remediated.

Explanation: The ozone Machine is free from electrical hazard as the flammable items are removed and it was corrected during the last assessment and did not happen again during this assessment.

5. Finding status: Remediated.

Explanation: Safety instruction was posted on main valves at gas tank with a no-smoking sign posted in the area. Sealed and unsealed gas tanks are stored separately.

6. Finding status: Remediated.

Explanation: The outlet of the eye-wash station has been moved away from the chemical storage area and equipped with filters. Sufficient water is available for all eye-wash stations.

7. Finding status: Remediated

Explanation: All chemical containers are properly affixed with safety labels.

8. Finding status: Remediated

Explanation: During the assessment, it was noted that the factory provided appropriate masks to workers and no worker reported feeling uncomfortable in the room.

Local Law or Code Requirement

(Item 3.3.1, National Standard (QCVN) No. 06:2010/BXD (Vietnam Building Code on Fire Safety of Buildings); Item 11.6.1, National Standard (TCVN) No. 439/BXD-CSXD); FLA FLA Work Place Code (Health, Safety and Environment (HSE 1, HSE.5)

Recommendations for Immediate Action

Factory shall rearrange workers' work stations so that there are no obstructions at any work station.

New Findings and Action Plans

NEW FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

At least four first aid kits type C at Workshop 1 and Workshop 3 had excessive amounts of dust. [HSE.6]

At least five ink machines at Workshop 1 and Workshop 3 were missing instructions in Vietnamese, especially for the emergency button.

There were missing SOPs as well. During the second day of assessment, the factory corrected the issue. [HSE.2]

The food at the canteen was missing covers. The factory corrected the issue on the last day of assessment. [HSE.22]

The four air-compressor operators were missing certificates. [HSE.4]

The factory has not conducted a lifting assessment conducted. Additionally, the factory does not provide workers with training on lifting techniques. [HSE.17]

Local Law or Code Requirement

Labor Code 10/2012/QH13, Article 138, Clause 1; Circular No. 30/2012/TT-BYT, Article 4, Clause 5; Decision No. 64/2008/TT-BLDTBXH; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.4, HSE.6, HSE.17, HSE.22)

Recommendations for Immediate Action

1. The factory shall ensure that first aid kits are in good condition at all times.
2. Ensure that all machines have proper instructions and SOPs in the local language.
3. Ensure that cooked food is properly covered.
4. Ensure air compressor operators have proper certificates.
5. The factory shall conduct the lifting assessment and respective workers shall be trained on a regular basis.

NEW FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

One suggestion box at Sewing area of WORKSHOP 3 was not locked and was dusty. [ER.25]
Workers are insufficiently consulted, integrated, and involved in the decision-making process concerning workplace and working conditions, such as in case of retrenchment. Union group leaders reported that they were only high level manager such as director, Union president could join the meeting on discussion on the retrenchment or layoff. [ER.25]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship ER.25)

NEW FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

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

Local Law or Code Requirement

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

NEW FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

At least two emergency lights in WORKSHOP 3 were not installed at evacuation routes near the exit to ensure the sufficient light condition in emergency case. This issue was corrected on the last day of assessment. [HSE.1, HSE.5]

At least two fire extinguishers in the generator room are not inspected by an authorized organization at least once a year. The last inspection was on August, 2018 and expired on 1 August 2019. [HSE.1, HSE.4]

At least one evacuation map at Gate 6-Accessories warehouse did not reflect the actual "YOU ARE HERE" position. During the first day assessment, the factory corrected the issue. [HSE.1, HSE.5]

The two test fire hoses did not have matching nozzles and could not be properly linked. [HSE.1, HSE.6]

One out of six emergency exit doors - Gate 5 at Accessories warehouse - was pad-locked during the audit. During the first day of the assessment, the factory corrected the issue. [HSE.5]

The chemical storage area did not have a fire alarm. The nearest fire alarm is located at the accessories warehouse, which is about 50 meters away from the chemical storage area. There is a smoke detector at the chemical storage area but it is not linked to the fire alarm control panel. [HSE.5]

Local Law or Code Requirement

National Standard (TCVN) No TCVN 3890:2009 (Fire protection equipment's for construction and building – Providing, installation, inspection, maintenance), Clause 10, Item 10.1.6; National Standard (TCVN) No. 7435 - 2:2004, Fire protection- Portable and wheeled fire extinguishers - Part 2: Inspection and maintenance, Item 4 Circular No 66/2014/TT-BCA, Article 5; Vietnam Standard No. TCVN 2622:1995 on Fire prevention and protection for buildings and structures - Design requirements, Part 7, Point 7.24; National Standard (TCVN) No. TCVN 5738:2001. (Fire detection and alarm system - Technical requirements) Item 5 Fire alarm technical requirements; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.4, HSE.5, HSE.6)

Recommendations for Immediate Action

1. Factory shall ensure that functional emergency lighting are installed at all the emergency exits and the evacuation route.
2. Factory shall ensure all the fire extinguishers are properly inspected by qualified agent periodically as stipulated by law.
3. Factory shall ensure the evacuation plot plan is accurate and complete.
4. Factory shall ensure that fire hydrants and hoses are in good condition and regularly checked.
5. Ensure that all the emergency exit doors are unlocked at all times.
6. Factor shall install fire alarm at the chemical storage areas and the smoke detector shall be linked to the fire alarm system.

NEW FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

The details of working hours, break times, and weekly rest day for workers working in shifts hours and the short break time for workers/staff working regular hours were not specified in the Internal Labor Regulation as required by law. [HOW.1.1]

Local Law or Code Requirement

Decree 05/2015/ND-CP, Article 4, Labor Code, Article 23; Article 108; FLA Workplace Code (Hours of Work Benchmark HOW.1.1)

Recommendations for Immediate Action

1. Ensure that the internal labor regulation and labor contracts specify the details related to working hours, break times, and rest days for all employees.

NEW FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. Discipline was applied to workers who violate factory's labor regulation in April 2019 for more than 3 months (from April 16 to July 22, 2019) despite the Disciplinary decision stated that the discipline action only applied in 3 months. ER.27
2. Disciplinary records are not kept with employees' personnel files. ER.27

Local Law or Code Requirement

FLA Work Place Code (Employment Relationship Benchmark ER.27)

Recommendations for Immediate Action

1. Factory shall ensure that disciplinary action shall be carried out based on the disciplinary decision.
2. Disciplinary records shall be kept on the employees' personnel files.

NEW FINDING NO.7

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. Workers who worked in shifts with night hours (before 6am), such as (5:45 to 13:45), (4:45 to 12:45), etc. and took leave in the midst of shift were not sufficiently paid night shift allowance which was at least equal to 30% of the wage calculated according to the wage unit or the wage for a job performed during normal workdays. For instance, in September 2018, sampled workers who worked 26.75 hours during night time (22:00 to 06:00) were only paid night shift allowance for 25.5 hours. [C.1]
2. The factory did not properly monitor subcontracted employees: Housekeeping subcontractor calculate their workers' wage in May and July 2019 based on 27 days instead of maximum 26 working days. They were not paid with additional 30% of the wage for working time from 5:30 to 6:00. Housekeeping workers, security guards and canteen staff who are in the last working year before retirement and were entitled to reduced normal working hours at 7 hours per day were not paid with premium rate for hours after 7 hours per day. [C.1]

Local Law or Code Requirement

Circular 23/2015/TT-BLDTBXH, Article 7; Circular 23/2015/TT-BLDTBXH, Article 7; Labor Code 10/2012/QH13, Article 93; Article 97; Article 27; Decree 05/2015/ND-CP, Article 4, Labor Code, Article 23, Article 108, Article 110, Article 166; FLA Workplace Code (Compensation Benchmark C.1)

Recommendations for Immediate Action

1. Factory shall ensure that the night shifts hours are properly captured and compensated.
2. Factory shall properly monitor subcontractor's wages and benefits status in order to comply with law.