



## Verification Assessment

COMPANIES: Nike, Inc  
Russell Brands/Fruit of the Loom

COUNTRY: Vietnam

ASSESSMENT DATE: 09/12/17

ASSESSOR: FLA EMEA

PRODUCTS: Balls

NUMBER OF WORKERS:

## FLA Comments

This SCI is a verification assessment of assessment AA0000000514. All corrective action plan updates for AA0000000514 will be published on this report.

Company Exit Language: Due to a reduction in footprint driven by business decisions, Russell / Fruit of the Loom has ceased production at this facility. At the time of exit, Russell / Fruit of the Loom represented about fifteen percent of the factory's capacity.

## 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: Termination & Retrenchment

##### Finding Explanation

1. The factory has written procedures for Termination, but not Retrenchment. [ER.1, ER.32]
2. There is no training for supervisors on termination or retrenchment procedures. [ER.17]
3. There are inconsistencies in the factory's written policies/procedures on dismissal. Additionally they are not in compliance with Article 29.2 of the Labor Law, which stipulates that during the probation, each party is entitled to terminate the probation without prior notice and without compensation if the probation fails to satisfy the requirements agreed by both parties:
  - a. According to point 4.3.3 of the factory's Labor Regulation; if during the probationary or apprenticeship period workers fail to fulfill their job, the company will terminate them without prior notice.
  - b. According to point 4.1.1 of the Resignation Policy SMP-PY016, if during the probationary or apprenticeship period workers wish to quit, they should inform the company three days beforehand. However, according to point 5.2 of the Resignation Procedures HR02-SP006; if during the probationary or apprentice period workers want to quit, they should inform the company one day beforehand. [ER.1]
4. Some contents of the factory's policy and procedures do not comply with the local law:
  - a. According to Point 4.5.5 of the factory's Labor Regulations; when workers suffer from sickness or accident, and do not recover after 90 consecutive days of treatment, they must sign a resignation letter, which requires a 30 to 45 days prior notice. This violates Article 37.1g of the Labor Law, which stipulates that in such a situation, the worker has the right to terminate the labor contract and notify the company three days in advance.
  - b. According to point 4.4 of the Resignation Policy SMP-PY016; if a worker cannot finish job transition procedures before resignation, the company will withhold his/her salary, with the consent of the worker, until the transition is completed. This violates Article 47.2 of the Labor Law, which stipulates that within seven days of the termination of the labor contract, both parties must pay the amounts owed to each other in full; this time limit may be extended, but must not exceed 30 days.
  - c. The factory does not have a policy to pay severance allowances to workers who have probationary/apprentice period and maternity period. This violates Article 48.2 of the Labor Law. [ER.1]
5. The factory does not review its retrenchment policy and procedures, or communicate them to the general workforce. [ER.16, ER.1]

##### Local Law or Code Requirement

## VERIFICATION RESULT

### Finding Status

Not Remediated

### Remediation Details

1. Finding Status: Partially Remediated

#### Explanation:

The factory has established the retrenchment policy and procedure #SMP-PY-018 dated March 11, 2015. However, based on worker interviews and documentation review, the retrenchment procedure was improperly implemented. Currently, the production managers directly make and implement the retrenchment decisions, instead of following the established retrenchment procedures. The human resources department, top management, and the Labor Union are not engaged in the retrenchment process for any of the production sections. [ER.1, ER.32]

#### Root Causes:

1. The factory does not fully understand the FLA Code related to policies and procedures or the Vietnamese Labor Code on retrenchment.

2. There is no effective internal training or communication system.

2. Finding Status: Partially Remediated

#### Explanation:

Based on the provided training records, the factory management has arranged for the training of supervisors on termination and retrenchment. However, supervisors and managers are not aware of how to apply the termination and retrenchment procedures in practice. [ER.17]

#### Root Causes:

1. There is no effective and consistent internal monitoring.

2. There is a lack of understanding of the local laws and FLA requirements.

3. Finding Status: Remediated

#### Explanation:

Based on document review, the policy and procedures on dismissal are now consistent and in compliance with that Law stipulating that during probation, each party is entitled to terminate the probation without prior notice or without compensation.

4. Finding Status: Remediated

#### Explanation:

Based on document review, the factory's policies and procedures are now in compliance with the Vietnam Labor Law. The policies and procedures cite that when a worker suffers from an illness or an accident, that worker has the right to terminate the labor contract and notify the company three days in advance and within seven days of the termination of the contract. Both parties must pay the amounts owed to each other in full. This time limit may be extended, but must not exceed 30 days. The factory now has a policy to pay severance allowances to workers who have probationary/apprentice period and maternity period.

5. Finding Status: Not Remediated

#### Explanation:

The factory has not reviewed its retrenchment policy and procedure since they were established in 2015. Also, the general workforce has not been trained on the retrenchment procedures. [ER.16, ER.1]

### Local Law or Code Requirement

Vietnamese Labor Code 10/2012/QH13, Article 44; Decree 05/2015/ND-CP, Article 13 Clause 3; Circular 47/2015/TTBLDTBXH, Article 7; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, ER.17, and ER.32)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1.1 Before factory makes contract with employee, the department manager will make a assessment to the employee when the contract need to be renewed. If the employee fails assessment, then factory will inform the employee as local law requirement.

1.2 It happened due to there is no retrenchment practice in the factory. Factory has established relative procedure and also provide training for the managers and supervisors.

1.5 It happened due to there is no retrenchment practice in the factory. Factory has added relative procedure into annual HR knowledge training and has annual review them or in case of any change.

## PREVIOUS FINDING NO.2

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Compensation

##### Finding Explanation

The factory has a written policy on incentive bonuses, but it lacks a clear formula for the printing department. Incentive bonuses are calculated for production by multiplying unit price and quantity of pieces exceeding the daily target produced by each worker. The factory has daily target and unit price for each process, but not for the Printing Department. Most workers, team leaders and printing managers cannot explain how to calculate the incentive bonus for printing. [C.17]

##### Local Law or Code Requirement

FLA Workplace Code (Compensation Benchmarks C.17)

### VERIFICATION RESULT

##### Finding Status

Remediated

##### Remediation Details

1. Finding Status: Remediated

##### Explanation:

Based on a document review, it was noted that the factory has established a clear formula for calculating incentive bonuses. This formula is posted on a bulletin board at each division and regularly communicated to employees.

## PREVIOUS FINDING NO.3

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Industrial Relations

##### Finding Explanation

1. The factory has a written Industrial Relations policy, but it lacks written procedures on Freedom of Association. [FOA.1]
2. The factory has a trade union under the Vietnam General Confederation of Labor (VGCL) that was established on December 7th, 2012. [FOA.2]
3. Supervisors from each department nominated the five union representatives, instead of having an election by the workers. [FOA.2, ER.26]
4. Workers are not provided with a copy of the Collective Bargaining Agreement (CBA). Most of the interviewed workers were not aware of the CBA. This violates Article 74.3 of the Labor Code. [ER.16]
5. Democracy Regulations were established on February 10, 2014; however, the company has not set up periodic Dialogue Regulations and Employee Meeting Regulations as required by Decree 60/ND-CP. Two dialogue meetings were held in May and July of 2014; however, minutes for the meetings were not posted for workers' FINDING NO.3 reference, and the interviewed workers were not aware of the meeting results. This violates Article 12 of Decree No. 60/ND-CP. [ER.16]

6. The factory does not provide training for relevant supervisors on Industrial Relations and Freedom of Association. [ER.17]

7. 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. [FOA.2, ER.26]

#### Local Law or Code Requirement

Vietnamese Labor Code, Article 74 Clause 3; Decree 60/ND-CP, Article 12 Clause 3 Item b; FLA Workplace Code (Freedom of Association Benchmarks FOA.1 and FOA.2; Employment Relationship Benchmarks ER.16, ER.17, and ER.26)

## VERIFICATION RESULT

#### Finding Status

Not Remediated

#### Remediation Details

1. Finding Status: Partially Remediated

#### Explanation:

The factory has a Freedom of Association (FOA) policy; however, the factory still has not yet established Freedom of Association procedures. [FOA.1]

#### Root Causes:

1. There is no effective internal monitoring system.

2. The factory management does not have adequate knowledge of the FLA Workplace Code and Benchmark requirements.

2. Finding Status: Not Remediated

#### Explanation:

Vietnam has not ratified ILO Conventions 87 or 98. Under Vietnamese law, all unions are required to affiliate with the single trade union, the Vietnam General Confederation of Labor (VGCL), which is affiliated with the Communist Party. With respect to such union monopolies, the ILO Committee on Freedom of Association has stated that “the rights of workers to establish organizations of their own choosing implies... the effective possibility of forming... [trade union] independent both of those which exist already and of any political party.” Vietnam’s legal framework is therefore not compatible with the ILO Principles on Freedom of Association and, as such, all factories in Vietnam fail to comply with the FLA Code standard on Freedom of Association. [FOA.2]

#### Root Causes:

The Labor union follows the Trade Union Law of Vietnam.

3. Finding Status: Not Remediated

#### Explanation:

The latest union representative election was on June 15, 2016. The workers did not nominate their own representative but instead chose based on a list of members suggested by the Trade Union. [FOA.2, ER.26]

#### Root Causes:

1. Management has inadequate knowledge of the FLA Workplace Code and Benchmark requirements.

2. This issue is common in factories in Vietnam.

4. Finding Status: Not Remediated

#### Explanation:

The factory has not provided copies of the Collective Bargaining Agreement (CBA) to the workers and the

workers do not know the contents of the CBA, the labor conference, or the trade union conference. [ER.16,FOA.1]

Root Causes:

1. There is no effective internal communication system.
2. The factory management does not have adequate knowledge of the FLA Workplace Code and Benchmark requirements.
3. Not providing a copy of a CBA is a common issue in factories in Vietnam.

5. Finding Status: Remediated

Explanation:

The company has set up regulations on periodic Social Dialogues and Employee Meetings. The factory posts the dialogue meeting minutes on bulletin boards and communicated to all workers.

6. Finding Status: Remediated

Explanation:

The company has provided training to relevant supervisors on Industrial Relations and Freedom of Association.

7. Finding Status: Not Remediated

Explanation:

Vietnam has not ratified ILO Conventions 87 or 98. Under Vietnamese law, all unions are required to affiliate with the single trade union, the Vietnam General Confederation of Labor (VGCL), which is affiliated with the Communist Party. With respect to such union monopolies, the ILO Committee on Freedom of Association has stated that "the rights of workers to establish organizations of their own choosing implies... the effective possibility of forming... [trade union] independent both of those which exist already and of any political party." Vietnam's legal framework is therefore not compatible with the ILO Principles on Freedom of Association and, as such, all factories in Vietnam fail to comply with the FLA Code standard on Freedom of Association. [FOA.2, ER.26]

Root Causes:

The Labor Union follows the Trade Union law of Vietnam.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.16 and ER.26; Freedom of Association Benchmarks FOA.1 and FOA.2)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

3.1 According to Vietnamese law, there is only one union in one factory.

3.2 According to Vietnamese law, there is only one union in one factory.

3.3 Factory discusses with trade union members about how to improve the representative election issue.

3.4 Factory already listed newest CBA in the employee handbook. During the new employee training, HR members also explain the contents of CBA for new employees. (Completed)

3.7 According to Vietnamese law, there is only one union in one factory.

3.3 The Union explained that the list also based on the nomination from the production.

## PREVIOUS FINDING NO.4

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Workplace Conduct & Discipline

##### Finding Explanation

1. The factory's disciplinary procedures do not comply with local law. According to points 6.3 and 6.5 of the factory's Labor Regulations, if a worker is disciplined by suspension of wage increase for six months, and commits another violation, he/she will be dismissed. This is not in compliance with Article 126.2 of the Labor Law, which stipulates that the worker can be fired only if they repeat the "same violation" during the period of the disciplinary action. [ER.1, ER.27, H/A.1]

2. Disciplinary procedures do not include an appeal process. [ER.27]

3. The factory's disciplinary practices do not strictly follow legal procedures. From a review of relevant disciplinary records, official, written, disciplinary decisions are only issued for dismissal cases, but not for other forms of discipline. This is not in compliance with Circular No 19/2003/TT-BLDTBXH and the FLA Workplace Code. [ER.1, ER.27, H/A.1]

4. In at least one case, a pregnant worker was issued a written warning for violating factory's labor regulations. Factory reduced the level of discipline in consideration of her pregnancy; however, this practice still violates Article 123.4d of the Labor Law, which prohibits any disciplinary actions against pregnant workers. [ER.1, ER.27]

5. The factory does not provide training on workplace conduct for human resources personnel and administrative staff. [ER.27]

6. The factory does not provide ongoing training to employees on Workplace Conduct and Discipline practices. [ER.27]

##### Local Law or Code Requirement

Vietnamese Labor Code, Article 126 Clause 2; FLA Workplace Code (Harassment or Abuse Benchmarks H/A.1 and H/A.2; Employment Relationship Benchmarks ER.1 and ER.27)

### VERIFICATION RESULT

##### Finding Status

Remediated

##### Remediation Details

1. Finding Status: Remediated

##### Explanation:

The factory has revised the disciplinary procedure so that it is now in compliance with Article 126.2 of the Labor Law which stipulates that workers can be fired only if they repeat the same violation during the disciplinary action period.

2. Finding Status: Remediated

##### Explanation:

The factory has established procedures for workers to appeal disciplinary actions. It is outlined in the grievance procedures.

3. Finding Status: Remediated

##### Explanation:

The factory disciplinary practices now follows the legal procedures. All disciplinary decisions are now issued in writing after the disciplinary meeting is conducted with all those involved.

4. Finding Status: Remediated



**Explanation:**

The factory revised the disciplinary procedure so that it now includes the protection of special categories of workers, such as pregnant and lactating workers, from disciplinary action. Now, the factory only gives verbal warnings.

**5. Finding Status: Remediated**

**Explanation:**

The factory now provides training on workplace conduct for human resources and administrative staff.

**6. Finding Status: Remediated**

**Explanation:**

The factory now provides ongoing training to employees on the Workplace Conduct and Discipline practices.

**PREVIOUS FINDING NO.5**

**IMMEDIATE ACTION REQUIRED**

**FINDING TYPE: Policies & Procedures (Macro)**

Finding Explanation

1. Although environmental protection policies are in place, including commitments to conserve energy and reduce water use, records show both water and electricity use have risen substantially in 2014, especially from May onwards. No detailed analysis or follow-up has been conducted. The well water permit allows 195m<sup>3</sup> of water per day, and the factory approached this limit in May & August, when they used 4415m<sup>3</sup> (avg. 142m<sup>3</sup>) and 4111m<sup>3</sup> (avg. 132m<sup>3</sup>). [ER.31.3]
2. The environmental impact assessment requires approval for the wastewater treatment system and air exhausts. Final government approval of these systems is still pending. [ER.31]
3. The chemical storage area at the wastewater treatment plant is inadequate. Chemical containers are exposed to sun and rain. In the wastewater treatment area for the printing workshop, there is incomplete containment for the chemical drums. Chemical storage areas are in the process of being upgraded. [HSE.9.1]
4. There are signs of several small chemical spills that have not been properly cleaned on the ground outside the waste storage area. [HSE.9.1]
5. There are no procedures that include protection from retaliation for workers who allege Health, Safety & Environment violations. [ER.31.2]
6. The factory does not review its environmental protection policies and procedures on a periodic basis. [ER.1]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.31, ER.31.2, and ER.31.3; Health, Safety & Environment Benchmark HSE.9.1)

Recommendations for Immediate Action

1. Ensure that the chemical containers are securely stored in ventilated areas.
2. Thoroughly clean chemical spills.

**VERIFICATION RESULT**

Finding Status

Not Remediated

Remediation Details

**1. Finding Status:**

Remediated Explanation: The factory has had permission to exploit 350 m<sup>3</sup> per day since June 16, 2016. In addition, the factory tracks water consumption monthly and monitors water use to ensure that consumption is always lower than the approval limit.



## 2.Finding Status:

Partially Remediated Explanation: The factory has approval for the wastewater treatment and air exhaust systems. However, due to the capacity increase in 2016, the factory has not updated the Environmental Impact Assessment/Environment Protective Commitment. The Environment Protective Plan has not been approved and has been requested for revision since June 2017. [HSE.2, ER.31.1] Root Causes: 1.There is a lack of understanding of the local laws and FLA requirements. 2.There is a lack of understanding of the risk assessment.

## 3.Finding Status:

Remediated Explanation: The waste water treatment system for the chemical storage area is completed. The chemical drums are properly stored under the shelter with the waste water treatment system.

## 4. Finding Status:

Not Remediated Explanation: There are still signs of chemical spillages that have not been properly cleaned at the generator room. [HSE.9.1] Root Causes: 1.There is no effective and consistent factory internal monitoring. 2.There is a lack of understanding of the local laws and FLA requirements. 3.There is a lack of understanding of the risk assessment.

5. Finding Status: Remediated Explanation: The factory set up procedures to protect workers who allege Health, Safety & Environment violations on July 7, 2015.

6. Finding Status: Remediated Explanation: The factory reviewed the environmental protection policies and procedures on January 18, 2017

## Local Law or Code Requirement

Environment Law 55/2014/QH13, Article 20 Clause 1; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.2 and HSE.9.1; Employment Relationship Benchmark ER.31.1)

## Recommendations for Immediate Action

1. Ensure that the chemical containers are securely stored in ventilated areas.
2. Thoroughly clean chemical spills.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

5.2 Factory has asked the environmental 3rd party to inform local environmental department officers. They told us that there is no drainage ditch nearby our factory, so local environmental department can't issue the permit for us now. Now the local environmental department & the supplier still find a way to help us to apply the permit & suggest us continuing to reuse treated water first.

5.4 Factory has repainted the generator room, now the signs of chemical spillage signs has been removed.

Action Plan Status:5.2 Ongoing (Due date: Dec 31, 2018) 5.4 Completed

Planned Completion: 5.2 Dec 31, 2018

#### Company Action Plan Update

5.2 Factory got the approved environmental protective commitment as attached (Approved by Oct 29th, 2014). Factory also got the wastewater permit to be compliance with law requirement. Completed (2019/5/17)

## PREVIOUS FINDING NO.6

## IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

#### Finding Explanation

1. A serious accident resulting in a worker breaking multiple bones occurred at one of the ball gluing machines earlier this year. The factory is in the process of replacing these machines, but not all of them have been replaced. [HSE.14]
2. Welding safety standard operating procedure (SOP) is not posted. There are no inspection certificates for the welding tanks. [HSE.1, HSE.2, HSE.4]
3. Some machines have inappropriate machine guards (e.g., ball gluing machines). [HSE.1, HSE.14]
4. Government mandated external Occupational Safety and Health (OSH) training for all workers has not been conducted. [HSE.15, HSE.17]

#### Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.2, HSE.4, HSE.14, HSE.15, and HSE.17)

#### Recommendations for Immediate Action

1. Replace all of the old ball gluing machines.
2. Post the SOP for safe welding and obtain the inspection certificates for the welding tanks.
3. Install appropriate guards on all machines.

## VERIFICATION RESULT

#### Finding Status

Remediated

#### Remediation Details

1. Finding Status: Remediated

Explanation:

The factory no longer uses ball gluing machines. The workers now glue balls manually.

2. Finding Status: Remediated

Explanation:

The factory has posted standard operating procedure for the welding machine and obtained inspection certificates for the welding tanks.

3. Finding Status: Remediated

Explanation:

The factory no longer uses the machines that have inappropriate machine guards.

4. Finding Status: Remediated

Explanation:

All workers took the government mandated external Occupation Safety and Health (OSH) training in 2016.

## PREVIOUS FINDING NO.7

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. Fire risk assessments were conducted in 2013 and again in 2014, with a new formula for calculating risks. However, thorough analysis, follow-up, and action plans have not been done for these assessments. [HSE.5, ER.31]

2. The fire inspection records are missing a key document (696/2013), and the main chemical storage area lacks an automatic fire fighting system. [HSE.2, HSE.6]
3. The fire alarm system has errors and false alarm lights at the control panel in the security room; it is pending maintenance. Maintenance records show frequent, recurring errors, suggesting the need for comprehensive service. [HSE.6]
4. An exit light was missing since the last routine monthly check on September 24 (more than one week) in the finished goods warehouse. (Note: It was fixed or replaced during the visit). [HSE.5]
5. The cooking gas cylinders at the canteen are outside an open window; they lack warning labels, are not protected from the elements, and are not located at a safe distance from cooking flames. [ER.31]
6. The members of the fire brigade do not fully understand their responsibilities. [HSE.6]

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety & Environment Benchmarks HSE.5 and HSE.6)

## VERIFICATION RESULT

#### Finding Status

Not Remediated

#### Remediation Details

1. Finding Status: Remediated

#### Explanation:

The fire risk assessment was updated on November 13, 2015. The assessment includes analysis, follow-up, and action plans.

2. Finding Status: Remediated

#### Explanation:

The key document records for the fire inspection were made available to the assessors. Automatic fire extinguishers have been equipped in the chemical warehouse.

3. Finding Status: Not Remediated

#### Explanation:

Security guards and staff confirmed that the false fire alarms happen at least weekly, even when there is no fire in the factory. However, no written corrective action plan is made for improvement. HSE.1, HSE.6

#### Root Causes:

1. There is no effective and consistent Factory internal monitoring.
2. There is a lack of understanding of the local laws and the FLA requirements.
3. There is a lack of understanding of the risk assessment.
4. Budget constraints

4. Finding Status: Remediated

#### Explanation:

All exit doors are equipped with exit lights.

5. Finding Status: Remediated

#### Explanation:

The factory has moved the cooking gas cylinders to a proper place with shelter and has labeled them appropriately.

6. Finding Status: Remediated

#### Explanation:

Training records and worker interviews confirmed that the members of fire brigade fully understand their responsibilities.

#### Local Law or Code Requirement

Decision 2726/BKHCN, Article 6 Clause 1 Item 1; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.6)

### PREVIOUS FINDING NO.8

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. The print workshop uses large quantities of inks and solvents, but lacks a proper exhaust ventilation system. The sample printing area and other production areas (e.g. spot cleaning) also need exhaust ventilation. [HSE.1, HSE.9]
2. Health checks were conducted for 993 workers in June 2014, but the factory currently has over 1800 workers. All workers engaged in hard/hazardous work (most workers in this facility) require health checks twice per year. [HSE.1]
3. The factory lacks a formal written procedure and system for job reassignment to protect pregnant workers and breastfeeding mothers from performing hazardous jobs or using hazardous chemicals. [HSE.11, HSE.12]
4. Not all employees who work with chemicals are aware of chemicals safety procedures. [HSE.9]

#### Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.9, HSE.10, HSE.11, and HSE.12)

## VERIFICATION RESULT

#### Finding Status

Partially Remediated

#### Remediation Details

1. Finding Status: Remediated

#### Explanation:

Based on a visual inspection, the factory has installed a ventilation system in the print workshop.

2. Finding Status: Remediated

#### Explanation:

The factory now checks all workers' health twice a year in June and December.

3. Finding Status: Partially Remediated

#### Explanation:

A formal written procedure for job reassignment to protect pregnant workers and breastfeeding mothers was established in July 7, 2015. However, the implementation has not been conducted properly. Pregnant or lactating workers work in the same production area and, although they do not have jobs that involve direct contact with chemicals, the assessors observed chemical fumes around their work stations. In one case, a pregnant worker was working at the printing workshop during the plant tour. [HSE.11, HSE.12]

#### Root Causes:

1. There is no effective and consistent factory internal monitoring.
2. There is a lack of understanding of the local laws and FLA requirements.
3. There is a lack of understanding of the risk assessment.

4.A respect for Health and Safety is not embedded in the factory's day to day operations.

4. Finding Status: Remediated

Explanation:

A chemical training was conducted from May 4-7, 2016 for all relevant workers. The training certificates are valid for two years, so the factory provides the refresher training every two years.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.11 and HSE.12)

## COMPANY ACTION PLANS

Action Plan no 1.

Description

8.3 (Complete)

Factory already re-assigned the workers to another department to prevent hazardous impact. To prevent the same issue from happening, factory also provides training to all production department managers to inform them to follow factory procedure. CSR team also conducts onsite check at least one time a week to see if any violation.

## PREVIOUS FINDING NO.9

## SUSTAINABLE IMPROVEMENT REQUIRED

**FINDING TYPE:** Communication & Worker Involvement (Macro)

Finding Explanation

The worker integration component is missing across all Employment Functions. This indicates that the factory has not established procedures to request and/or receive workers' input/feedback regarding the creation, implementation, and updating of its policies and procedures. Workers are neither systematically integrated nor consulted in decision-making processes. [ER.1.3, ER.25.2]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3 and ER.25.2)

## VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation:

Workers are still not involved in the creation, implementation, or updating of the factory's policies and procedures. [ER.1.3, ER.25.2]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3 and ER.25.2)

## COMPANY ACTION PLANS

Action Plan no 1.

### Description

9.1 (Complete)

To convert employees' suggestion into factory's policies and procedures, factory collects employees opinion by tri-party meeting, trade union meeting or other committee meeting to update them.

## New Findings and Action Plans

### NEW FINDING NO.1

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Termination & Retrenchment

#### Finding Explanation

1. There was retrenchment at the printing section of Workshop D and the QC section of Workshop D without proper communication and alignment to the Factory Labor Union and the Federal Labor Union. Workers have not been informed in advance about the potential for retrenchment. [ER.1, ER.25, ER.32]

2. The production manager made a retrenchment decision to not renew senior workers' labor contracts as a way to reduce personnel costs. These termination decisions are not legal and did not involve the HR department or the disciplinary committee. Dismissed workers are offered the opportunity to apply for a new job in another workshop at the starting pay of new workers through the HR Department. Based on management and workers testimonials, the practice of terminating workers who have definite term contracts (the first two years of service) is common due to the harsh contract renewal process. [ER.1, ER.32]

#### Local Law or Code Requirement

Vietnamese Labor Code 10/2012/QH13, Article 44; Decree 05/2015/ND-CP, Article 13 Clause 3, Circular 47/2015/TTBLDTBXH, Article 7; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.25, and ER.32)

#### Recommendations for Immediate Action

1. Ensure that retrenchment is communicated and aligned to Factory Labor Union and Federal Labor Union and workers are informed in advance about the retrenchment. 2. Ensure that the workers are retrenched or terminated according to legal requirements.

## COMPANY ACTION PLANS

Action Plan no 1.

### Description

1.1 & 1.2

There is no retrenchment happened in the factory before. Factory makes contract with employees, the department manager will make the assessment to the employee when the contract needs to be renewed. If the employee fails assessment, then factory will inform the employee as per local law requirement. Factory has revised the procedure, if factory implements retrenchment, the we need to inform factory labor union to know the case.

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Compensation

##### Finding Explanation

1. The method for calculating the monthly regular working time and overtime uses different monthly standard working days. [C.1, C.7]
2. At least one worker in Workshop A was not provided with funeral leave. Instead, she was given unpaid leave. As a result, her salary, performance allowance, and attendance allowance were deducted accordingly. After complaining, the line supervisors asked her to take funeral leave after the funeral after she needed the leave. If the worker were to have taken that compensatory leave, her attendance and performance bonus would be deducted again. [HOW.18, C.5, HOW.1]
3. Sick leave is treated as unpaid leave so that it leads to a one week productivity incentive deduction and also an attendance bonus deduction. [ER.22, H/A.2, HOW.16]
4. The factory charges workers VND30,000 (1.32 USD) to replace IDs. Workers are given two new uniform t-shirts every six months but they have to return the old uniforms to receive new ones. Two t-shirts are not sufficient and workers have to buy additional uniform t-shirts at VND60,000 (2.64 USD) per piece. The factory is planning to provide each worker with one additional t-shirt for daily use. [C.18]
5. Sewing workers, QC workers, and warehouse workers are offered wages without heavy and hazardous allowances and only given 12 days of annual leave instead of 14 days. [C.1, C.2]
6. Probationary workers working in hazardous working conditions are not paid 5% higher than the regional minimum wage. [C.1, C.3]
7. Pregnant and lactating workers are paid at 80% of the performance rate while ordinary workers are entitled to 100% to 120% of the performance rate. This difference leads pregnant and lactating workers to having lower productivity bonuses than ordinary workers. The factory explained that the pregnant and lactating workers work fewer hours than ordinary workers. However, actual working time is already included in the formula to calculate daily performance. Also, although the special workers are assigned at 80% of the performance rate compared to other workers in the formula to calculate daily performance incentives, they are entitled to only 70% of the daily productivity incentives. [C.5, ND.3, ND.8]

##### Local Law or Code Requirement

Vietnamese Labor Code 10/2012/QH13, Article 90 Clause 1, Article 116, Article 111, and Article 128; Circular 47/2015/BLDTBXH, Article 14 Clause 4; Decree 49/2013/ND-CP, Article 7 Clause 3 Item c; FLA Workplace Code (Employment Relationship Benchmark ER.22; Hours of work Benchmarks HOW.1, HOW.16 and HOW.18; Compensation Benchmarks C.1, C.2, C.3, C.5, C.7, and C.18; Non-Discrimination Benchmarks ND.3 and ND.8; Harassment or Abuse Benchmark H/A.2)

##### Recommendations for Immediate Action

1. Establish one monthly standard for working days for calculating the monthly regular working time and overtime.
2. Provide paid funeral leaves to workers as legally required.
3. Cease deducting productivity incentives and attendance bonuses when workers are sick or taking leaves.
4. Ensure that workers are provided with an adequate number of uniforms for daily use.
5. Provide sewing, QC, and warehouse workers with heavy and hazardous allowances and 14 days of annual leave.
6. Pay 5% higher than the regional minimum wage for probation workers in the hazardous working condition.
7. Ensure pregnant and lactating workers enjoyed the same performance rate as ordinary workers.



## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

2.1 Factory has revised the salary calculation formula & will follow the requirement that calculating the monthly regular working time and overtime by actual working days as standard. 2.2 a. It happened because the employee couldn't provide evidence for taking funeral leave in time. So she took unpaid leave first, then hand in evidence for HR department to revise the leave type & compensate wage. b. Factory also revised productivity bonus calculation way, now we don't take attendance as calculating factor. Factory also conducted a meeting to worker representatives to explain the new productivity bonus calculation way. 2.3 Factory has revised productivity bonus calculation way, now we don't take attendance as calculating factor. Factory also conducted a meeting to worker representatives to explain the new productivity bonus calculation way. 2.4 Factory has revised the uniform regulation. Now the new employee can receive 3 T-shirts after probation. If they work every full year, they can receive additional two T-shirts. 2.5 Factory has revised the regulation, now sewing workers & QC/warehouse workers meet local law heavy & hazardous requirement, we will pay heavy and hazardous allowances for them. Factory also has made announcement the new regulation to all workers. 2.6 Factory has revised the salary regulation, now the probationary workers working in hazardous working conditions can get 5% paid. 2.7 Factory has revised productivity bonus calculating formula, it depends on individual output and job type instead of working hours. Due to local law regulation, the pregnant and lactating workers are working 7 hrs per day, that's why their production bonus less than ordinary workers'.

2.1 Ongoing.

(Due date: Aug 30, 2018)

2.2 Completed

2.3 Completed

2.4 Completed

2.5 Completed

2.6 Completed

2.7 Completed

#### Company Action Plan Update

2.1 Factory has revised the salary calculation formula & will follow the requirement that calculating the monthly regular working time and overtime by actual working days as standard.  
Completed (2018/8/16)

## NEW FINDING NO.3

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Workplace Conduct & Discipline

#### Finding Explanation

1. Based on worker and supervisor interviews, assessors noted verbal abuse and harassment by the line leaders, line supervisors, production supervisor, and production managers in Workshops B and D. If workers do not lend money to the production supervisor in Workshop B, they are not treated fairly. In Workshops B and D, workers are verbally abused and not treated fairly if they do not socialize with or give gifts to the line supervisors or production supervisors. In addition, the line supervisors in Workshop B (Lines 13 and 15) verbally abuse pregnant workers if they take frequent bathroom breaks. [ER.17.2, H/A.5, H/A.8]  
2. Assessors observed a disciplinary deduction. If workers forget to swipe their card twice a week, their entire weekly productivity bonus could be deducted. A warning letter stating that a worker has violated factory rules leads to a deduction of one week of productivity bonus. [H/A.2]

3. Male workers are subject to pat downs. [H/A.10]
4. The factory does not accommodate workers with chronic diseases. At least one worker with heart disease had to terminate her employment with the factory after the factory assigned her to work in the sewing section, where there are daily quotas and high pressure. Both the factory doctors and the HSE team recommended that the production department arrange suitable work for her condition and the worker also asked the production supervisor to arrange suitable work for her condition. The production manager told the worker that she can resign if she cannot do the work because the factory cannot rearrange work for her. The worker decided to resign. [ND.1, ND.12]
5. The factory has a harsh practice of the labor contract renewal process. For example, taking leave for one day a (NEW) FINDING NO.3 year, or having at least one disciplinary warning letter a year will lead to the contract not being renewed when it expires. [ER.25.3, ER.27]

#### Local Law or Code Requirement

Vietnamese Labor Code 10/2012/QH13, Article 5, Article 8, Article 128, Article 101, and Article 153; Decree 85/2015/NDCP, Article 5; FLA Workplace Code (Employment Relationship Benchmarks ER.17.2, ER.25.3, and ER.27; Harassment or Abuse Benchmarks H/A.2, H/A.5, H/A.8 and H/A.10; Non-Discrimination Benchmarks ND.1 and ND.12)

#### Recommendations for Immediate Action

1. Cease verbal abuse and harassment practices toward workers. Training supervisors on workplace conduct and discipline.
2. Refrain from using monetary fines and deductions as disciplinary practices. 3. Cease the practice of patting down male employees.
4. Make reasonable accommodations for workers with chronic diseases.
5. Cease the practice of not renewing labor contracts based on workers taking a day of leave or having a disciplinary warning against them.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

3.1 After investigation, the issue was caused by money lending between employees. The management has re-announced to all managers & supervisors not allow to verbal abuse and harassment to workers.

3.2 Factory has revised the productivity bonus regulation, now productivity bonus will not be deducted if employees forget to swipe their card. Factory also has made announcement the new regulation to all workers.

3.3 Factory will continue to monitor if there is any male worker being subject to pat downs, because we can't see more information from finding description.

3.4 Factory has re-announced to all managers & supervisors need to respect for the workers' willingness. If the same case happens again, Admin division & HSE department manager will discuss with onsite manager to rearrange a suitable job for the worker.

3.5 Factory takes employee's leave for one day a year, or the one disciplinary warning letter record as part of contract renewal assessment, but it only calculated the personal leave & sick leave( without occupational leave) and the portion only 10 points. If the worker can get 60 points, then they still can pass contract renewal assessment.

## NEW FINDING NO.4

## IMMEDIATE ACTION REQUIRED

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

#### Finding Explanation

1. The labor contract follows the circular No. 21/2003, which is obsolete and is lacking the required terms such as time in and time out, detail tools and PPE, the shelf life of PPE that workers are entitled to, and detailed rest time. [ER.1]
2. Tattoo checks are a condition of hiring and are conducted on male workers by female members of the HR staff. Assessors also noted gender discrimination on recruitment notices as being a female was required for an initiative planner position. The factory also reported that there are no female workers in the machinery gluing section as this work is heavy and not suitable for female workers. [ER.3, ND.1, ND.2.1] (NEW) FINDING NO.4
3. The factory does not provide health checks to new workers. [ER.1]

#### Local Law or Code Requirement

Vietnamese Labor Code 10/2012/QH13, Article 5 Clause 1, Article 8, and Article 111; Decree 05/2015/ND-CP, Article 4; Decision 1152/LTBXH dated 18/9/2003; Law 84/2015/QH13, Article 21; FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.3; Non-Discrimination Benchmarks ND.1 and ND.2.1)

#### Recommendations for Immediate Action

1. Update content in the labor contract in accordance with applicable laws.
2. Cease the discrimination practices in hiring, job assignment, and performance assessment and ensure that all decisions are made on the basis of qualifications to the inherent job requirements.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

4.1 Factory has revised the labor contract by new Vietnam law regulation, now the terms such as time in and time out, detail tools and PPE, the shelf life of PPE that workers are entitled to, and detailed rest time already add in the contract.

4.2 a. We've reviewed policies and procedures to ensure no discrimination in company policies, procedures and practice. In previous years, the supervisors in production once requested to do tattoo check, since they thought tattoo might cause pressure and panic among employees. Rumors had spreaded out. However, HR department had rejected the request due to discrimination. b. Works in machinery lamination are heavy. Workers need to carry heavy raw materials for production. Female workers were once assigned to the section. However, most of them requested to resign or transfer to other sections. Male workers thus are preferably assigned to the section. If any female employees would like to work in the section, the company would not reject them.

4.3 Now factory follows VN law requirement to arrange the employees to receive general health check by qualified clinic before onboarding.

### NEW FINDING NO.5

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Hours of Work

##### Finding Explanation

1. Sunday off clock working was found on August 23 on the clinic log. [ER.23, HOW.2, HOW.1]
2. Although the factory tells the production managers to arrange tea breaks for their workers, they do not provide a short break different from the lunch break. If the workers try to take tea breaks, they have to ask the line leaders to make arrangements. Therefore, they are afraid to ask for tea breaks when their peers are still working. The line supervisors also tell the workers to tell visiting auditors or clients that they are entitled to tea breaks. According to the assessors, management was unaware of this practice prior to the assessment. Management said that they would conduct an investigation into this issue to confirm if workers are entitled to short breaks. [HOW.3]
3. If downtime happens, annual leave is deducted. For example, there was a power outage and the generator was broken for a half day of April 12, 2017. The factory deducted time from workers' annual leave for this day. In addition, the factory and the Labor Union agreed

that the workers would take a long annual leave during the Lunar New Year, but the workers did not agree to this arrangement. However, workers do have to sign the agreement form to take these long leaves. [HOW.18, HOW.19.2, HOW.12.2, HOW.1]

4. Female workers are not provided with menstruation breaks. [HOW.1, HOW.4.1] (NEW) FINDING NO.5

5. Worker interviews confirmed that the daily quotas continue to increase while the overall number of workers continues to decrease, which has led to high pressure working conditions so that the workers limit the number of bathroom breaks they take. [HOW.1, ER.24]

#### Local Law or Code Requirement

Vietnamese Labor Code 10/2012/QH13, Article 108, Article 98, Article 110, Article 111 Clause 2, and Article 155 Clause 5; Decree 45/2013/ND-CP, Article 3; Decree 49/2013/ND-CP, Article 8; FLA Workplace Code (Employment Relationship Benchmarks ER.23 and ER.24; Hours of Work Benchmarks HOW.1, HOW.2, HOW.3, HOW.4.1, HOW.12.2, HOW.18, and HOW.19.2)

#### Recommendations for Immediate Action

1. Ensure that all working hours and compensation are accurate on the time records and payrolls.
2. Provide a fixed tea break for workers.
3. Pay down time separately from annual leaves.
4. Provide menstruation breaks to workers.
5. Ensure that the production quota is reasonable, and workers do not need to work beyond regular working hours to meet their production targets.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

5.1 It happened due to typo at clinic log. Please refer to the attached about supporting documents.

5.2 Factory management has discussed & announced the short break time to employees.

5.3 Factory will communicate with trade union & employees before any planning downtime happens, and will follow local law requirement to provide full wage for the workers.

5.4 Factory has revised the regulation, the female employee can take 30 mins menstruation break .

5.5 It happened due to manager making incorrect requirement during peak season. The management has asked the manager to cancel this rule & ask them not allow to have this rule again. HR & HSE team will also monitor onsite managers to prevent the same issue happened.

5.1 Completed.

5.2 Ongoing.

(Due date: Sep 30, 2018)

5.3 Completed.

5.4 Completed.

5.5 Completed.

#### Company Action Plan Update

5.2 Factory management has discussed & announced the short break time to employees.

### NEW FINDING NO.6

#### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Policies & Procedures (Macro)

##### Finding Explanation

1. There is no written procedure to ensure the fair and transparent assessment of daily, weekly, and monthly performance reviews being linked to productivity bonus allocation to all the production workers. Currently, the assessments are heavily dependent on the line supervisors and foremen. The workers are not allowed to appeal their performance assessment. [ER.29] Clinic log-1.pdf Clinic log-2.pdf (NEW) FINDING NO.6
2. The factory does not have a procedure for choosing PPE. [ER.31, HSE.1]
3. The factory does not have a written procedure to control the use and reuse of cooking oil. The factory does not have written procedures to ensure the quality and origin of raw food materials. [HSE.19, HSE.22]
4. The factory does not have a procedure to regularly change the coal filter of the air emission filter system. The filter has never been changed. [HSE.13, ER.31]

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.29 and ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.13, HSE.19, and HSE.22)

#### COMPANY ACTION PLANS

##### Action Plan no 1.

##### Description

- 6.1 In order to clarify the way to calculate productivity bonus, IE department has arranged meeting with production supervisors to explain how they calculate the productivity bonus on October 28, 2017.
- 6.2 Factory takes local law & client's requirement for reference to decide what kind of PPE is better for working station.
- 6.3 Factory has food hygiene committee to monitor the canteen supplier about raw food materials & oil quality, if the supplier can meet requirement, then General Affair department will have meeting with supplier to ask them improve.
- 6.4 Factory has conducted a regular air emission filter's system maintenance procedure & asked relative department to follow it.

### NEW FINDING NO.7

#### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Grievance System

##### Finding Explanation

1. The assessors could not find any records of grievances received via the suggestion boxes over the past year and only received four grievances via the hotlines. The workers do not trust in suggestion box to raise their complaints and they are not aware of the hot lines

and SMS. The assessors could not reach the hotline when tested. Moreover, when workers raised complaints through the suggestion boxes, the factory or union did not address the issues. For example, the workers raised complaints to the Labor Union and factory Management through the grievance system and through dialogue meetings about the poor food quality in the canteen, the harsh criteria/practice of the labor contract renewal process (taking leave for one day a year, or having at least one disciplinary warning letter a year will not be renewed the labor contract and when the current one expired), and factionalism on the work floors. All these complaints were ignored. [ER.25.3]

2. The factory does not lock the suggestion box in the bathroom of Workshop B. [ER.25.3]

3. The factory does not have specific training on the grievance procedure for supervisors. [ER.25, ER.17]

4. The factory does not outline the non-retaliation policy when training workers. [ER.25]

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.17, ER.25, and ER.25.3)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

7.1 From June 2018, factory has announced the complaint of tri-parties meeting's improvement status monthly to let all workers know if their suggestion have being received.

7.2 Factory already locked the suggestion box in the bathroom of workshop B, and also arrange designated member to check the suggestion box.

7.3 Factory adds the training of grievance procedure into HR annual training, and now HR in process to conduct the annual training for the supervisors.

7.4 HR department has added non-retailiation policy & other employee right's relevant policy into new employee training matrial before June 15.

#### Company Action Plan Update

7.3 Factory adds the training of grievance procedure into HR annual training, and now HR in process to conduct the annual training for the supervisors.

## NEW FINDING NO.8

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. The factory does not provide sufficient toilet paper to workers. Each worker is equipped with one roll of low quality toilet paper a month. [HSE.19, HSE.20] 2. The factory stores two pallets in a vertical position in the carton store and in front of workshops. The pallets are kept in a vertical position at the back of the kitchen. [HSE.1, HSE.19]

3. The factory does not close all the windows of the printing machines to reduce the chemical smell. [HSE.1, HSE.13]

4. The factory has undertaken an ergonomic risk assessment for the workers who carry soles from the containers to the pallets on the floor. The assessors noted that the workers carrying these goods do not use proper lifting techniques. [HSE.17.2]

5. The factory has not completely covered two underground tanks in the waste water treatment pumps, which obstructs evacuation and poses a falling risk when workers step on them. [HSE.1]

6. Unauthorized access is not well managed at area when hot work (welding) is performed. [HSE.1]

7. The factory does not provide lockers to workers in the painting, mixing, and molding section in Workshop D. A group of two to four workers share the same locker. [HSE.1]

8. Pregnant or lactating workers work in the same production area and, although they do not have jobs that involve direct contact with chemicals, the assessors observed chemical fumes around their work stations. In one case, a pregnant worker was working at the printing workshop during the plant tour. [HSE.11, HSE.12]

## Local Law or Code Requirement

Vietnamese Labor Code 10/2012/QH13, Article 138; Circular 19/2016/BYT, Annex 1; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.11, HSE.12, HSE.13, HSE.17.2, HSE.19, and HSE.20)

## Recommendations for Immediate Action

1. Provide sufficient toilet paper to all workers.
2. Ensure that pallets are stored safely in the workshops.
3. Close all printing machines while operating to reduce chemical smell.
4. Provide ergonomic assessments to workers carrying heavy containers.
5. Cover all tanks of the waste water treatment pumps closely to ensure unobstructed.
6. Control the area where the welding is performed.
7. Provide more lockers to the workers in the workshops.
8. Ensure that pregnant or lactating workers do not work jobs that involve direct contact with chemicals.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

8.1 Factory provides one roll of toilet paper for each worker per month. If the worker still needs another toilet paper, they can report to their manager & the manager will help them to request from General Affair department if necessary.

8.2 Factory has reminded the workers & canteen staffs not to store two pallets in a vertical position.

8.3 Team leaders/ Department's manager has asked those operators to close the window of machine after adding to the ink. Team leaders/ Department's manager has already publicized the policy on the Oct 23, 2017.

8.4 Onsite manager has posted the proper lifting techniques poster onsite to remind worker how to have corrective posture for lifting materials.

8.5 Factory is under waste treatment area construction now, and the construction department manager has asked the supplier to make cover to the underground tanks in the waste water treatment pumps to prevent dangerous happened.

8.6 Most of hot work (welding) is working at the construction department room. Now the department manager has posted warning sign to remind unauthorized access. Also, the staffs in the room will inform unauthorized people not step inside.

8.7 Factory has provided enough lockers to workers to store their belongings.

8.8 The pregnant worker has been transferred to non-printing working after audit. Factory also educated managers & supervisors not allow arrange pregnant worker in the hazardous position.



## NEW FINDING NO.9

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. The factory does not post safety warning labels in the local language for the rubber pressing machines in Workshop B. [HSE.14.3]
2. The needle guards are kept too high for 90% of the sewing machines. [HSE.14]
3. Three pressing machines are missing buttons. [HSE.14]
4. The factory does not mark at least 20% of the emergency buttons on the latex spreading and the printing machines in the local language. [HSE.14]
5. The factory has not equipped the cover for the rotating parts of a spreading machine. [HSE.14]

##### Local Law or Code Requirement

Law Number 84/2015/QH13, Article 16 Clause 6; Vietnamese Labor Code 10/2012/QH13, Article 138 Clause 1; FLA Workplace Code (Health Safety & Environment Benchmark HSE.14)

##### Recommendations for Immediate Action

1. Post safety warning labels for all machines in the local language.
2. Ensure that all needle guards are kept properly for all sewing machines.
3. Equip the pressing machines with operating buttons.
4. Mark all emergency buttons in the local language. (NEW) FINDING NO.9
5. Equip a cover for the rotating parts of the spreading machines.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

- 9.1 Factory has posted safety warning labels in the local language for the rubber pressing machines in Workshop B.
- 9.2 Factory has adjusted the sewing machine needle guard location, now the needle guard is suitable for the sewing machine.
- 9.3 Factory has installed pressing machine buttons.
- 9.4 Factory has marked emergency buttons on the latex spreading and the printing machines in the local language.
- 9.5 Factory has equipped the cover for the rotating parts of a spreading machine.

## NEW FINDING NO.10

### IMMEDIATE ACTION REQUIRED

## FINDING TYPE: Health & Safety

### Finding Explanation

1. One of two exits in the kitchen was fastened. There are food trolleys blocking the exit and the exit paths in the kitchen. A milk table is blocking one of the four exit stairs from the second floor of the canteen. The main emergency exit in the generator room is locked. [HSE.1, HSE.5.1]
2. The fire hoses are blocked in the following areas: [HSE.1, HSE.6.1] a. Kitchen tools are blocking the fire hoses in the gas storage area; b. Scrubs are blocking the fire hose in front of the canteen; c. A trolley is blocking the ball storage area in Workshop C.
3. The gas storage area had a gas odor. The assessors observed that the gas valves are not closed when not in use. [HSE.9]
4. The factory keeps packed goods close to electric wires and walls in the finished goods warehouse. This is a fire risk. [HSE.5, HSE.6]
5. 10% of the exit arrows are blurry at the rubber spreading machines in Workshop D and in the ball storage area in Workshop B. [HSE.6.1]
6. The factory has not conducted a fire drill for workers in shift 2. [HSE.5.3]
7. The factory does not maintain its sprinklers regularly by checking its working condition annually. [HSE.6]
8. The assessors found a cigarette in the male restrooms in Workshop D. The factory only has one cigarette station in each factory. [HSE.5, HSE.6]
9. The factory does not post non-smoking signs in the break room for the cleaners in the canteen. [HSE.1, HSE.6]

### Local Law or Code Requirement

Vietnam Standard QCVN 06:2010/BXD, Article 3 Clause 3 Item 1; TCVN 7435-1:2004, Article 5 Clause 4; Vietnamese Labor Code 2013, Article 138 Clause 1 Item c; Circular 66/2014/TT-BCA, Article 12 Clause 4; Decision 2726/BKHCN, Article 7 Clause 2 Item 2; FLA Workplace Code (Health Safety & Environment Benchmarks HSE.1, HSE.5.1, HSE.5.3, HSE.6, HSE.6.1, and HSE.9)

### Recommendations for Immediate Action

1. Ensure that all emergency exits are unobstructed.
2. Ensure that all fire hoses are freely accessible.
3. Close all gas valves when not in use.
4. Ensure that packed goods are kept separately from electric wires and walls in the finished goods warehouse. (NEW) FINDING NO.10
5. Ensure that all exits are clearly marked.
6. Conduct fire drills for workers in shift 2.
7. Maintain sprinklers regularly annually.
8. Equip more cigarette smoking stations in each factory.
9. Post a non-smoking sign in the break room for the cleaners in the canteen.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

10.1

- a. There was no one working in the generator room, the electricians only entered the room when they maintained the generator. If the electrician maintains the generator inside, then the door would be opened as exit door.
- b. To prevent the argument about the lock of doors for generator room again, factory has removed the locker. To ensure the safety of these areas, have assigned one security guard to check who enter these areas and keep records on checklist during the working

hours.

10.2 The fire hoses blocked area are all improved, the factory will also ask HSE team to conduct check to prevent the same issue happened.

10.3 Factory has asked the canteen workers to close gas valves when they are not using it.

10.4 Factory has keep the packed goods in suitable distance to electric wires and walls to prevent fire risk.

10.5 Factory has repainted the exit arrows.

10.6 Factory has conduct fire drill for worker in shift 2 on Dec, 2017.

10.7 Factory will asked qualified supplier to conduct sprinklers checking when next time annual checking.

10.8 Factory has announced to all workers not smoking in the restroom. If they want to smoke, they should go to cigarette station.

10.9 Factory has posted non-smoking signs in the break room for the cleaners in the canteen.

10.1 Completed.

10.2 Completed.

10.3 Completed.

10.4 Completed.

10.5 Completed.

10.6 Completed.

10.7 Ongoing.

(Due date: Oct 31, 2018)

10.8 Completed.

10.9 Completed.

#### Company Action Plan Update

10.7 Factory has asked qualified supplier to check & maintain the fire fighting system, including sprinklers into periodic check & maintenance items.

## NEW FINDING NO.11

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. The canteen workers do not wear rubber gloves when washing dishes. The maintenance staff and the electrician do not wear safety shoes. One workers filling latex was not wearing gloves. [HSE.7, HSE.8]
2. The factory has not provided safety shoes to workers handling carts or operating cutting machines. The factory has not provided goggles and respirators to workers working with chemicals in the printing section. [HSE.7]
3. The factory provided medical masks instead of chemical masks to workers. Two workers were using food gloves when cleaning molds in the molding cleaning areas. Also, a worker handling wax in Workshop C was using broken gloves. [HSE.7]
4. The eye wash stations are not covered in the chemical waste storage area and in the waste water treatment area. (NEW) FINDING NO.11 [HSE.7]

##### Local Law or Code Requirement

#### Recommendations for Immediate Action

1. Ensure that workers use personal protective equipment (PPE) during the working time and train workers on the proper use and maintenance of PPE.
2. Ensure that workers are provided with proper PPE.
3. Equip eye wash stations in the chemical waste storage area and in the waste water treatment area.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

11.1 & 11.2 & 11.3 Factory has provided correct PPE for the workers & asked them to wear. HSE team also conduct periodically check to remind the workers.

11.4 Factory has installed eye wash stations in the chemical waste storage area and in the waste water treatment area.

### NEW FINDING NO.12

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. The factory does not have a first aid kit in the kitchen. The supplies in all first aid kits are not sufficient as prescribed. [HSE.6.1, HSE.18.3]
2. The factory locks all first aid kits during the work hours. [HSE.6.1]
3. The assessor found a broken first aid stretcher in the canteen. [HSE.1, HSE.6.1]
4. The factory has not arranged medical staff for the overtime hours from 6:00 PM to 10:00PM. [HSE.18.2]
5. The factory does not track injuries and illnesses for proper corrective actions. [ER.31.2.5, HSE.3.2]

##### Local Law or Code Requirement

Circular 19/2016/BYT, Annex 4; Law 84/2015/QH13, Article 21; Decree 39/2016/ND-CP Article 37 Clause 1 Item c; Vietnamese Labor Code 10/2012/QH13, Article 152 Clause 6; FLA Workplace Code (Employment Relationship Benchmark ER.31.2.5; Health Safety & Environment Benchmarks HSE.1, HSE.3.2, HSE.6.1, HSE.18.2, and HSE.18.3)

#### Recommendations for Immediate Action

1. Ensure that the supplies in all first aid kits are sufficient as prescribed.
2. Unlock all first aid kits during working hours.
3. Ensure that the first aid stretcher is available and functioning.
4. Arrange medical staffs for the overtime hours from 6:00PM to 10:00PM.

5. Track injuries and illnesses for proper corrective actions.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

12.1 Factory has installed a first aid kit in the kitchen. The onsite nurse will check the first aid kit periodically to ensure all items as prescribed.

12.2 To maintain the first aid kits well, factory locked them but actually the employees can contact onsite nurses to get the medicine they need, it doesn't impact the access.

12.3 Factory has replaced a new one to the first aid kit.

12.4 Factory has arranged nurse for overtime hours from 6:00 PM to 10:00PM.

12.5 Factory has arranged HSE, HR & trade union member to track injuries and illnesses. workers recovery status.

## NEW FINDING NO.13

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. The factory uses fabric nets to cover the food trolleys, which poses a cross contamination risk. [HSE.22.1]
2. The factory does not protect fluorescent light tubes on the kitchen ceiling to prevent glass shards and mercury from falling into the food preparation areas if they break. [HSE.13, HSE.19]
3. The assessor observed expired milk in the kitchen (expiration date was May 2017). The canteen owner said that they use the expired milk for hand washing, which is not in line with the factory's hand washing procedure. The assessor also found sauce that had expired on June 18, 2017 in the kitchen. [HSE.22.1]
4. The meat grinding machines in the kitchen are rusty. HSE.22.15. The factory keeps food samples for 24 hours instead of 72 hours. [HSE.22.1]
5. The factory keeps buckets of cooked rice on the floor in the canteen. [HSE.22.1]
6. Assessors found that food served in the canteen in August 2017 had maggots. [HSE.22.1, HSE.19]

#### Local Law or Code Requirement

Circular 15/2012/BYT, Article 1 Clause 3 Item b, Article 1 Clause 5 Item b, Article 2 Clause 3 Item b, Article 4 Clause 4, and Article 5 Clause 15; FLA Workplace Code (Health Safety & Environment Benchmarks HSE.13, HSE.19, and HSE.22.1)

#### Recommendations for Immediate Action

1. Ensure that cooked foods are controlled properly to eliminate cross contamination risk.
2. Cover the fluorescent light tubes on the kitchen ceiling.
3. Ensure that the expiration dates of all foods are valid.
4. Ensure that the grinding machines are made of stainless steel.

5. Keep food samples for 72 hours.
6. Keep the buckets of cooked rice off the floor in canteen.
7. Ensure that all foods are safe and sanitary.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

13.1 (Complete) To prevent contamination risk from farbic net, factory has asked canteen supplier to provide plastic cover to each plate.

13.2 (Complete) Factory has made a cover to prevent glass shards and mercury from falling into the food preparation areas if they break.

13.3 & 13.4 & 13.6 & 13.7 (Complete) Factory has asked the food hygiene commitee member to monitor the canteen hygiene. If there is any issue, GA dept. will contact with supplier to ask them to improve.

13.5 (Complete) Factory keeps the food sample for 24 hours, and it is compliance with local law regulation.

## NEW FINDING NO.14

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

#### Finding Explanation

1. The factory does not equip secondary containment for: a) diesel container, b) latex drums in the rubber spreading area of Workshop D. Also, the secondary containment for cooking oil is not sufficient. Some used oil containers are kept outside of the secondary containment area. Moreover, the volume of secondary containment for disposed diesel in the generator room is not sufficient. The secondary containment for hazardous wastes and for the diesel oil tank are not properly sized or able to prevent leakage. They cannot prevent leakage. It is less than 110% of the size of the biggest chemical drum. [HSE.9.1]
2. The factory does not equip labels in the local language for silicone PE-1035, chemical DZFCK-57, Diesel, and Wax in Workshop C. [HSE.9]
3. The factory does not post the MSDS for silicone or the warning label for chemical VNP 2039 in Workshop B. [HSE.9, HSE.10]

#### Local Law or Code Requirement

TCVN 5507:2002, Article 4 Clause 1 Item 3; Circular 04/2012/BCT, Article 10; Law no.55/2014/QH13, Article 68; Circular 19/2016/BYT, Article 5; FLA Workplace Code (Health Safety & Environment Benchmarks HSE.9, HSE.9.1, and HSE.10)

#### Recommendations for Immediate Action

1. Equip secondary containment properly for all chemicals in all workshops.

2. Equip labels in the local language for chemicals in all workshops.

3. Post MSDS and warning labels for chemicals in all workshops.

## COMPANY ACTION PLANS

Action Plan no 1.

### Description

14.1 Factory has provided sufficient secondary containment for those chemicals and oil in the kitchen. Also, HSE team conducts weekly inspection to check if all chemicals put inside the secondary containment.

14.2&14.3

Factory has posted labels in the local language & MSDS for silicone PE-1035, chemical DZFCK-57, Diesel, and Wax in Workshop C. Also, HSE team conducts weekly inspection to check if any chemical being used has no MSDS onsite.

## NEW FINDING NO.15

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. The factory does not ground the kitchen's equipment and drilling machine in the maintenance room. [HSE.13]
2. The factory uses repair tape for one electric fan in Workshop B and one pressing machine in Workshop B. [HSE.14]
3. The factory does not apply logout-tagout for machine repairing in Workshop B. [HSE.14]

#### Local Law or Code Requirement

Vietnamese Labor Code 10/2012/QH13, Article 138 Clause 1 Item b; Circular 31/2014/TT-BCT, Article 15 and Article 16; FLA Workplace Code (Health Safety & Environment Benchmarks HSE.13 and HSE.14)

#### Recommendations for Immediate Action

1. Ensure that the grounding system is equipped on all machines.
2. Ensure that repair tape is not used for electric connection.
3. Apply logout-tagout for machine repairing in Workshop B.

## COMPANY ACTION PLANS

Action Plan no 1.

### Description

1. Maintenance team has already grounded for kitchen's equipment and drilling machine at maintenance room. (Complete)



2. HSE department has informed maintenance team this issue, and also asked them to remove the repair tape & repair the broken machine with proper procedure. (Complete)

3. HSE department has asked the maintenance team to follow the logout-tagout (Complete)

## NEW FINDING NO.16

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Environmental Protection

##### Finding Explanation

1. The factory has not properly classified waste in the workshops and the waste storage areas. Hazardous waste and medical waste are mixed together with household waste. Some types of hazardous waste are missing labels. [HSE.9] (NEW) FINDING NO.15 (NEW) FINDING NO.16
2. The floor is broken and leaking in the latex washing room, which poses a slipping risk for workers. Also, the leakage causes a negative environmental impact as waste water discharged from the latex washing is not fully collected in the waste water. [HSE.19, HSE.9]
3. The factory has not covered two ink containers in the mixing area and has put empty chemical drums outside without shelter. [HSE.9]
4. The factory has not covered the waste water tank after treatment so overflowing waste water after treatment was flowing to the drainage without any discharge permit. The factory's Environmental Impact Report states that the factory will not discharge any waste water after treatment to the drainage, but that they will re-use it for cleaning and watering only. [HSE.1, HSE.9]
5. The factory has not obtained a wastewater discharge permit. [HSE.4]

##### Local Law or Code Requirement

Environment Law 55/2014/QH13, Article 33 and Article 68 Clause 1 Item b; Law 06/2007/QH12, Article 27; Circular 04/2012/BCT, Article 10; Circular 19/2016, Article 5 Clause 3; Decree 201/2013/ND-CP, Article 15; Vietnamese Labor Code 2013, Article 138; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.9, and HSE.19)

##### Recommendations for Immediate Action

1. Properly classify waste in workshops and at the waste storage area and equip labels for all types of hazardous waste.
2. Repair the broken floor in the latex washing room.
3. Cover the ink containers in the mixing area and equip the shelter for empty chemical drums.
4. Cover the wastewater tank after treatment.
5. Obtain the wastewater discharge permit.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

- 16.1 Factory has separated the hazardous waste & household waste storage area
- 16.2 Factory has fixed the broken in the latex washing room
- 16.3 Factory put the empty chemical drums inside with secondary containment to prevent leaking.
- 16.4 Factory has asked outsourcing vendor to improve and let the water flow into rainwater sewer when the pool is full. CSR team also conducts monitoring and inspecting the wastewater treatment system regularly.

16.5 Factory has asked qualified environmental company to apply wastewater discharge permit in the end of April, now is in process.

## NEW FINDING NO.17

### UNCORROBORATED RISK OF NON-COMPLIANCE

#### FINDING TYPE: Hours of Work

##### Finding Explanation

1. Sunday off clock working was found on August 23 on the clinic log. When the auditors asked the factory about the issue, factory management stated that it was a typo. [ER.23, HOW.2, HOW.1]

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.23; Hours of Work Benchmarks HOW.1 and HOW.2)

##### Recommendations for Immediate Action

1. Ensure that all working hours and compensation are accurate on the time records and payrolls.