



Verification Assessment

COMPANIES: Esquel Group

COUNTRY: Vietnam

ASSESSMENT DATE: 11/06/17

ASSESSOR: FLA EMEA

PRODUCTS: Apparel

NUMBER OF WORKERS:

FLA Comments

Esquel Group ended their affiliation with the Fair Labor Association in May 2020. Therefore, there will be no further updates to the Company Action Plans contained in this report.

Due to this disaffiliation Esquel Group is no longer listed on the Fair Labor Association Website, however, their Independent External Assessment reports can still be found at: <https://www.fairlabor.org/transparency/workplace-monitoring-reports>

Summary of Code Violations

Companies that join the FLA agree to uphold the FLA Workplace Code of Conduct throughout their entire supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and defines labor standards that aim to achieve decent and humane working conditions.

While it is important to note when violations of the FLA Workplace Code of Conduct occur, the purpose of these assessments is not simply to test compliance against a particular benchmark, but rather to develop an understanding of where and how improvements can be made to achieve sustainable compliance. Code of Conduct violations can be found throughout the course of an assessment of the employment and management functions, and are addressed in companies' action plans.

Previous Report Findings and Verification Results

PREVIOUS FINDING NO.1

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. Some job advertisements, mostly for white-collar employees, posted on the internet have specific age requirements. Setting the lower limit of age for recruitment higher than the legal working age is against local law and FLA's benchmarks. 2. There are five disabled workers at the factory, which is below the legal quota of 3% of the workforce, and the factory does not contribute to the legally mandated Disability Fund in lieu of employing disabled workers as allowed under the law. 3. There is no employment commitment in the training contracts, and there is no company regulation to convert trainees that complete their training period to fulltime workers, as legally required. 4. There is a system in place to conduct skill tests for the candidates when hiring to classify skilled and unskilled workers. All unskilled workers need to undergo 1 month training period. However, auditor found that there are at least 7 skilled workers undergo 1 months training period same as unskilled workers within the last 12 months. 5. The factory does not have a detailed legally required training plan that includes the duration of training provided to ironing and packing department workers. 6. When there are changes to policies and procedures on Recruitment & Hiring, Compensation and Hours of Work, employees are provided refresher training, including issuance of memo, and posting on public areas in the factory. However, there is no on-going employee training in the factory. 7. The factory has a one-month applied apprenticeship for new workers, and has signed apprentice contracts with them. However, these contracts lack the legally required terms on training occupation, training cost, work commitment period, and responsibilities for the compensation of training costs. 8. The factory does not have a review system for the existing policies and procedures for all Employment Functions.

Local Law or Code Requirement

Vietnam Labor Code 2013, Article 5.1.a and Article 8.4; Decree No. 81-CP, Art 14.1; Decree 139/2006/ND-CP, Art 17.2; Decree 39/2006/ND-CP, Art.14.1; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.3, ER.13, ER.28, ER.29 and ER.30; Non- Discrimination Benchmarks ND.1 and ND.2)

Root Causes

1. Although the factory has a compliance staff member, he has only received local law and Health & Safety training. No training needs assessment was carried out to identify for him other important topics, like auditing skills, communication skills, international standards, and environmental protection. 2. Internal audits are conducted once per year and all related documentation/records are kept at the factory. However, the factory does not have a detailed internal audit procedure, and internal audits are just a checklist inspection prepared by the compliance staff member. 3. There is not an effective system for reviewing policies and procedures on a regular basis; instead, factory management reviews them whenever there are changes to local laws and regulations. 4. Many labor law related issues in Vietnam are managed through decrees and circulars, as labor law and secondary regulation are not clear on many important topics. The volume of decrees and circulars makes it hard for management to align/update factory regulations. 5. Although there is a procedure for following updates to local law, this procedure doesn't include any guidance on implementation and monitoring. 6. Although the factory

is a part of a large supplier group, the parent company does not provide benchmarking and collective learning opportunities for corporate social responsibility (CSR) staff. 7. The shift schedule and continuous production makes planning and delivery of ongoing worker training a challenge. 8. There are different interpretations of the disabled worker quota in Vietnam, and it is not strictly enforced by local authorities.

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: Based on internet research and review of factory's job advertisement, there is no age limit for recruitment other than the legal working age for each position.

2. Finding Status: Remediated

Explanation: Based on Decree No. 81/CP on Stipulating in details and guiding the implementation of a number of articles of the Labor Code for Disabled laborers, this finding is no longer a concern as the legal requirements for hiring of disabled workers, including contribution to the Disability Fund, is already obsolete.

3. Finding Status: Remediated

Explanation: Based on document review, the Factory revised the apprentice contracts. The apprentice contracts now clearly outline the terms and conditions of employment commitment, and company regulations to convert trainees to fulltime workers after completion of the apprenticeship.

4. Finding Status: Remediated

Explanation: Based on documents review, there are no cases of skilled workers undergoing a 1 month training period, within the last 12 months (November 2016 to October 2017).

5. Finding Status: Partially Remediated

Explanation: Based upon documents review and factory manager interview, the factory has developed the legally required training plan that includes the duration of training, and provided it to ironing workers. However, the factory has not developed training materials and training plans for packing workers.

Root Causes: Although there is a procedure for following updates to local law, this procedure does not include any guidance on implementation and monitoring.

6. Finding Status: Remediated

Explanation: Based upon document review and workers interviews, the Factory conducts refresher training for all employees when there are changes to policies and procedure on Recruitment and Hiring, Compensation and Hours of Work.

7. Finding Status: Remediated

Explanation: Explanation: Based upon document review and factory manager and workers interview, the Factory revised the content of apprentice contract. The apprentice contract now mentions clearly the terms and conditions of training occupation, training cost, work commitment period, and the responsibility of each party to pay damages for breach of contract.

8. Finding Status: Remediated

Explanation: Based upon document review and factory manager and workers interview, the Factory has developed a comprehensive procedure for conducting a document review and updating (issued on 2nd January 2017) existing policies and procedures for all Employment Functions.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.3)

COMPANY ACTION PLANS

Action Plan no 1.

Description

N/A

Company Action Plan Update

Factory prepared a detailed written training plan, which includes the duration of the training for the ironing and packing department workers. Please refer to the supporting document #1.5.

PREVIOUS FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The overnight overtime premium, affecting 44% of the workforce, was reduced from 215% to 210% in September 2015. Although this rate is in line with local legal requirements, there was not any consultation with workers' representatives during this process. 2. Based from the registered company regulations, Sunday is defined as the weekly rest day. During nightshift, workers worked on Saturday, and work ends Sunday morning. While the factory provides 24 consecutive hours of rest time every week (after the shift), this is contrary to the company regulations that Sunday is the weekly rest day. Thus, work between 12:00am to 6:00am on rest day (Sunday) should be based on legally mandated rate of 270%, and not 210%. 3. There is a system in place to conduct skill tests for the candidates when hiring (including workers who had resigned and seek to be re-employed) to classify skilled and unskilled workers. All unskilled workers need to undergo 1 month training period. However, auditor found that within the last 12 months there are at least 7 skilled worker undergo 1 month training period and were paid only probation rate (without 7% skilled allowance, higher than the regional-based minimum wage according to local law). 4. Salary increase is linked to performance reviews for workers in the cutting, warehouse, cleaning, quality control, facility maintenance, and embroidery sections. However, performance reviews are not conducted for all employees in these sections, but only those chosen by the supervisors. Additionally, there are no specific performance assessment criteria, and the review depends heavily on the supervisors' discretion.

Local Law or Code Requirement

Decree No.05, Article 25.4; Decree No.49/2013, Article 2 and Article 4; Decree 05/2015/NDCP, Article 25; Decree 49/2013/NDCP, Article 7.4; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.29 and ER.30.1; Compensation Benchmarks C.1, C.7, C.10 and C.11)

Root Causes

1. Although the factory has a compliance staff member, he has only received local law and Health & Safety training. No training needs assessment was carried out to identify for him other important topics, like auditing skills, communication skills, international standards, and environmental protection. 2. Internal audits are conducted once per year and all related documentation/records are kept at the factory. However, the factory does not have a detailed internal audit procedure, and internal audits are just a checklist inspection prepared by compliance staff. 3. There is not an effective system for reviewing policies and procedures on a regular basis; instead, factory management reviews them whenever there are changes to local laws and regulations. 4. Many labor law related issues in Vietnam are managed through decrees and circulars, as labor law and secondary regulations are not clear on many important topics. The volume of decrees and circulars makes it hard for management to update factory regulations. 5. Although there is a procedure for following updates to local law, this procedure doesn't include any guidance on implementation and monitoring. 6. Although there is a union with worker representation, information flow between workers and management is not adequate. 7. Management representatives explained that previously there was an error in the calculation of night overtime premium rates, and that they have changed the rate to 210% to correct for it. 8. Management representatives explained that the calculation method of overtime premium for night work on the rest day affected workers in one department and only for half an hour.

Recommendations for Immediate Action

Ensure that the night time overtime premium for rest day is in line with local legal requirement.

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: Based upon document review, factory manager, and worker's interview, the overnight overtime premium (210%) was mentioned in the November 2, 2015 internal meeting between senior management and the Trade Union. After conducting the internal meeting between senior management and Trade Union in 2015, there was no changes made based on the feedback from the Trade Union. This overtime premium (210%) is communicated to all current workers by the time in 2015 and trained to new workers (from 2015 until the time of the assessment). All workers are understand and satisfy with this overtime premium.

2. Finding Status: Remediated

Explanation: Based upon document review and factory manager and worker's interview, Sunday is defined as the weekly rest day for normal workers (Sewing, QC, Packing, Ironing, etc.). Security guards and Embroidery workers will work in 3 shifts (6:00-14:00; 14:00-22:00; 22:00-6:00), weekly rest day is guaranteed 24 consecutive hours after 6 working days. This definition was regulated in Company Regulation and workers' labor contract. Thus, workers in shift 3, working between 12:00am to 6:00am on Sunday should not be paid at rate of 270%.

3. Finding Status: Remediated

Explanation: Based upon document review, factory manager, and worker's interview, there have not been any cases of skilled workers undergoing 1 month of training period, within the last 12 months (November 2016 to October 2017).

4. Finding Status: Partially Remediated

Explanation: Performance review are be conducted once per year with terms and conditions regulated in the Upgrading Wage Level policy. However, the reviews are based on overly strict conditions, such as; have at least 3 working years in factory, no discipline during the appraisal year, good attendance (no absence without notice during the appraisal year). There were 165 senior workers who did not receive upgraded wage levels during the past year due to these conditions. For instance, Worker A joined company in 2005, this worker had 1.1 hours absent without permission in 2016 and there was no discipline during last year. Thus, this worker will be re-evaluated in the following year. This worker's basic salary is at level 4th – VND 4,883,000, which means that she has only received an upgraded wage level 3 times during past 11 years working in the factory.

Root Causes: Lack of skill based performance review criteria for Cutting, Finishing, etc. workers. The factory focuses more on performance review of sewing workers.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.29, ER.30.1)

COMPANY ACTION PLANS

Action Plan no 1.

Description

N/A

Company Action Plan Update

The factory has set up a clear procedure and conditions to review the performance of the employees and upgrade their wage's level. Please refer to the supporting document #2.4.

PREVIOUS FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. The factory does not provide workers in the embroidery section with 24 consecutive hours of rest per week. They only receive 23.5 hours of rest. 2. The factory's procedure on buffer time (in Vietnamese) is not clear. There is confusion over whether this buffer time can be spent on production-related activities like cleaning and/or packing up in which case it would have to be compensated as overtime

work. 3. Trainees in the sewing section are required to come in 5 to 10 minutes early during the buffer time to perform some cleaning and preparation activities or participate in meetings. All trainees are informed about this requirement during their training and are not compensated for this extra work. 4. Production shift is from 5:30am-1:30pm and 2:30pm-10:30pm, both shift schedules is inclusive of the paid 30 minutes breaks, and complies with local law regulation. However, there are 108 (4.78%) workers under Production Inspection, where the work schedule is from 7:30am-4:30pm, inclusive of 30 minutes unpaid break. Factory did not include the 30 minutes break as part of working hours. 5. Factory has a process for workers to take annual leave. Workers register themselves their annual leave plan for every month (once per 6 months) and submit to Payroll for record. At end of year, any unused annual leave are paid to workers. During records review, almost all sampled production workers (more than 90%) did not use their paid annual leaves in full and worked instead, but received a 200% premium for doing so instead of 300% as required by law. Factory shared that workers were not required to work during their annual leave, and they encourage workers to take annual leave. However, workers preferred to work so they can earn more money.

Local Law or Code Requirement

Vietnam Labor Code 2013, Article 110.1, Article 97.2; and Article 111.2; Decree No.45/2013, Art.5; FLA Workplace Code (Hours of Work Benchmarks HOW.1, HOW.2, HOW.3 and HOW.11)

Root Causes

1. The factory's compliance staff has only received training on local law updates and Health & Safety so far. The factory has not carried out a training needs assessment to identify other topics for training (e.g. auditing skills, communication skills, international standards, environmental protection, etc.). 2. Internal audits are conducted once per year and all related documentation/records are kept at the factory. However, the factory does not have a detailed internal audit procedure, and internal audits are just a checklist inspection prepared by compliance staff. 3. The factory does not have an effective system in place for reviewing policies and procedures on a periodic basis; instead, factory management reviews them whenever they become aware of any changes to local laws and regulations. 4. Many labor law issues in Vietnam are managed through decrees and circulars as labor laws and secondary regulations are not clear on many important topics. The large number of decrees and circulars makes it hard for management to track changes to labor laws. 5. Although the factory has a procedure for tracking updates to local laws, this procedure doesn't include any guidelines on how implementation and monitoring activities should reflect these updates. 6. The law mandating that workers' 30-minute break be included as working hours is complicated, which creates confusion. 7. Management representatives explained that the issue of workers only receiving 23.5 hours of weekend rest was an oversight and only affected workers in one department.

Recommendations for Immediate Action

1. Ensure that all workers can use their annual leave, as legally required. Ensure that they are compensated their annual leave at the legally required 300% overtime rate if they choose to work instead of using their annual leave. 2. Revise the production support department's working hours so that they do not exceed 8 hours with an additional paid 30-minute break.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: Based upon document review (payroll and detail attendance records reviewed from November 2016 to October 2017) and factory manager and workers interview, all Embroidery workers were provided 24 consecutive hours of rest per week.

2. Finding Status: Remediated

Explanation: Based upon observation, document review, factory manager, and worker's interview, the Factory revised the Working Hours policy (issued on 1st May 2017) which defines the buffer time (window time) for scan-in and out within 15 minutes. This buffer time shall not be considered as working hours with payment and there is no production-related activity happening during this time.

3. Finding Status: Remediated

Explanation: Based upon observation, document review, factory manager, and worker's interview, the Factory revised the Working Hours policy (issued on 1st May 2017) which defines the buffer time (window time) for scan-in and out within 15 minutes. This buffer time shall not be considered as working hours with payment and there is no production-related activity happening during this time. This policy was regulated for all employees (including apprentice and/or probation employees).

4. Finding Status: Remediated

Explanation: Based upon observation, document review and factory manager & workers interview, the Factory has revised the working hours in Company Regulation and Working Hours policy. There were 3 shifts for Security guards and Embroidery workers (6:00-14:00; 14:00-22:00; 22:00-6:00). There were 2 shifts for other workers (Cutting, Sewing, Packing, Finishing, etc.): 6:00-14:00; 14:00-22:00. Paid break time for each shift is 30 minutes.

5. Finding Status: Remediated

Explanation: Based upon observation, document review, factory manager and workers interview, the factory has developed the Annual leave schedule during the year to ensure that workers can use annual leave properly. The factory schedules 50% of the workers annual leave, while the remaining 50% is scheduled by the workers. For workers who had not used up their annual leave, the factory pays the annual leave balance with 100% payment. This practice is in line with the legal requirements.

PREVIOUS FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. 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. 2. During the worker and supervisor interviews, it was revealed that on October 7th, some workers has concerns and were not satisfied with the existing Group Efficiency Incentive. On that day, the Head of Dept. had a dialogue with these workers about the issue. After the meeting, workers returned to their respective work assignments. Based on interviews, the factory management and the labor union was not aware of this October 7th incident. This incident was not recorded in the grievance records, thus no follow-up or investigation was carried out by management or the union. 3. There is no proof that the workers actually nominated the 11 elected labor union representatives. Based on interviews, workers are aware of the election, but do not know how nominations were put forth. 4. The factory and union has signed a Collective Bargaining Agreement (CBA). While the factory meets the legal requirement in informing employees about the CBA, including posting on bulletin boards, worker briefings, and responding to any worker question, this does not meet the FLA requirement. As per FLA requirement, workers should be provided a copy of the CBA.

Local Law or Code Requirement

Vietnam Labor Code 2013, Article 6.1.b and 192.1; FLA Workplace Code (Employment Relationship Benchmark ER.16; Freedom of Association Benchmarks FOA.1, FOA.2, FOA.10, FOA.11, FOA.12, FOA.13 and FOA.14)

Root Causes

1. Although there have been some improvements to worker representation laws in Vietnam within the last couple of years (like requirements to have elected worker representatives, regular meetings, etc.), factories in Vietnam are not adequately informed and equipped to implement these new requirements.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation: Due to national legal requirements, this finding cannot be remediated in line with FLA and ILO best practices. FOA.2

Root Cause: Freedom of Association is a country issue in Vietnam

2. Finding Status: Partially Remediated

Explanation: Based upon document review and Chairman Trade Union interview, it was noted that all concerns from the worker in the dialogue meeting conducted on quarterly basis (March 23, 2017, July 14, 2017 and September 22, 2017) were recorded in the grievance records. However, the corrective action plans in September 22, 2017 was not sent to Chairman of Trade Union to follow-up and monitor.

Root Cause: Trade Union is not active and not conducting internal audits periodically; Lack of crosscheck from compliance team; Lack of awareness on FLA's Code and Benchmarks and Law requirements; Top management did not take time to Union's activities.

3. Finding Status: Remediated

Explanation: Based upon document review and worker interview, it was noted that the Union election was conducted in September 2017. There were 9 representatives that were elected from the workers. Each production line elected one representative who in turn attended the August 16, 2017 Union election to select the union representative. There were 84 people elected to attend the Union election.

4. Finding Status: Remediated

Explanation: Based upon document review and worker interviews, the factory has provided a copy of the CBA to all employees.

Local Law or Code Requirement

FLA Workplace Code (Freedom of Association Benchmarks FOA.1, FOA.2, FOA.10, FOA.11, FOA.12, FOA.13 and FOA.14)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The board of manager with trade union will discuss to finalize the solution (W3). The responses post in the notice board for all employees' review. The Corrective action will be updated in the next dialogue meeting. Please refer to the supporting document #4.2.

Company Action Plan Update

1. <!--[endif]-->Factory comment: Due to Vietnam legal framework, factory could not meet requirement of FLA code on Freedom of Association.
2. <!--[endif]-->The factory organizes the dialogue meeting with the attendance of Factory Manager, HR Manager, TU and worker's representative. All the concerns of the workers are recorded in the meeting minutes.

PREVIOUS FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. The factory uses monetary fines as a form of disciplinary action, both in written procedure and at the level of implementation. Attendance bonuses are deducted in case of violation of factory rules: one warning letter results in the deduction of 100,000 VND (4.48 USD) and two warning letters results in the deduction of the full attendance bonus of 200,000 VND (8.97 USD). There have been 20 cases of this practice in last 12 months. 2. The factory uses the suspension of wage raises for 6 months as a disciplinary practice. Although this practice is in line with local law, it is against FLA benchmarks. 2 workers have been affected within the last 12 months. 3. All workers undergo body searches and physical pat-downs as part of the factory's routine security procedure. Although this practice is conducted in a gender-sensitive way and is not against local law, it is not in line with FLA benchmarks. 4. Factory management deducts the full cost of tools and uniforms from the termination payout without taking into consideration the depreciation due to the use of uniforms/tools. Furthermore, factory management does not have any documentation that shows the actual cost of the uniforms. 5. Factory maintains records of disciplinary actions. However, these records are only placed to employee files on a monthly basis.

Local Law or Code Requirement

Root Causes

1. Wage raise suspension, monetary fines, and body searches/physical pat-downs are common practices in factories in Vietnam. 2. Wage raise suspension is in line with local laws and was approved by the union and local labor office. 3. Most of the factories in Vietnam implement monetary fines through the deduction of allowances/bonuses as they don't see allowances/bonuses as a part of a worker's basic salary but as an extra amount paid to the worker.

Recommendations for Immediate Action

1. Cease the practices of wage raise suspension and attendance bonus deduction as forms of disciplinary action. 2. Revise existing procedures on deducting the cost of tools/uniforms from termination payout. Cease the practice of uniform cost deduction entirely and ensure that other deductions reflect depreciation. Document the actual cost of tools. 3. Cease the practice of body searches as a general practice and conduct them only if there is a specific reason to do so.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: From document reviewed during past 12 months and worker interview, noted that there was no case of monetary fines as form of disciplinary action. Monetary fines have been removed from the factories Workplace Conduct and Discipline policies and procedures.

2. Finding Status: Not Remediated

Explanation: Based upon observation, document review, factory manager and workers interview, the factory still uses suspension of wage raises for 6 months as a disciplinary practice. Although this practice is in line with local law, it is against FLA benchmarks. There were 4 workers affected within the last 12 months.

Root Causes: Wage raise suspension is in line with local laws and was approved by the union and local labor office.

3. Finding Status: Not Remediated

Explanation: A procedure was developed on September 15, 2017 to provide guidance and reduce pat downs in practice. Additionally, the factory also conducted a proper training to all Security guard on 10th October 2017 to ensure the implementation of following this procedure. However, it was observed that security guards continue to practice pat downs for all workers as part of the security procedure.

Root Cause: Follow-up and cross check to validate implementation of procedure.

4. Finding Status: Partially Remediated

Explanation: Based upon observation, document review and factory manager, and workers interview, Factory management still deducts the full cost of locker key, employee card, proximity card from the termination payout without taking into consideration the depreciation due to the use of locker key, employee card, proximity card. Factory management explained that these tools and items are need to be return due to security reasons, and that they will not be charged if workers return them when they resign. However, the factory developed the form of "Property Handling Checklist" and showed clearly the actual cost of each item. This form had been applied since 2015.

Root Causes: Lack of commitment from senior management on consideration of the depreciation.

5. Finding Status: Remediated

Explanation: All cases of discipline records during past 12 months were checked accurately. The factory has maintained and kept all records of disciplinary actions in workers' files.

Local Law or Code Requirement

Vietnam Labor Code 2012, Article 130.2; FLA Workplace Code (Employment Relationship Benchmarks ER.2 and ER.27, Harassment & Abuse Benchmarks H/A.2 and H/A.10)

Recommendations for Immediate Action

Ensure physical pat downs are not used as a general practice. As per FLA requirements, physical pat downs shall only be undertaken when there is a legitimate reason to do so and upon consent of workers.

COMPANY ACTION PLANS

Action Plan no 1.

Description

N/A

Company Action Plan Update

The factory has changed the practice from Dec 2017. Although the worker has the discipline of suspension of wage raises for sixmonths, the factory still increased their salary on time as other workers without delaying. Please refer to the supporting document #5.2.

The factory has stopped to apply body checking for workers from Jan 2018. This procedure also communicated to the security guards for implementation. Please refer to the supporting document #5.3.

The factory will not deduct tool's cost item (locker key + proximity card) to the employee. Please refer to the supporting document #5.4

PREVIOUS FINDING NO.6

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

1. Factory procedures and company regulations state that the timeframe for termination payouts is within 30 days of termination, instead of the legally mandated 7 days. 2. Until March 2015, factory management did not include maternity leave time and the training period in severance payment calculations as required by local law. This issue has been addressed as of March 2015 and severance payments now include both maternity leave time and the training period.

Local Law or Code Requirement

Decree No.05, Art. 14.5; Vietnam Labor Code 2013, Article 47.2; Decree No.05/2015/ND-CP, Art 14.5; FLA Workplace Code (Employment Relationship Benchmark ER.19; Compensation Benchmarks C.1, C.6, C.10 and C.11)

Root Causes

1. The factory does not have an effective system in place for reviewing policies and procedures on a periodic basis; instead, factory management reviews them whenever they become aware of any changes to local laws or regulations. 2. Although the factory has a procedure for following updates to local laws, this procedure doesn't include any guidelines on how these updates should be reflected in the factory's implementation and monitoring activities.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: Based upon observation, document review, factory manager and workers interview, the Termination procedure stated the timeframe for termination payouts is within 7 days of termination, as legally required. The factory also regulated the timeframe for termination payouts in the worker handbook.

2. Finding Status: Remediated

Explanation: During 12 previous months, the termination payout for all resigned workers meets the law requirement, including maternity leave time and including training period in severance payment.

PREVIOUS FINDING NO.7

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. While the factory has 2nd shift (2:30pm-10:30pm), the three fire drills in 2015 during August, April and June, were conducted during day-time. The last fire drill conducted on June 29, 2015 was only at 6:20pm. 2. The factory does not have maintenance and inspection documents for fire-fighting equipment, as legally required. 3. The factory does not regularly inspect the fire alarms and smoke detectors. The last inspection was conducted in 2012. 4. Although there is a designated emergency assembly area, it is not clearly marked. Furthermore, this area is occasionally blocked by parked trucks. 5. The fire alarm panel is not active and numbers rather than zone names are listed near the fire alarm panel. Furthermore, there is not enough battery power to provide at least 24 hours of standby power and for a 5 minute alarm. Also, the fire alarm is not audible in some sections, such as cutting/embroidery, due to ambient noise. 6. There is no fire detector or automatic fire extinguishing system in the power transformer room. 7. At the time of the inspection the sprinklers were not operational due to ongoing construction. 8. The emergency exit door in Building 2 (Trim Warehouse) has a lock and handle and is missing a push-bar. 9. Fire extinguishers outside the factory have been corroded and have been adversely affected by exposure to elements. In addition, they do not have safety pins. 10. Fire hose cabinets outside the factory are rusted and have been adversely affected by exposure to elements. 11. There are no LPG detectors in the kitchen. 12. At the time of the assessment, one fire extinguisher was missing from its location near the mechanical workshop. Another was being blocked by a flowerpot. (Note: Both of these issues were corrected during the assessment.) 13. Lint and dust have accumulated in electrical sockets and on cable trays.

Local Law or Code Requirement

Decree No.79/2014/ ND-CP, Article 21 and Article 22; TCVN 3890-2009, point 6.2.2 and 7.2.2; Circular No.52/2014/TT-BCA/ Article 8; FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.5 and HSE.6)

Root Causes

1. Although the factory has a compliance staff member, he has only received local law and Health & Safety training. No training needs assessment was carried out to identify other important topics, like auditing skills, communication skills, international standards, environmental protection, etc. 2. Internal audits are planned and conducted once per year and all related documentation and records are maintained. However, the factory has not established a detailed internal audit procedure and internal audits are limited with a checklist control that is prepared by compliance staff. 3. The factory does not have an effective system in place for reviewing policies and procedures on a periodic basis; instead, factory management reviews them whenever they become aware of any changes to local laws or regulations. 4. Many labor law issues in Vietnam are managed through decrees and circulars as labor laws and secondary regulations are not clear on many important topics. The large number of decrees and circulars makes it hard for management to track changes to labor laws. 5. Although the factory has a procedure for following updates to local laws, this procedure doesn't include any guidelines on how these updates should be reflected in the factory's implementation and monitoring activities. 6. Although there is an EHS Committee in place, information flow between the Committee and factory management is not effective enough to prevent such issues.

Recommendations for Immediate Action

1. Ensure that: a. All fire detectors are active and in working condition; b. Gas detectors are provided in all LPG-use areas; c. All emergency assembly areas are marked and kept clear at all times; d. The fire alarm is audible in all sections. 2. Conduct at least one fire drill during the night shift each year. 3. Activate the fire alarm panel, post a list near the fire alarm panel with an explanation of the fire alarm zone names, calculate the necessary battery power required to keep the fire alarm system functional while on standby for at least 24 hours and to power a 5 minute long fire alarm, and measure ambient noise and fire alarm output in every section to ensure that the fire alarm is audible throughout the factory. 4. Install a fire detector and/or automatic fire extinguishing system in the power transformer room. 5. Activate the sprinkler system. 6. Install an emergency door with a push-bar system that opens into the direction of evacuation.

Remove the locks from the emergency door.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: The factory conducted the fire drill for day shift (shift #1) with the attendance of local Fire Police on September 28, 2017 and night shift (shift #2) on March 25, 2017 at 8:00 pm.

2. Finding Status: Remediated

Explanation: The factory maintained the inspection documents for the fire-fighting equipment as legally required.

3. Finding Status: Partially Remediated

Explanation: The latest inspection for the automatic fire alarm system was conducted in September 2017. However, the heat detectors were not inspected. HSE.5

Root Causes: ESH committee is not active and not conducting internal audits periodically; Lack of crosscheck from HSE team and worker's awareness; Network of occupational safety-hygiene collaborators and fire safety team are not active in action; Lack of crosscheck from compliance team; Team leader/supervisor only focus on production.

4. Finding Status: Remediated

Explanation: Based upon observation, the assembly point is clearly marked and be free of obstructions.

5. Finding Status: Partially Remediated

Explanation: The fire alarm control panel is now functioning, and the factory has installed a visual fire alarm at the noisy areas such as cutting and embroidery. However, there was no document to show that the battery power (secondary power) is sufficient for 24 hours of standby power and for a 5 minute fire alarm. The fire alarm was tested at building #1 but could not be heard at building #2, as the fire alarm system is not linked. There was no procedure to alert and guide the other buildings in what to do in case the fire alarm in building #1 is activated.

Root Causes: The factory ESH committee is not active and not conducting internal audits. There is a lack of crosschecking from the HSE team and low worker's awareness. The network of occupational safety-hygiene collaborators and fire safety team are not active. There is a lack of crosschecking from compliance team, and the team leaders/supervisors only focus on production.

6. Finding Status: Remediated

Explanation: Based upon observation, the factory installed 3 automatic fire extinguishing system in the power transformer room.

7. Finding Status: Remediated

Explanation: Based upon observation, the sprinklers were operational during the assessment.

8. Finding Status: Remediated

Explanation: Based upon observation, the emergency exit door in Building 2 (Trim Warehouse) no longer has a lock during the assessment, and a push-bar has been installed.

9. Finding Status: Remediated

Explanation: Based upon observation, the factory has removed the fire extinguishers outside the building. The safety pins of all fire extinguishers were installed and in good condition.

10. Finding Status: Remediated

Explanation: Based upon observation, the fire hose cabinets outside have been replaced and are in good condition.

11. Finding Status: Remediated

Explanation: Based upon observation and workers interview and document review, LPG detectors were installed in the kitchen. Moreover, factory developed a LPG leakage procedure, and workers interview understood this procedure.

12. Finding Status: Not Remediated

Explanation: Based upon observation, two fire extinguishers were missing from its location at fabric warehouse and two fire extinguishers were obstructed at the canteen.

Root Causes: The factory ESH committee is not active and not conducting internal audits. There is a lack of crosschecking from the HSE team and low worker's awareness. The network of occupational safety-hygiene collaborators and fire safety team are not active. There is a lack of crosschecking from compliance team, and the team leaders/supervisors only focus on production.

13. Finding Status: Remediated

Explanation: Based upon observation & document review, the factory conducts checks every month. The electrical sockets and on cable trays were clean and in good condition.

Local Law or Code Requirement

TCVN 3890:2009, Art. 6 and FLA Workplace Code (Health, Safety and Environment Benchmarks - HSE.5, HSE. 6)

COMPANY ACTION PLANS

Action Plan no 1.

Description

N/A

Company Action Plan Update

3. The Maintenance department conducted heat detector inspection in Dec 2017, but the relevant document record was not maintained. Factory also conducts training to ensure that proper inspection documentation will be kept at maintenance department. Please refer to the supporting document # 7.3.

5. The maintenance staff of the factory linked the Fire alarm system of Building 1 to building 2. The factory has equipped the backup power of standby power over 40 hours and over 5 minute for fire alarm system. Please refer to the supporting document #7.5.

12. The firefighting team conduct internal fire safety inspection every month. Please refer to the supporting document #7.12.

PREVIOUS FINDING NO.8

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory's grounding system has deficiencies (discontinuous in certain sections and higher grounding level readings) and many areas do not have grounding protection. 2. There are 2-prong plugs being used in 3-prong sockets throughout the factory building; as a result, there is no ground protection for these sockets. 3. Tape has been used to fix electrical wires, the covers to some of the switchboards are missing, and some electrical panels are not properly labeled.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.13)

Root Causes

1. Although the factory has a compliance staff member, he has only received local law and Health & Safety training. No training needs assessment was carried out to identify other important topics, like auditing skills, communication skills, international standards, environmental protection, etc. 2. Internal audits planned and conducted as once per year and all related documentation/records maintained. However, there is not a detailed internal audit procedure established yet and internal audits are limited with a checklist control that is prepared by compliance staff. 3. Although there is an EHS Committee in place, information flow between Committee and management is not very effective.

Recommendations for Immediate Action

1. Ensure that the grounding system covers the entire electrical system in the factory. 2. Ensure that all electrical wires are properly repaired.

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: Based upon testing, the factory's grounding system was repaired and they have installed the ground protection. Moreover, the HSE team also provided the tools to checking this system.

2. Finding Status: Remediated

Explanation: Based upon observation, it was found that these sockets were used correctly type-by-type. The factory also installed the ground protection for these sockets.

3. Finding Status: Partially Remediated

Explanation: Based upon observation, electrical tape has been used to fix electrical wiring at the fabric warehouse.

Root Causes: The factory ESH committee is not active and not conducting internal audits. There is a lack of crosschecking from the HSE team and low worker's awareness. The network of occupational safety-hygiene collaborators and fire safety team are not active. There is a lack of crosschecking from compliance team, and the team leaders/supervisors only focus on production.

Local Law or Code Requirement

Law No. 27/2001/QH10, Art. 24 and FLA Workplace Code (Health, Safety and Environment Benchmarks – HSE.13)

Recommendations for Immediate Action

Ensure that all electrical wires are properly repaired.

COMPANY ACTION PLANS

Action Plan no 1.

Description

N/A

Company Action Plan Update

The factory has started to recheck the electrical wire in all the area and replaced the electrical wire which is linked by tape. In addition, factory also conduct regularly inspection to ensure electrical safety. Please refer to the supporting documents #8.3

PREVIOUS FINDING NO.9

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Available Material Safety Data Sheets (MSDS) include only 9 sections out of 16 required sections. 2. There are unlabeled/unmarked chemicals in different sections, such as the stain removing section and mechanical workshop. 3. There is not a system in place for replacing harmful chemicals (e.g., stain remover with trichloroethylene) with less hazardous ones. 4. The factory does not provide any dust mask as Personal Protective Equipment (PPE) to the sewing and cutting operators, as legally required. 5. The factory has not established and implemented steps to choose the appropriate PPE: for example, MSDS are not reviewed to identify correct PPEs, such as the use of carbon facemask in trichloroethylene use area. Additionally, the quality of the PPE is not monitored to ensure they meet the legal requirements/international standards. 6. The factory does not provide any safety shoes for the workers working at the warehouses and trans-pallet movement areas.

Local Law or Code Requirement

Circular 04/2014/TT-BLDTBXH, Article 3.3, Article 3.4, and Article 5.2; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.7, HSE.8, HSE.9, and HSE.10)

Root Causes

1. The factory has a person designated as compliance staff; however, he has only received an update on local law and Health & Safety trainings. There was no training needs assessment carried out to identify some other important trainings, such as auditing skills, communication skills, international standards, and Environmental Protection. 2. Internal audits planned and conducted as once per year and all related documentation/records maintained. However, there is not a detailed internal audit procedure established yet and internal audits are limited with a checklist control that is prepared by compliance staff. 3. There is not an effective system in place for reviewing policies and procedures on a periodical basis; instead, factory management reviews them whenever they become aware of any changes on local law/regulations. 4. Although there is an Environmental, Health & Safety EHS Committee in place, information flow between the Committee and management is not very effective.

Recommendations for Immediate Action

1. Ensure that PPE selection in different sections is in line with the PPE recommended on MSDS. 2. Label all chemicals with their content and their hazards and ensure that they are labeled in workers' local language. 3. Provide all workers with proper Personal Protective Equipment PPE: Ensure that all workers in the sewing and cutting sections are provided with a dust mask as proper PPE. Ensure that the workers working at warehouses and trans-pallet moving areas are provided with safety shoes. Regularly train and communicate to workers on the requirement to use PPE.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation: Based upon observation, the Material Safety Data Sheets (MSDS) at the washing section do not include the 16 required sections.

Root Causes: The factory ESH committee is not active and not conducting internal audits. There is a lack of crosschecking from the HSE team and low worker's awareness. The network of occupational safety-hygiene collaborators and fire safety team are not active. There is a lack of crosschecking from compliance team, and the team leaders/supervisors only focus on production. There is a lack of awareness on the FLA's Workplace Code and Benchmarks and legal requirements. Additionally, top management is not involved in updating/reviewing the legal requirement and other standards.

2. Finding Status: Not Remediated

Explanation: Based upon observation, the chemicals in the mechanical workshop and machinery storage were not labeled

Root Causes: The factory ESH committee is not active and not conducting internal audits. There is a lack of crosschecking from the HSE team and low worker's awareness. The network of occupational safety-hygiene collaborators and fire safety team are not active. There is a lack of crosschecking from compliance team, and the team leaders/supervisors only focus on production. There is a lack of awareness on the FLA's Workplace Code and Benchmarks and legal requirements. Additionally, top management is not involved in updating/reviewing the legal requirement and other standards.

3. Finding Status: Remediated

Explanation: Based upon observation and document review, the factory used Pulimak 2 to replace the harmful chemical (trichloroethylene) with a less hazardous alternative.

4. Finding Status: Partially Remediated

Explanation: The sewing and cutting workers generally buy dust-masks themselves. The factory management explained that if worker wants to get the dust-mask, they have to go to the clinic room to ask for the dust-mask.

Root Causes: The factory ESH committee is not active and not conducting internal audits. There is a lack of crosschecking from the HSE team and low worker's awareness. The network of occupational safety-hygiene collaborators and fire safety team are not active. There is a lack of crosschecking from compliance team, and the team leaders/supervisors only focus on production. There is a lack of awareness on the FLA's Workplace Code and Benchmarks and legal requirements. Additionally, top management is not involved in updating/reviewing the legal requirement and other standards.

5. Finding Status: Not Remediated

Explanation: The factory has not established the system or procedure to choose the proper PPE. For example, the MSDS (full-in-form with 16 items) in the cleaning area was not reviewed to identify the correct PPE. Workers using this chemical did not use the proper PPE while working at the cleaning area. The factory does not monitor the quality of the provided PPE to ensure that they meet international standards.

Root Causes: The factory ESH committee is not active and not conducting internal audits. There is a lack of crosschecking from the HSE team and low worker's awareness. The network of occupational safety-hygiene collaborators and fire safety team are not active. There is a lack of crosschecking from compliance team, and the team leaders/supervisors only focus on production. There is a lack of awareness on the FLA's Workplace Code and Benchmarks and legal requirements. Additionally, top management is not involved in updating/reviewing the legal requirement and other standards.

6. Finding Status: Remediated

Explanation: Based upon observation and document review, the factory provides safety shoes for the workers at the warehouses and trans-pallet movement areas, and that workers use them.

Local Law or Code Requirement

Law No. 06/2007/QH12, Art. 29; Circular No. 04/2014/TT-BLDTBXH, Art. 3, 5, 6 and FLA Workplace Code (Health, Safety, Environment Benchmarks - HSE.7; HSE.9; HSE.10)

Recommendations for Immediate Action

Ensure complete Material Safety Data Sheet, secondary containment and chemical labels are provided for all chemicals in the Factory. Ensure workers have access to personal protective equipment (PPE).

COMPANY ACTION PLANS

Action Plan no 1.

Description

Base on risk assessment and risk control hierarchy, proper PPE will be reviewed and selected for operator accordingly. Please refer to the supporting document #9.5.

Company Action Plan Update

1. <!--[endif]-->The factory required chemical supplier provide MSDS in Vietnamese with 16 items. MSDS is posted in the MSDS board of Chemical storage. Please refer to the supporting documents #9.1. GHS requirements are being reviewed and relevant team members are also trained.
 2. <!--[endif]-->The factory arranged a separated area to contain the chemical for mechanical workshop. Mechanical staff will manage their ownchemical and make sure the chemical have the label. Please refer to the supporting documents #9.2.
4. All sewing and cutting employees have been provided proper PPE according to PPE Management procedure. Please prefer to the

PREVIOUS FINDING NO.10

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Working pressure and maximum working pressure of the pressure vessels are not marked on manometers. 2. There are no guards on grinding, drill and circular saw machines. 3. Although there are finger guards on sewing machines, they are not properly positioned as they were shifted up by operators. The same problem was observed with the position of table saw guard. 4. There is no reverse gear siren on the contractor trucks with some of them with worn out tires. In addition, there is no control procedure for them. 5. Compressed air hoses are blinded by ties instead of proper fittings. 6. Cutting table laser's range goes beyond the table, posing risk for eyes. 7. The cutting machine's vacuum system does not have an exhaust, which might have an adverse effect on dust concentration in the cutting department. 8. The boiler operators were trained on OSH on Jul 25, 2015 and granted training certificates by an authorized training service center. However, none of them have an operation license, as required by law. (Note: This issue was identified in the last Better Work assessment but has not been addressed by the factory). 9. The factory does not label shelves with maximum weight limits in the trim/accessories warehouse. Some shelves are bent, posing a risk of collapse.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.7, HSE.8, and HSE.14)

Root Causes

1. Although the factory designated a person as a compliance staff; however, he has only received local law update and Health & Safety trainings. There was no training needs assessment carried out to identify some other important trainings like auditing skills, communication skills, international standards, and environmental protection. 2. Internal audits planned and conducted as once per year and all related documentation/records maintained. However, there is not a detailed internal audit procedure established yet and internal audits are limited with a checklist control that is prepared by compliance staff. 3. There is not an effective system in place for reviewing policies and procedures on a periodical basis; instead, factory management reviews them whenever they become aware of any changes on local law/regulations. 4. Although there is an EHS committee in place, information flow between committee and management is not very effective.

Recommendations for Immediate Action

1. Provide proper machine guards on grinding machine, drill and circular saw machines, which are high-risk machines in the maintenance department. 2. Ensure that boiler operators have the legally required operator license.

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: Based upon observation, the working pressure and maximum working pressure of the pressure vessels are marked (red color) on the manometers.

2. Finding Status: Remediated

Explanation: Based upon observation, guards have been installed on grinding, drill, and circular saw machines.

3. Finding Status: Remediated

Explanation: Based upon observation, finger guards on sewing machines were put at the correct position.

4. Finding Status: Remediated

Explanation: Based upon observation and document review, the security guards checked the truck tires and reversing alarms before the trucks access the factory.

5. Finding Status: Remediated

Explanation: Based upon observation, the factory provides the proper devices to blind compressed air hoses.

6. Finding Status: Remediated

Explanation: Based upon observation, the factory has installed a cover to limit the cutting table laser's range to protect workers' eyes.

7. Finding Status: Partially Remediated

Explanation: The cutting machine's vacuum system does not have an exhaust system, which might have an adverse effect on dust concentration in the cutting department. The factory management plans to improve this by 2018, as other Esquel factories have already installed an exhaust system. At present, there is a periodic maintenance schedule for this machine. Factory management provided a detailed overview of these plans to the assessors.

Root Causes: The factory ESH committee is not active and not conducting internal audits. There is a lack of crosschecking from the HSE team and low worker's awareness. The network of occupational safety-hygiene collaborators and fire safety team are not active. There is a lack of crosschecking from compliance team, and the team leaders/supervisors only focus on production.

8. Finding Status: Partially Remediated

Explanation: Only one out of four boiler operators have an operation license. In addition, the forklift operators do not have operation licenses.

Root Causes: The factory ESH committee is not active and not conducting internal audits. There is a lack of crosschecking from the HSE team and low worker's awareness. The network of occupational safety-hygiene collaborators and fire safety team are not active. There is a lack of crosschecking from compliance team, and the team leaders/supervisors only focus on production.

9. Finding Status: Remediated

Explanation: Based upon observation, shelves have been labeled with their maximum weight limits in the trim/accessories warehouse. Moreover, some shelves were repaired & replaced to ensure loading safety

Local Law or Code Requirement

Labor Code 2012, Art. 138; QCVN 01/2008/BLDTBXH, Art. 5 and FLA Workplace Code (Health, Safety, Environment Benchmarks - HSE.1; HSE.14)

Recommendations for Immediate Action

1. Ensure the cutting machine's vacuum system should have an exhaust system in place.
2. Ensure boiler and forklift operators have the license to operate respective equipment, as legally required.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Factory will ensure the operation license renewal on time in future. Refer to the supporting documents #10.8.

Company Action Plan Update

The factory was installed the vacuum system for cutting machine to exhaust the dust from that machine. The installation was completed by 15 Oct, 2019.

The operation license for boiler operators and forklift operators were renewed in Mar 2018.

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Chlorine and pH levels of the water used at the canteen do not meet the legal requirements: Chlorine: 0.1 mg/l versus standard of 0.3-.5; pH: 5.91 versus standards of 6.5 -8.5 shown on the inspection records conducted in August 2015. The canteen began its operation in September 2015. 2. There is no health monitoring for Grade 4 and 5 workers, as legally required. 3. Occupational health check is not planned or conducted for any of the workers. 4. There were several issues identified in the kitchen: a. The kitchen staff was wearing bracelets and food samples were kept at 5C (while the international standard is 4C or colder); b. Some kitchen material/tool was rusted; c. There were no fly nets on kitchen or canteen areas; d. The kitchen did not have any hand sanitizers or antibacterial mats. 5. Some medicine may need to be refrigerated; however, the factory has not conducted an assessment on which medicines have to be refrigerated, posing a health risk. 6. Drinking water bottles are communally used by multiple workers. In addition, these PET bottles are not suitable for continuous use. 7. There are no protective caps at the eye-washing station in the washing section and the water pressure was low. 8. Not all workers working standing are provided with anti-fatigue mats 9. While the Factory provides ergonomic breaks (5 minutes per shift to stretch with music broadcast), workers are not provided with ergonomic training.

Local Law or Code Requirement

Circular 15/2012/TT-BYT, Art 1.6; Vietnam Labor Code 2013, Article 151.6; Vietnam Labor Code 2013, Article 142.3; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.3, HSE.17, HSE.18, HSE.19, HSE.22 and HSE.23)

Root Causes

1. Although there is a compliance staff in place, he has only received local law update and H&S trainings so far. There wasn't a training needs assessment carried out to the compliance staff to identify some other important trainings like auditing skills, communication skills, international standards, and environmental protection. 2. The factory maintained internal audits that are planned and conducted as once per year and all related documentation/records. However, there is not a detailed internal audit procedure established yet and internal audits are limited with a checklist control that is prepared by compliance staff. 3. Although there is a EHS Committee in place, information flow between the Committee and management is not very effective.

Recommendations for Immediate Action

1. Ensure that chlorine and pH levels of the water in the canteen are within the legal limits. 2. Ensure that legally required occupational health check plan is prepared and implemented and health monitoring of Grade 4 and Grade 5 workers conducted.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: Based upon document review, the cooking water complies with the national standards.

2. Finding Status: Partially Remediated

Explanation: Based upon document review, manager, and medical staff interview, the latest health check of the factory was conducted on May 20, 2017 with 259 workers got Type IV and Type V of the health condition. However, only 36 out of 259 workers were tracked, consulted, and followed-up with to get a better understanding of their health conditions.

Root Causes: The factory ESH committee is not active and not conducting internal audits. There is a lack of crosschecking from the HSE team and low worker's awareness. The network of occupational safety-hygiene collaborators and fire safety team are not active. There is a lack of crosschecking from compliance team, and the team leaders/supervisors only focus on production. There is a lack of awareness on the FLA's Workplace Code and Benchmarks and legal requirements. Additionally, top management is not involved in updating/reviewing the legal requirement and other standards.

3. Finding Status: Remediated

Explanation: There is a written procedure to detect, prevent, follow up on, and treat for occupational health conditions and how to conduct the occupational health check for the workers. The factory has conducted an occupational health survey.

4. Finding Status: Remediated

Explanation: Based upon observation & document review and person in charge interview, it was noted that:

- a. As per reported by the in charge person, food samples were kept at the cooling temperature (about 4-5 degree Celsius)
- b. Factory replaced rusted tools
- c. Fly nets were installed on kitchen & canteen areas
- d. The kitchen was equipped hand sanitizers.

5. Finding Status: Not Remediated

Explanation: While the Factory has a procedure on how to store medicines, the factory has not conducted an assessment on which medicines have to be refrigerated. HSE.18.3

Root Causes: There is a lack of awareness on the FLA's Workplace Code and Benchmarks and legal requirements. Additionally, top management is not involved in updating/reviewing the legal requirement and other standards.

6. Finding Status: Partially Remediated

Explanation: Based upon document review, manager, and workers interviews, workers are provided one high quality bottle on their birthday as a gift. So far, the factory has been providing 1410 bottles for the workers in 2017. The remaining workers have birthdays in November and December 2017. New workers who begin working after their birthday have not been provided with bottles for drinking water. Thus, there are some workers still used PET bottles for drinking water. HSE.23

Root Causes There is a lack of awareness on the FLA's Workplace Code and Benchmarks and legal requirements. Additionally, top management is not involved in updating/reviewing the legal requirement and other standards.

7. Finding Status: Remediated

Explanation: Based upon observation, the factory replaced the eye-washing station to ensure water pressure and protective cap are in place.

8. Finding Status: Remediated

Explanation: Based upon observation, all standing workers are provided with anti-fatigue mats.

9. Finding Status: Remediated

Explanation: Based upon document review and workers interview, the ergonomic training document was provided for review. The latest training was conducted on February 23, 2017. Worker interview also confirmed that they knew this training and understood it.

Local Law or Code Requirement

Circular No. 19/2016/TT-BYT, Art. 2 and FLA Workplace Code (Health, Safety and Environment Benchmarks – HSE.1; HSE.18.3; HSE.22.1& HSE.23)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory will set up the procedure to manage and store medicines well and we will conduct the assessment which need to be refrigerated.

Company Action Plan Update

The factory has set up the procedure to manage & follow up the employee's health. Please refer to support document #11.2.

The factory organized occupational health check for the employees in 2018 and we will set up a procedure to manage, follow up the occupational health for the employee Please refer to support document #11.3

Factory have worked with local panel clinic on the management system. Please refer to support document #11.5

The factory changed the drinking machine for employees which can drink water directly from the machine. Water fountain system has been installed for all employees. Please refer to support document #11.6

PREVIOUS FINDING NO.12

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory uses a laser marking system at the cutting section; however, the potential related hazardous risks are not included in the risk assessment report, as per legal requirements. 2. Although there is a fall protection procedure in place, there are no clear guidelines on monitoring in it. 3. The factory does not have the legally required procedures for the use of gas cylinders in the canteen--the only place where gas cylinders are in operation since September 2015. 4. The factory management has not developed the Document on Working Conditions and Environment, as required by law. (Note: This was already identified as a non-compliance from the last Better Work assessment and has not been addressed by factory management.) 5. The H&S training for Group 4 is combined with WRAP training on August 21, 2015 (one day) instead of 2 days as per the legal requirement. 6. There is not a system in place for conducting a root cause analysis for the work accidents/injuries. 7. Safety operation procedure is not prepared for operations in the maintenance room that requires hot work permit (for welding & cutting). 8. The factory has a first aid/health treatment contract signed with the nearest hospital; however, this contract includes the requirement that the treatment request form should have the approval/signature of the HR personnel, clinic staff or security guards. If the worker asks for treatment without the approval signature of respective factory personnel, the factory will not cover any treatment costs. However, the HR personnel does not work during the 2nd and 3rd shifts and the clinic staff does not work during the 3rd shift. The factory management mentioned that they give the security guard signed request forms so that they can use the signed request forms during the night shifts in case they are needed. However, there were at least 5 cases in 2015 where this form was not available. 9. There is no legally required safety operation procedure for working in confined spaces (drying room). 10. No engineering report was available to review that verifies the structural safety of the motorbike park building.

Local Law or Code Requirement

Vietnam Labor Code 2013, Article 138.1.c, Article 138.1d, Article 142.3, and Article 144; Circular 27/2013/ TT-BLDTBXH, Article 6.1.a; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.14, and HSE.18)

Root Causes

1. Although there is a compliance staff in place, he has only received local law update and H&S trainings so far. There wasn't a training needs assessment carried out to identify some other important trainings like auditing skills, communication skills, international standards, environmental protection etc. 2. Internal audits planned and conducted as once per year and all related documentation/records maintained. However, there is not a detailed internal audit procedure established yet and internal audits are limited with a checklist control that is prepared by compliance staff. 3. Although there is an EHS committee in place, information flow between committee and management is not very effective.

Recommendations for Immediate Action

1. Revise the contract with the service provider hospital to exclude the requirement for approval by HR/clinic staff for any emergencies that may happen on second and third shifts.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: Based upon document review and observation, it was noted that the covers were equipped at the cutting machines to reduce the effect from laser. The risk assessment of the cutting area and cutting machine was also updated and reflected with the protection mechanism at the laser cutting machine.

2. Finding Status: Remediated

Explanation: The fall protection procedure with the monitoring guidelines was provided for review. Worker interviews also confirmed that they understood this procedure.

3. Finding Status: Remediated

Explanation: The procedure for the use of gas cylinders in the canteen was provided for review. Worker interviews also confirmed that they understood this procedure.

4. Finding Status: Remediated

Explanation: The latest document on working condition environment was conducted on January 2, 2017.

5. Finding Status: Not Remediated

Explanation: Based upon document review, manager, and workers interviews. The health and safety training for Group 4 (the workers) was conducted and combined with WRAP training in September 2017, and was only 1.5 hour and did not meet the legal requirements.

Root Causes: The factory ESH committee is not active and not conducting internal audits. There is a lack of crosschecking from the HSE team and low worker's awareness. The network of occupational safety-hygiene collaborators and fire safety team are not active. There is a lack of crosschecking from compliance team, and the team leaders/supervisors only focus on production. There is a lack of awareness on the FLA's Workplace Code and Benchmarks and legal requirements. Additionally, top management is not involved in updating/reviewing the legal requirement and other standards.

6. Finding Status: Remediated

Explanation: Based upon document review, the factory has a system in place to conduct the root cause analysis for accidents and injuries.

7. Finding Status: Remediated

Explanation: Safe operation procedures for operations in the maintenance room that requires hot work permit were provided for review. Worker interviews also confirmed that they understood this procedure.

8. Finding Status: Remediated

Explanation: The factory still contracted with this hospital, and they used the form with the signature already filled in with a taxi card for night shift workers. Thus, workers who were working at night shift could go to the hospital anytime in case of accident/injury happened at night. Workers interview also confirmed that they understood this procedure.

9. Finding Status: Remediated

Explanation: The safe operation procedure for working in confined spaces was provided for review. Worker interviews also confirmed that they understood this procedure.

10. Finding Status: Remediated

Explanation: The structural safety engineering report of the motorbike park building was provided for review.

Local Law or Code Requirement

Decree No. 44/2016/ND-CP, Art. 17 and FLA Workplace Code (Health, Safety and Environment Benchmarks – HSE.1)

COMPANY ACTION PLANS

Action Plan no 1.

Description

N/A

Company Action Plan Update

1. The EHS training is separated from other training and factory will record properly included classroom training and practical training in the shop floor to ensure the total training time is accordance with local standard. Factory completed ESH external training as legal requirement (Decree No. 44/2016/ND-CP) in June 2019. Please refer to the support document #12.4. Factory will also continue to conduct the regular refresher trainings annually.

PREVIOUS FINDING NO.13

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. The Environmental Protection plan is not updated in line with the expansion of washing section and the increase of the production capacity. 2. There is no inventory list of ozone depleting substances (ODS). It was not possible to identify the type of refrigerant in use in the existing A/C systems. 3. Oil contaminated water from the compressors, air tanks and dryers is directly discharged to outside environment. In addition, there are marks of previous oil contamination at the compressor room. 4. Solid waste is collected and dumped around the factory building in non-segregated waste streams (hazardous/nonhazardous). 5. There is mixed solid waste in solid waste areas. 6. There is no capacity calculation for designing the secondary containments for diesel tank and chemicals at washing section.

Local Law or Code Requirement

Law on Environmental Protection, No. 55/2014/QH13, Article 20.1.c on June 23, 2014; FLA Workplace Code (Employment Relationship Benchmark ER.31, Health, Safety & Environment Benchmarks HSE.1, HSE.4 and HSE.9)

Root Causes

1. Although there is a compliance staff in place, he has only received local law update and H&S trainings so far. There wasn't a training needs assessment carried out to identify some other important trainings like auditing skills, communication skills, international standards, environmental protection...etc. 2. Internal audits planned and conducted as once per year and all related documentation/records maintained. However, there is not a detailed internal audit procedure established yet and internal audits are limited with a checklist control that is prepared by compliance staff. 3. Although there is an EHS committee in place, information flow between committee and management is not very effective.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: Based upon document review, the factory conducted a new environmental protection plan in 2016 and got the approval for the new one on April 20, 2016.

2. Finding Status: Remediated

Explanation: The inventory list of ozone depleting substances (ODS) was provided for review. It included all types of refrigerant of the factory.

3. Finding Status: Remediated

Explanation: Based upon observation, the factory has repaired and installed a pipe to collect oil contaminated water from the

compressors, air tanks, and dryers. This water is treated before discharged to outside environment. In addition, there was no oil contamination at the compressor room.

4. Finding Status: Not Remediated

Explanation: Based upon observation, some hazardous waste (fluorescent light & paintbrush and empty chemical) were placed at the warehouse, canteen, outside of the maintenance workshop, and boiler area, instead of stored at the hazardous waste storage area.

Root Causes: The factory ESH committee is not active and not conducting internal audits. There is a lack of crosschecking from the HSE team and low worker's awareness. The network of occupational safety-hygiene collaborators and fire safety team are not active. There is a lack of crosschecking from compliance team, and the team leaders/supervisors only focus on production. There is a lack of awareness on the FLA's Workplace Code and Benchmarks and legal requirements. Additionally, top management is not involved in updating/reviewing the legal requirement and other standards.

5. Finding Status: Remediated

Explanation: Based upon observation, the factory has designated an area to store solid waste before it is collected by the authorized service company.

6. Finding Status: Remediated

Explanation: Based upon observation & document review and factory interview, the factory has calculated the capacity necessary for the secondary containments for the diesel tank and chemicals at washing section to ensure 110% total volume chemical inside.

Local Law or Code Requirement

Circular No. 36/2015/TT-BTNMT, Art. 7 and FLA Workplace Code (Health, Safety and Environment Benchmarks – HSE.1)

COMPANY ACTION PLANS

Action Plan no 1.

Description

N/A

Company Action Plan Update

<!--[endif]-->The factory also reminded all the related department (maintenance, canteen) must put the hazardous waste in the hazardous storage and not throw away to other area. CSR team also conduct EHS internal audit to monitor the compliance of the factory regularly. Please refer to supporting document #13.4

PREVIOUS FINDING NO.14

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. External units of air conditions are exposed to direct sunlight which reduces their cooling performance. 2. Some taps and flushes in restrooms in production areas were leaking. 3. Compressed air and steam leakages were observed throughout the factory in different sections. 4. Steam lines and valves do not have any isolation for heat loss/emergency efficiency. 5. There is not a system in place for turning off the lighting/electricity/compressed air of the production lines while they are idle (e.g., break time).

Local Law or Code Requirement

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

Root Causes

1. Although there is a compliance staff in place, he has only received a local law update and Health & Safety trainings so far. There was

no training needs assessment carried out for the compliance staff to identify some important trainings, such as auditing skills, communication skills, international standards, and Environmental Protection. 2. Internal audits are planned and conducted once per year and all related documentation/records maintained. However, there is no detailed internal audit procedure established yet and internal audits are limited with a checklist control that is prepared by compliance staff. 3. Although there is an Environmental, Health & Safety (EHS) committee in place, information flow between committee and management is not very effective.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: Based upon observation, the factory has installed covers for air conditions to reduce direct sunlight.

2. Finding Status: Remediated

Explanation: Based upon observation, the taps and flushes in restrooms in the production areas were repaired and replaced to avoid leaking.

3. Finding Status: Remediated

Explanation: Based upon observation, compressed air and steam in the production areas were repaired and replaced to avoid leaking.

4. Finding Status: Remediated

Explanation: Based upon observation, the factory has installed isolation for Steam lines and valves.

5. Finding Status: Remediated

Explanation: Based upon document review and manager interview, the factory issued regulations on turning off the machine, light during break time & rest day on April 19, 2017 as informed to maintenance, Line supervisor, and security guards.

PREVIOUS FINDING NO.15

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

1. The factory does not communicate the policies and procedures and their updates for the following Employment Functions to the general workforce: Wages & Benefits, Termination & Retrenchment, Workplace Conduct & Discipline, Grievance System, Environmental Protection, and Health & Safety.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, ER.27, and ER.32; Compensation Benchmark C.17)

Root Causes

1. Worker representation system is not effective. 2. There are not enough training opportunities due to busy production schedule.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation: Based upon document review and worker interviews, the factory had not communicated the policies and procedures for the following Employment Functions to the general workforce: Termination & Retrenchment. In practice, factory used the same training material for all new workers and current workers. However, the training material did not include the content of Termination & Retrenchment policies and procedures. Moreover, the content of Wage & Benefit regulation in training material was not updated to reflect the actual practice in factory.

Root Causes: ESH committee is not active and not conducting internal audits periodically; Lack of crosscheck from compliance team; Lack of awareness on FLA's Code and Benchmarks and Law requirements; Top management did not take time to involve in updating/reviewing the law requirement and other standards

Local Law or Code Requirement

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

COMPANY ACTION PLANS

Action Plan no 1.

Description

N/A

Planned completion date

12/31/18

Company Action Plan Update

<!--[endif]-->The termination & retrenchment procedure is posted on the notice board. The factory is reviewing the training materials. The updated wage & benefit, termination and retrenchment is also included in the training materials for new workers. Please refer to support document # 15.1

New Findings and Action Plans

NEW FINDING NO.1

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. All first aids kits only have eight items instead of the legally required 20 items. HSE.18.3 2. One Electrical panel at machinery storage is obstructed by semi-completed products. HSE.1 3. One cutting worker uses damaged metal gloves. Two additional workers are using unsuitable metal gloves, as it was too large for the workers hands. HSE.7 4. Workers in the spot cleaning room are not using PPE: gloves, carbon masks, apron. No PPE is provided for maintenance workers who work at the paint spraying area.HSE.7 5. There are no warning signs such as "Authorized Personnel Only" or "No Smoking" posted at the hazardous and non-hazardous wastes storage and generator rooms. HSE.1 6. Two heating machines at cutting section are operated at temperatures up to 170 degrees Celsius. However, there is no heating warning signs posted, and fabric gloves provided for workers. HSE.1 7. The locking devices for the mobile platform in the fabric warehouse is damaged. HSE.1

Local Law or Code Requirement

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

Root Causes

1. The factory ESH committee is not active and not conducting internal audits. 2. There is a lack of crosschecking from the HSE team and low worker's awareness. 3. The network of occupational safety-hygiene collaborators and fire safety team are not active. 4. There is a lack of crosschecking from compliance team, and the team leaders/supervisors only focus on production. 5. There is a lack of awareness on the FLA's Workplace Code and Benchmarks and legal requirements. 6. Additionally, top management is not involved in updating/reviewing the legal requirement and other standards.

FLA's Recommendations for Sustainable Improvements

1. The "No exit" sign should be installed at the doors which are not for emergency exit. 2. FOAM operation Procedure shall be developed & trained on person in-charged.

COMPANY ACTION PLANS

Action Plan no 1.

Description

The firefighting team conducts internal EHS inspection every month to ensure all department comply the fire safety regulation.

Company Action Plan Update

The factory equipped full items for the first aid kit (24 items) as the law required.

The cutting department re-communicated to their own employees that they could change PPEs when it was damaged or not suitable with the workers. All workers in cutting department wear proper PPE.

The factory provided PPEs for the maintenance workers who work in paint spraying area and reminded spotting workers wearing PPEs when using chemical.

The factory posted the warning signs "No smoking" and "Authorized person only" at the hazardous waste and non-hazardous waste storage.

The factory posted the warning sign "Hot surface" on the heat transfer machine and we provided fabric gloves for the workers.

Factory changed the mobile platform.

Please refer to the supporting documents #16.

NEW FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Three exist aisles are obstructed by trollies in the accessories warehouse, and in the parking lot by a motorbike. Two exit doors in the canteen and training room are obstructed. One exit door at the washing room is a rolling door. HSE.5 2. Two outside fire hoses are obstructed by trees. Four fire extinguishers in the canteen and cutting area are obstructed by a table and raw materials. Moreover, the operating instructions for the MFZ fire extinguisher are posted at the CO2 fire extinguisher. HSE.5 3. There is no emergency light in the training room on the first floor, and the parking lot, finished goods warehouse, and canteen staircases. HSE.1, HSE.5 4. Four evacuation maps in the accessories, layout, and finished goods warehouse do not match the actual layout of these areas. There is no marking the yellow line & escape arrow in training room (Ground & 1st floor). HSE.5 5. There is no automatic fire extinguisher at the non-hazardous waste storage. HSE.1, HSE.5 6. There are surface level cracks observed in the factory building. The factory signed a contract with a construction company to repair these cracks on Sep 27, 2017, to be completed on December, 2017. HSE.1

Local Law or Code Requirement

Root Causes

1. The factory ESH committee is not active and not conducting internal audits. 2. There is a lack of crosschecking from the HSE team and low worker's awareness. 3. The network of occupational safety-hygiene collaborators and fire safety team are not active. 4. There is a lack of crosschecking from compliance team, and the team leaders/supervisors only focus on production. 5. There is a lack of awareness on the FLA's Workplace Code and Benchmarks and legal requirements. 6. Additionally, top management is not involved in updating/reviewing the legal requirement and other standards.

Recommendations for Immediate Action

1. Exist aisles/exit doors shall be free of obstructions at all times and open outward. 2. Ensure that fire equipment (fire hoses & fire extinguishers) is free of obstructions at all times. 3. Equip the emergency exit doors and staircases with functional emergency lights and illuminated exit signs. 4. Post "NO EXIT" signs on doors that do not open to the exterior of the building. 5. Match evacuation maps with the actual layout of the factory and mark them to show all necessary information: location of first aid kit, fire alarm, fire hose, exit door & you are here signs, and fire extinguishers. 6. Install an automatic fire extinguisher at the normal waste storage.

COMPANY ACTION PLANS

Action Plan no 1.

Description

The firefighting team will inspect the fire safety compliance regularly and conduct internal audit every month to ensure all the fire-fighting equipment freely accessible.

Company Action Plan Update

1. The aisles and exits were clear immediately. The firefighting team will inspect the fire safety compliance regularly and conduct internal audit every month to ensure all the exit aisles and doors are obstructed. The rolling door in the washing area currently has the locking devices to ensure that the rolling door cannot go down when having emergency case.

2. The factory cut the tree which was obstructed the fire hoses outside of the factory. The fire extinguisher operating instructions has been updated and it's being posted at all relevant areas.

3. The factory installed emergency lights for the training room, parking lot, finished good warehouse, canteen staircase.

4. The factory adjusted the evacuation maps for accessories, finished goods, layout to match with the actual layout of these area.

5. The factory installed the automatic fire-extinguishers for both non-hazardous and hazardous waste storage.

6. The factory hired the sub-contractor to repair the crack of the building.

Please refer to the supporting documents #17.

NEW FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The fire-fighting team, health and safety committee, and environmental protection team have not been updated with the list of members. HSE.1 2. The foods samples are not kept for at least 72 hours, instead they are kept for the legal minimum of 24 hours. HSE.22.1 3. The fire training documents for the fire-fighting team were not provided for review. The latest training was conducted on September 16, 2016. The factory management stated that the fire-fighting team attended the training in September 2017, but the local Fire Police Department has not yet sent the training certificate to the factory. HSE.1 4. A health and safety training for Group 3 workers (welders, boiler operators) has not been conducted. HSE.14 5. The factory has not conducted maintenance for the automatic fire-fighting system at least once time per year. The factory has only conducted internal inspection for this system. HSE.6 6. According to the Inspection Report of the local Fire Police Department on September 14, 2017, the factory was required to install sufficient equipment and tool for the 47 member fire-fighting team. Currently, the factory only has 15 sets of equipment and tools. HSE.6 7. The risk assessment was conducted and provided for review. However, it was missing the milestone and deadline, person in charge, and crosscheck mechanism for the prevention actions. HSE.1 8. The fire risk assessment has not been updated, the latest one was conducted on July 9, 2015. Thus, it does not cover all areas such as the boiler, compressor, cooking area, gas station, generator area, and parking area. HSE.1 9. The canteen employees are provided with a health check, however, it does not include cholera, dysentery, typhoid, and viral hepatitis. HSE.1 10. There were four accidents that occurred in the first six months of 2017. However, two of these cases were not reported to the local authority. In addition, the procedure for handling the accident was not included for the transportation accident (within the proper time). Furthermore, the handling procedure documents do not meet the latest requirement of Decree No. 39/2016/ND-CP. HSE.1 11. The facility does not have a breastfeeding room for female workers; factory management stated that they plan to set up this room by the end of this year. ND.8.1 12. Not all of the Health and Safety policies and procedures are periodically reviewed, and training is not provided to relevant employees. ER.31.1

Local Law or Code Requirement

Decree No. 44/2016/ND-CP, Art. 17; TCVN 3890:2009, Art. 6; Circular 56/2014/TT-BCA; Circular 48/2015/TT-BCA; Circular No. 07/2016/TT-BLDTBXH, Art. 7; Decision 21/2007/BYT, Art. 3 and Decree No. 39/2016/ND-CP, Art. 10 – 16; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.6, HSE.14, HSE.18.3, HSE.22.1; Nondiscrimination ND.8.1; Employment Relationship ER.31.1)

Root Causes

1. The factory ESH committee is not active and not conducting internal audits. 2. There is a lack of crosschecking from the HSE team and low worker's awareness. 3. The network of occupational safety-hygiene collaborators and fire safety team are not active. 4. There is a lack of crosschecking from compliance team, and the team leaders/supervisors only focus on production. 5. There is a lack of awareness on the FLA's Workplace Code and Benchmarks and legal requirements. 6. Additionally, top management is not involved in updating/reviewing the legal requirement and other standards.

FLA's Recommendations for Sustainable Improvements

1. The fire-fighting team, health and safety committee, environmental protection team shall be updated when someone belongs to the team resigns. 2. The foods samples shall be kept for at least 72 hours. 3. Ensure that all required documents are available for review. 4. The elders, boiler operators shall be trained by the competent authority, as legally required. 5. Ensure fire alarm system and fire-fighting system is maintained periodically, as legally required. 6. The fire clothing shall be equipped for the fire-fighting team as legally required. 7. The risk assessment shall have the milestone and deadline, person in charge and crosscheck mechanism for the prevention actions, as legally required. 8. The fire risk assessment shall be updated and reviewed to cover all areas with risk of fire and explosion in the factory. 9. The health check for canteen employee shall be provided with sufficient required items. 10. The procedures for handling the accident shall be followed the applicable requirements. 11. The breastfeeding room shall be provided at the factory. 12. The HSE policies and procedures shall be reviewed and trained to relevant employees periodically. 13. The temperature for storing the medicines at the clinic room shall be below 30 degree Celsius as per applicable standard

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The fire-fighting team and HSE committee is updated by HR when having change in the team member.

2. The factory is complied with local standard with 24 hours of food sample retention. In case of any suspicions of foodborne illness, the food only be discarded after the notification from local authorities.

3. The factory maintain the document of the fire-fighting team including the certificate.

4. The factory arranged for the welder and boiler operators participating in Health and Safety training (Group 3).

5. The automatic fire-fighting system inspection and maintenance was conducted in Jan 2019. .

6. The factory equipped the fire clothing for all members of fire-fighting.

7. The factory had conducted the risk assessment in Dec 2018. The assessment have the milestone and deadline, person in charge and crosscheck mechanism for the prevention actions, as legally required.

8. The factory has updated the fire assessment for all areas which include the boiler, compressor, cooking area, gas station, generator area, and parking area in Dec 2018.

9. A health check including cholera, dysentery, typhoid, and viral hepatitis, is conducted for all canteen employees.

10. The factory has reviewed the accident investigation procedure to follow the law's requirements in Dec 2018.

11. The breastfeeding room is provided at the factory in Jun 2019.

12. The factory has reviewed and updated the EHS procedure in Jan 2019. Corresponding training is conducted regularly.

NEW FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. New workers undergo an apprentice period for 1 month and, once completed, sign a labor contract. However, for these workers who signs labor contract after 16th of the current month, their new wages only take effect the 1st day of the following month. For example: Worker A signed apprentice contract on June 29 2017 with salary of VND 3,937,500. After completing the apprentice contract, Worker A signed labor contract on July 29 with new salary of VND 4,214,000. This new salary will only take effect starting August 1, 2017. Meaning that there is a three day period where this worker is no-longer an apprentice, but is not receiving the salary of a full worker. 2. There was one worker and four security guards from the fire brigade team who attended the fire skill training course on September 27-28, 2017. These employees worked on shift 2 (14:00-22:00) and shift 3 (22:00-6:00) on those two training days. However, factory did not record their time-in/out, and no OT payment was paid for the training time. The training time was from 8:00 – 16:00 of each training day.

Local Law or Code Requirement

Vietnam Labor Code 2012, Article 5 & 15; Decree 45/2013/ND-CP, Article 3.8 & FLA Workplace Code (Compensation Benchmarks C.1 & C.2 & C.7)

Root Causes

1. Lack of knowledge by person in-charged. 2. Lack of reviewing and crosscheck from HR department and top management

Recommendations for Immediate Action

1. Pay the correct salary immediately after a labor contract is signed. Provide back-payment for the affected workers. 2. Ensure that training time is recorded and paid correctly.

FLA's Recommendations for Sustainable Improvements

1. The factory must identify the manager or supervisor who will: 1) implement a formal, documented and regular review process for its probation contract, fixed term contract, factory policies, procedures as they pertain to wage and benefit policy and procedure and their implementation in a consultative (with workers and managers) manner and; 2) amend them when warranted. 2. The facility shall identify the manager who will be responsible for ensuring that implementation of all listed requirements is completed in a timely and effective manner. This manager must ensure that at a minimum: The facility compensates workers for all hours worked. Specifically, the facility complies with all applicable laws, regulations and procedures governing the payment of premium rates for work on holidays, rest days, and overtime.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory revised the effective date of new wage after signing labour contract immediately.

2. Fire police (Trainer) only conducted the fire skill training course on the afternoon of 28 Sept, 2017. Factory adjusted the supplement payment for them who were shortage of OT hours for this training course in Nov 2017 salary.

NEW FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. The annual leave for 129 senior workers is not rounded-up, as legally required. For example: Worker A joined the factory on February 14, 2006 with annual leave calculation: $15/12 \times 2$ (working months in 2017) + $16/12 \times 10$ (working months in 2017 which equal to 10 working years) = 2.5 + 13.3 = 15.8. However, factory did not round up the result into 16 annual leave days as required by law.

Local Law or Code Requirement

Decree 45/2013/ND-CP, Article 7; Vietnam Labor Code, Article 112 & FLA Workplace Code (Hours of Work Benchmarks HOW.11)

Root Causes

1. Lack of knowledge by person in-charged.

Recommendations for Immediate Action

1. Ensure calculation of annual leave for senior workers who had over five working years in the factory.

FLA's Recommendations for Sustainable Improvements

1. The facility shall identify the manager who will be responsible for ensuring that implementation of all listed requirements is completed in a timely and effective manner. This manager must ensure that at a minimum: The facility provides all legally mandated and correctly calculated fringe benefits, including annual leave to all eligible workers within legally defined time periods.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The factory arranged the pay back for annual leave balance to the relevant 105 employees, since 24 employees are staff, who are not entitled to annual leave balance payment. Please refer to the supporting document #20.

NEW FINDING NO.6

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. Factory required fewer working hours for two elderly workers (7 working hours/day, 6 working days/week) as required by law. However, the labor contracts and annex contracts for these elderly workers does not regulate the working hours. ER.16

Local Law or Code Requirement

Vietnam Labor Code, Article 23 & FLA Workplace Code (Employment Relationship Benchmarks ER.16)

Root Causes

1. Lack of review and crosschecks from the HR department and top management

FLA's Recommendations for Sustainable Improvements

1. The facility shall identify the manager who will be responsible for ensuring that implementation of all listed requirements is completed in a timely and effective manner. This manager must ensure that at a minimum: National laws governing contract/contingent/temporary workers are observed. These workers are provided an employment agreement, setting out the employment terms and conditions.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The factory has supplemented annex of labor contract for elderly workers. Kindly refer to the supporting document #21.

NEW FINDING NO.7

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. Factory promulgated the Grievance form (EAV.HRD.036) for workers to use in case workers want to complain. However, this Grievance form is not available at the designed place (e.g. suggestion box) for workers to easily use and reference. Additionally, the suggestion boxes are not located to ensure privacy. Most of the interviewed workers confirmed that they were shy and uncomfortable to raise their concerns or complaint in writing due since the suggestion boxes are made from clear plastic. ER.27 2. The disciplinary procedure does not include a third party witness during imposition or an appeal process. In practice, a worker representative is available as a 3rd party witness of workers during the disciplinary meetings. Legally, employees shall not be disciplined in period of raising children under 12 months of age, but the factory does not track the list of male workers who had child under 12 months old. ER.27

Local Law or Code Requirement

Decree 05/2015/ND-CP, Article 29; FLA Workplace Code (Employment Relationship Benchmark ER.27)

Root Causes

1. Lack of awareness on the FLA's Workplace Code and Benchmarks and legal requirements. 2. The Compliance team and factory management did not spend time on doing research workers' opinion on using suggestion box material 3. Lack of crosscheck from in-charge person

FLA's Recommendations for Sustainable Improvements

1. The facility shall identify the manager who will be responsible for ensuring that implementation of all listed requirements is completed in a timely and effective manner. This manager must ensure that at a minimum: The facility ensures managers and supervisors are fully familiar with the workplace disciplinary system and in applying appropriate disciplinary practices. The disciplinary system is applied in a fair and non-discriminatory manner and includes a management review of the actions by someone senior to the manager who imposed the disciplinary action. The facility maintains written records of all disciplinary actions taken. 2. The facility shall identify the manager who will be responsible for ensuring that written, documented policies and procedures are developed or updated to address all listed requirements. This manager must ensure that at a minimum: The facility complies with all national laws, regulations and procedures concerning discipline.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The factory has posted full Grievance procedure by using visual tool for employee, so that employees can be fully familiar with the workplace disciplinary system and in applying appropriate disciplinary practice.

Facility also introduce to use QR code as a new method for Grievance in order that workers are free to send their complaints or suggestions (not be shy or in case paper forms unavailable).

2. The factory has tracked the employees list (including male & female employees) who are in period of raising children under 12 months of age, so that no disciplinary actions will be applied for those employees.

Kindly refer to the supporting document #22.