



Verification Assessment

COMPANIES: arena Group

COUNTRY: Vietnam

ASSESSMENT DATE: 09/21/17

ASSESSOR: FLA EMEA

PRODUCTS: Footwear

NUMBER OF WORKERS:

FLA Comments

This SCI is a verification assessment of assessment AA000000513. All corrective action plan updates for AA000000513 will be published on this report.

August 2018: arena exited the factory since it was no longer meeting our commercial needs. At the time of exit, the arena's production of the factory was 42,500 pcs/year – around 1% of total production. No risk of retrenchment due to company's exit, given the very low impact of arena's production. At the time of exit, most of remediation plans were implemented, with the exception of some minor findings which were still in progress. To our knowledge, no other FLA company affiliates were sourcing from the factory.

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: Compensation

Finding Explanation

1. The factory's policy on wages and benefits does not include the legally required hazardous work allowance for sewing workers. Sewing workers are not compensated as per law. [C.5, ER.1] 2. While there are various documents and systems for wages and benefits, there is no overarching policy or procedure. [ER.1] 3. The factory does not provide training for supervisors on wages and benefits, or ongoing training for employees on wage and benefit structures and payment schemes. Piece rate Workers do not know how to calculate their wage. [ER.17.1]

Local Law or Code Requirement

Decree No.49/2013/ND-CP, Article 7; FLA Workplace Code (Employment Relationship Benchmark ER.1, ER.15, and ER.17.1; Compensation Benchmark C.5)

Recommendations for Immediate Action

1. Ensure that Sewing workers are paid the hazardous work allowance, according to legal requirements.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation:

The hazardous allowance for sewing workers is not compensated as per law. Only 193 out of 521 workers are entitled to hazardous work allowance, while all of them are working in hazardous working conditions as their work is classified as Type IV and V according to legal regulations. Wage on the labor contract of sewing workers does not include the hazardous work allowance. [ER.1, C.5]

Root Causes:

The factory does not fully understand the legal requirement related to wages and benefits.

2. Finding Status: Remediated

Explanation:

The factory has established the regulation for wages and benefits as of January 1, 2017.

3. Finding Status: Not Remediated

Explanation:

The factory still does not provide training for supervisors on wages & benefits, or ongoing training for workers on wage & benefit structures and payment schemes. Piece rate workers do not know how to calculate their overtime compensation. No written training program is set-up for new workers, and for supervisors. [ER.15, and ER.17.1]

Root Causes:

The factory should have a written training program to set-up for new workers, and for supervisors.

Local Law or Code Requirement

Decree No.49/2013/ND-CP, Article 7; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, and ER.17.1; Compensation Benchmark C.5)

Recommendations for Immediate Action

1. Ensure hazardous allowance is included in wage of sewing workers.
2. Provide the training on how wage and benefits are calculated to all employees including supervisors.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Original Action Plan 1 . Factory to ensure that Sewing workers are paid the hazardous work allowance, according to legal requirements. 2 . Factory shall create an overarching policy on wages and benefits; also, newly created policy and procedures on this matter should include the payment of hazardous work allowance. 3 . Factory management shall provide training on an ongoing basis, on wages and benefits for all supervisors, and in the meanwhile also for all employees, as they have to know structures and payment schemes.

Progress Updates 02/21/17: 2. The factory has established wage scales and registered to local authority. And also the wages and compensation policies on December 22nd ,2015 were established. During review of documents, the facility and workers interview, it was noted that this policy has been posted at notice board.

PREVIOUS FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. The factory's policy on Hours of Work and the Collective Bargaining Agreement (CBA) do not comply with local laws in the following ways: both state that overtime (OT) shall not exceed 48 hours a month, instead of the legal maximum of 30 hours a month, and there are nine statutory holidays a year in the CBA, rather than the legally required ten holidays. [ER.1] 2. There are no written procedures for managing Hours of Work. [ER.1] 3. Workers do not clock in and out themselves; working hours are manually recorded, later entered into a computer, printed out at the end of the month, and confirmed and signed by workers. [ER.23] 4. The factory does not provide training for supervisors and production staff on Hours of Work. [ER.17.1] 5. The factory does not provide ongoing training to employees on Hours of Work policies and procedures, and does not consistently communicate its policies and procedures to the workforce. [ER.1, ER.16] 6. Most workers worked 1-2 Sundays per month in January, April, May, and June 2014, without the legally required one-day off for every seven-day work period. The following is each Sunday with the percentage of workers that worked that day: a) January 12, 2014: 72% of workers b) April 6, 2014: 52% of workers; c) April 20, 2014: 52% of workers ;d) May 4, 2014: 80% of workers e) June 15, 2014: 44% of workers [HOW.2]

Local Law or Code Requirement

Vietnamese Labor Code, Articles 106 and 110; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2, ER.16, ER.17.1, and ER.23; Hours of Work Benchmark HOW.2; Compensation Benchmarks C.5 and C.6)

Recommendations for Immediate Action

1. Ensure that workers receive one day off for each seven-day work period. 2. Ensure that the workers receive ten statutory holidays a year as per law, and the CBA is revised accordingly. 3. Establish a system that allows workers to record their own hours, and train the workers accordingly. 4. Revise the Hours of Policy and the CBA in accordance with the law. 5. FLA affiliate Company's Sourcing and Social Compliance teams should implement FLA Principles of Fair Labor and Responsible Sourcing, and accordingly coordinate on the topics mentioned below to help the factory address its excessive hours issue: a. How to provide better order forecasts to the factories; b. Possible workshops/consultancy for the factory on how to improve productivity/quality; c. Clear guidelines on how to extend shipment deadlines in case of contingencies; d. Steps that factory management must follow if overtime is inevitable (steps for how to communicate with the brand's Sourcing and Social Compliance teams); e. Clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks; f. Clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Remediated

Explanation:

Factory updated their policy on Hours of Work and the CBA to ensure that the workers receive ten statutory holidays a year as per law, and OT does not exceed 30 hours a month. [ER.1]

2. Finding Status: Not Remediated

Explanation:

During the verification assessment, it was found that the factory has not established written procedures for managing Hours of Work. [ER.1]

Root Causes:

The factory does not fully understand the FLA benchmarks related to procedures for managing Hours of Work.

3. Finding Status: Not Remediated

Explanation:

Manual time record system is applied for all workers, which is administered by the statistical staff instead of by workers themselves except for QC and Lamination workers who use the punch time card system to record their working time themselves. However, punch time cards were not provided for review. [ER.23, C.5, C.6]

Root Causes:

Double bookkeeping is used for time and pay records in the factory. The factory does not have a system that allows workers to record their own working hours.

4. Finding Status: Not Remediated

Explanation:

The factory does not provide training for supervisors and production supportive staff on Hours of Work. [ER. 1, ER.17.1]

Root Causes:

There is lack of commitment on the part of the factory management to administer a training by a qualified person.

5. Finding Status: Not Remediated

Explanation:

Training on company policies and procedures is not properly conducted. There is not training program or training records maintained by the factory. The factory only reads the policies and procedures to workers as part of orientation. Also, the factory does not provide ongoing training to employees on Hours of Work policies and procedures, and does not consistently communicate its policies and procedures to the workforce. [ER.1]

Root Causes:

No written training program is set up for new workers.

6. Finding Status: Not Remediated

Explanation: According to worker' interviews, almost all workers work on Sunday twice to four times per month. Sunday offclock work was detected for on Mar 26, 2017 (Finished Goods issuing log book-Latching 05), Nov 30, 2016, Jan 15, 2017 (Medicine distribution log book). Also at the Latching section, workers are assigned to work on Sunday as shown on the weekly work-floor cleaning schedule. Workers are not provided with a compensatory day-off subsequently. [HOW.2; ER.23]

Root Causes:

There is no system for managing Hours of Work and lack of commitment to abide by the legal and FLA overtime limitations.

Local Law or Code Requirement

Vietnamese Labor Code, Articles 110; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2, ER.16,

Recommendations for Immediate Action

1. Ensure actual working hours are recorded on a unique set of time records.
2. Guarantee at least 24 consecutive hours of rest in every seven day-period. If there is work on rest day, ensure that the workers are provided with a compensatory day off during the follow week.
3. Establish a system that allows workers to record working hours themselves, and train the workers accordingly.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Original Action Plan 1. Factory shall ensure that the workers receive "at least" ten statutory holidays a year as per law. The CBA shall be revised accordingly. The factory's policy on Hours of Work and the CBA shall be also revised according to the local laws about Overtime terms: both documents have to state that OT shall not exceed "at least" 30 hours a month. 2. Factory to create a written procedure for managing Hours of Work. 3. Factory should establish a system that allows workers to record their own hours. It's suggested that time worked by all workers, regardless of wage system, shall be fully documented by time cards or other mechanical or electronic recording systems. It's really important that the factory shall not maintain multiple time-keeping systems and/or records. By the way, the factory shall have in place policies for managing all working hour, overtime, and leave records in normal and exceptional circumstances. 4. The factory management shall ensure that all supervisors and production staff are trained in national laws, regulations, and the arena Code, and the appropriate practices to ensure compliance. Trainings should be updated on a regular basis. 5. Factory shall provide ongoing training to all workforce on Hours of Work policies and procedures. Trainings should be updated on a regular basis. 6. Factory shall ensure that for workers receive one day off for each seven-day work period. A plan should be created for workers to gradually be provided the owed rest day without affecting production scheme. Progress Updates 02/21/17: 1. Document review & management interview affirmed that all local and national laws, CBA, rules, and regulations were covered in this report. It was noted that the facility internal regulation had been updated on January 15th , 2016 and got registered by local labor authority on January 29th , 2016, which is complied with Vietnam Labor. 2. The written policy procedures for managing on working hours, including normal working hours, overtime hours and rest day in the native language was set up as per local law. 4. The written policy on working hours, including normal working hours, overtime hours and rest day in the native language was set up as per local law. This policy was communicated to supervisors and production staff on June 24th, 2016 and posted at the notice board of workshop. 5. The written policy on working hours, including normal working hours, overtime hours and rest day in the native language was set up updated as per local law. This policy was communicated to all employees on June 24th, 2016 and posted at the notice board of workshop.

PREVIOUS FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

1. There are no procedures for Retrenchment. Therefore, there is no training provided to the workforce or periodic review of procedures for this Employment Function. [ER.32, ER.1] 2. Training is not provided to supervisors on Termination procedures. [ER.17] 3. The procedures and practices for Termination are not in compliance with local laws. Article 11 of the CBA and Section V of the factory's Labor Regulations state that severance allowance is only paid to those workers employed for longer than one year; other workers are not entitled to severance pay. Workers who are on short term contracts (three months) without unemployment insurance are not entitled to Severance Allowance according to this policy. [ER.19]

Local Law or Code Requirement

Vietnamese Labor Code, Article 48(2); FLA Workplace Code (Employment Relationship Benchmark ER.1, ER.16, ER.17, ER.19.1, and ER.32)

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation:

Procedures for Retrenchment have not been established. [ER.32, ER.1]

Root Causes:

The factory does not understand the FLA requirement.

2. Finding Status: Not Remediated

Explanation:

Training is not provided to supervisors on Termination procedures. [ER.17]

Root Causes:

The factory does not understand the FLA requirement.

3. Finding Status: Not Remediated

Explanation:

The factory had revised the regulations and also the CBA by April 10, 2017 and January 15, 2016 respectively. However, it is still mentioned in both company regulation and CBA that only workers who have the service duration before December 31, 2008 and have more than one year of service will be entitled to the severance allowance if they resigned; otherwise, the factory will not pay for severance allowance. Also, there is no system to record the service duration when the unemployment insurance is not paid (e.g., maternity leave, probationary period), so the factory does not pay for severance allowance for those periods that workers were not entitled to unemployment insurance. [ER.19]

Root Causes:

The factory does not fully understand the legal requirement about the severance allowance and how to monitor and pay it to their workers.

Local Law or Code Requirement

Vietnamese Labor Code, Article 186.3; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, ER.17, ER.19.1, and ER.32)

PREVIOUS FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. There are no procedures on Freedom of Association. [ER.25, FOA.1] 2. Workers are not informed about the Collective Bargaining Agreement (CBA), nor do they receive a copy of the CBA. [ER.16.2] 3. The factory does not have a system to foster and manage communication/dialogue with workers. The factory does not have the required meetings every three months to foster dialogue with workers, and does not hold the legally required annual Laborers Conference. [FOA.1, ER.25, ER.26] 4. Workers are automatically enrolled in the union when they sign their labor contracts, but are not informed of this at the time. [FOA.24] Additionally, the workers have not provided written consent to have union membership fees deducted from their monthly salaries. 5. The factory does not train supervisors on Industrial Relations and Freedom of Association. [ER.17] 6. 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]

Local Law or Code Requirement

Vietnamese Labor Code, Articles 65 (1) and 74 (3); Decree No.60/ND-CP; FLA Workplace Code (Employment Relationship ER.16, ER.17, ER.25, and ER.26; Freedom of Association Benchmarks FOA.1, FOA.2, FOA.20, FOA.21, FOA.24, and FOA.26)

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation:

There are still no policies and procedures on Industrial Relations and Freedom of Association established.

[ER.25, FOA.1]

Root Causes:

The factory does not fully understand the FLA benchmarks related to Industrial Relations and Freedom of Association.

2. Finding Status: Partially Remediated

Explanation:

Workers neither know about the Collective Bargaining Agreement (CBA), nor receive a copy of the CBA, CBAs are posted at the workplace. [ER.16.2]

Root Causes:

The factory does not fully understand the FLA benchmarks related to Industrial Relations and Freedom of Association.

3. Finding Status: Partially Remediated

Explanation:

Dialogue meetings are not conducted quarterly. The factory only conducted two dialogue meetings in 2016 on March 30, 2016 and on July 4, 2016, while no dialogue meeting has been conducted in 2017. The last Laborers Conference was conducted on June 5, 2016, but none was conducted in 2017 by the time of this assessment in late September. [FOA.1, ER.25, ER.26]

Root Causes:

The factory does not fully understand the FLA benchmarks and legal requirements related to Industrial Relations and Freedom of Association. There is lack of commitment to conduct the dialogue meetings and labor conference as regularly as legal requirement.

4. Finding Status: Remediated

Explanation:

Workers sign on the application form to join the Trade Union and the form includes deduction of union dues.

Workers pay 1% of their wages for Trade Union fees (stated on the labor contracts).

5. Finding Status: Not Remediated

Explanation:

The factory does not train supervisors on Industrial Relations and Freedom of Association. [ER.17]

Root Causes:

The factory does not fully understand the FLA benchmarks related to Industrial relation and Freedom of Association.

6. Finding Status: Not Remediated

Explanation:

Please see the FLA Comment above [FOA.2]

Root Causes:

The discrepancy between the Vietnam Labor Law and the ILO standards.

Local Law or Code Requirement

Vietnamese Labor Code, Articles 65 (1) and 74 (3); Decree No.60/2013/ND-CP, Art. 10; FLA Workplace Code (Employment Relationship ER.16, ER.17, ER.25, and ER.26; Freedom of Association Benchmarks FOA.1, FOA.2, FOA.20 and FOA.24)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Original Action Plan 1. Factory shall create Freedom of Association procedures in order to inform all workers about their right to establish and to join organizations of their own choosing, subject only to the rules of the organization concerned, without previous authorization. 2. Factory shall inform all workers about the CBA and provide them a copy of it. 3. The factory shall held the legally required annual Laborers Conference at least in order to foster and manage communication and dialogue with workers. Meetings every three months are highly recommended. 4. Workers have the right to freely choose the union they prefer once they start to work. The factory shall inform them about this possibility giving them their own freedom, and should not deduct union membership fees or any other union fees from workers' wages without the express and written consent of individual workers. 5. Factory shall provide a training to the Supervisors on Industrial Relations and Freedom of Association. Trainings should be updated on a regular basis. Progress Updates 02/21/17: 1. During review of documents and the factory management discussion, noted that he Freedom of Association was established on June 6th , 2015. It recognized and respected the right of employees to exercise their lawful rights of free association. 2. The Collective Bargaining Agreement (CBA) was last updated on January 15th, 2016 and was sent to the local authority on January 29th, 2016. The CBA was posted at the notice boards of the workshops. The latest The Collective Bargaining Agreement (CBA) training for all employees was taken on June 24th, 2016. 5. During review of documents, workers

interview and the factory management discussion, noted that factory was provide a training to supervisors on Industrial Relations and Freedom of Association training for all employees was taken on June 24th , 2016.

PREVIOUS FINDING NO.5

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Grievance System

Finding Explanation

1. The policies and procedures for Grievance System do not comply with local laws in the following ways: management is not required to provide workers with written notification of grievance settlements; it is not required to send the final decision of a complaint to relevant parties; there is no commitment to protect workers who raise concerns from retaliation. [ER.1, ER.16] 2. There is only one record of management opening the suggestion box. According to the management, there is no documentation of complaints because there are hardly any lodged. [ER.2, ER.25] 3. There is no worker participation component in the Grievance System policies and procedures. [ER.1] 4. The factory does not effectively communicate and train on the grievance system. Workers are not fully knowledgeable about the Grievance System, they only know to meet with their direct supervisor if issues arise. Supervisors and staff are not trained on the Grievance System. [ER.17]

Local Law or Code Requirement

Decree No. 04/2005/ND-CP, Article 14; Decree No. 04/2005/ND-CP, Article 14, Point 1c; FLA Workplace Code (Employment Relations Benchmarks ER.1, ER.2, ER.16, ER.17, and ER.25.3.2)

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Remediated

Explanation:

Factory added the following information in its policies and procedures for Grievance System: a.) a written notification that allows a direct settlement of the grievance by the worker and the immediate supervisor; b.) the requirement that final decisions of complaints must be sent to relevant parties; c) a commitment of the factory management to protect workers who raise concerns from retaliation. Based on worker interviews, if they have any issues/ concerns, they can go to their line leader or they also can raise them with higher management via the grievance channels or dialogue meetings if they are not satisfied with the action taken by the direct supervisor.

2. Finding Status: Partially Remediated

Explanation:

While records of written complaints are recorded, no records of verbal complaints are maintained. [ER.2, ER.25]

Root Causes:

The factory does not fully understand the FLA benchmarks related to policies and procedures.

3. Finding Status: Not Remediated

Explanation:

There is no worker participation component in the Grievance System policies and procedures. [ER.1]

Root Causes:

The factory does not fully understand the FLA benchmarks related to policies and procedures.

4. Finding Status: Remediated

Explanation:

All workers were trained on February 28, 2017. Based on worker interviews, they know how to raise grievances through different channels.

Local Law or Code Requirement

Local Law or Code Requirement

FLA Workplace Code (Employment Relations Benchmarks ER.1, ER.2, and ER.25)

PREVIOUS FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. The factory's Labor Regulations (point 5, Section VI) include the following items which are not aligned to local labor law: a form of discipline which transfers workers to different positions, and dismissal for violations such as being dishonest or behaving rudely towards superiors or colleagues. [ER.1, ER.27, H/A.1] 2. When workers violate factory rules, they are given a warning letter and their Housing Subsidy allowance (350,000 VND/month) is deducted 30 - 100%, based on severity of the violation. [H/A.2] 3. There is no written policy on workplace conduct and discipline, and no mechanism for workers to appeal disciplinary actions. [ER.27] 4. There is no training for workers, supervisors, and administrative staff for Workplace Conduct & Discipline policies and procedures. [ER.17, ER.27]

Local Law or Code Requirement

Vietnamese Labor Code, Articles 125 and 126; FLA Workplace Code (Employment Relationship ER.1, ER.17, and ER.27; Harassment or Abuse Benchmarks H/A.1 and H/A.2)

Recommendations for Immediate Action

1. Ensure that the factory's Labor Regulations are in line with local labor law. Once the revisions are completed, communicate them to the workers via training, postings on announcement boards, etc. 2. Cease the practice of monetary penalties as a form of discipline and communicate the change to the workers, supervisors, and managerial staff.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: The factory regulation was updated on 16/1/2016 and 10/4/2017. There is no longer a form of discipline which involves transfer of workers to different positions, and dismissal for violations such as being dishonest or behaving rudely towards superiors or colleagues. Workers were informed about the change in regulation.

2. Finding Status: Not Remediated

Explanation: Housing allowances are still deducted when workers violate the factory rules. For example, if a worker received two verbal warnings in a month, 30% the housing allowance will be deducted and in case of more than two verbal warnings in a month, 50% of allowance will be deducted. If a worker received one written warning in a month, 30% of allowance will be deducted and in case of one written plus one verbal warning in a month, 50% of allowance will be deducted. The practice impacts a big portion of the workforce; based on payroll review, 80% of workers are not entitled to the full housing allowance in a given month. [H/A.2]

Root Causes: The factory doesn't consider housing allowances as part of wages.

3. Finding Status: Not Remediated

Explanation: The factory does not establish the workplace conduct and discipline policy in written. For the disciplinary cases, there is no appeal process established for workers to appeal the disciplinary action against them. However, as per the factory management, workers can appeal if any through grievance system available in the factory. [ER.27]

Root Causes: The factory does not fully understand the FLA requirements.

4. Finding Status: Partially Remediated

Explanation: There is no special training on Workplace Conduct & Discipline policies and procedures for supervisors and admin staff. [ER.17]

Root Causes: The factory does not fully understand the FLA requirements.

Local Law or Code Requirement

Vietnam Labor Code, Articles 125 and 126; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.17, and ER.27; Harassment or Abuse Benchmarks H/A.1 and H/A.2)

Recommendations for Immediate Action

1. Cease the practice of monetary penalty in the form of housing allowance deductions.
2. Ensure workers can appeal disciplinary actions against them.

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The fire alarm system is inadequate; there is only one alarm button and siren to cover all three buildings of the factory. Additionally, the factory pledged to the fire department to install a new smoke detection system covering the warehouse areas, but plans or details are unavailable. [HSE.5, HSE.6] 2. Some fire extinguishers are blocked in the warehouse areas. [HSE.6] 3. The emergency evacuation plans do not cover upstairs areas (the canteen and offices). The posted plan is too small and not color-coded. [HSE.5] 4. The staircases are inadequate to evacuate the upstairs areas. The upstairs canteen sits two shifts of 300 workers. While there is one adequate main exit, the 2nd exit that has a spiral staircase is unsafe. The upstairs office's narrow staircase is inadequate for an exit. [HSE.5] 5. There is no designated assembly area. [HSE.5] 6. There is no system to track the evacuation of contractors and visitors. [HSE.5] 7. Several aisles in the assembly areas are permanently obstructed by large machines. In the warehouse, material is stacked to ceiling. [HSE.5] 8. The fire permit from December 2006 is on file, but it is missing structural drawings and detailed fire system plans. (Note: The factory said they would request a copy from fire police). [HSE.4] 9. Not all workers know their primary exit and secondary exit routes in case of an emergency. [HSE.5]

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.4, HSE.5.1, and HSE.6)

Recommendations for Immediate Action

1. Install a fire alarm that is accessible and can be heard by all workers throughout the factory. The fire prevention system should include smoke detectors, cover all main areas of the factory (including chemical storeroom), and have a central control panel. 2. Ensure that fire extinguishers are free from blockage at all times. 3. Improve the exit stairs for the upper level, and update the evacuation plan. 4. Ensure that fire permits and inspection records are complete and up-to-date. 5. Designate an assembly area that is at a safe distance from the factory buildings. 6. Ensure that all aisles are free from obstruction, and that materials are safely stored in the warehouse.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation: There is no installation and maintenance documents available related to smoke detector system throughout the facility. The factory installed two extra fire alarm buttons in the work floor. However, there is no back-up battery as well as notified zones to the fire alarm control central. [HSE.5, HSE.6]

Root Causes:

The factory is not aware of the legal requirement and FLA requirements about fire alarm system.

2. Finding Status: Remediated

Explanation:

Fire extinguishers are free of obstacles in the warehouse areas.

3. Finding Status: Partially Remediated

Explanation:

Evacuation plot plans are posted in the canteen and office. Evacuation plot plans are in bigger size and color coded. However, there are missing first aid kit positions on the evacuation plans. Also, evacuation plot plan is posted upside down in the assembly section. [HSE.5, HSE.6]

Root Causes:

The factory is not aware of the legal requirement and international standards about the evacuation plot plan.

4. Finding Status: Remediated

Explanation:

The new quarter-turn stairs with adequate width were built in 2015 as the secondary exit from the upstairs canteen.

5. Finding Status: Remediated

Explanation:

The factory has designated assembly areas in front of the factory.

6. Finding Status: Not Remediated

Explanation:

There is no system to track the evacuation of contractors and visitors. [HSE.5]

Root Causes:

The factory does not understand the FLA requirements.

7. Finding Status: Partially Remediated

Explanation:

In the warehouse, about 10% of light material is still stacked up to the ceiling. About 30% of aisles in the assembly areas are still obstructed by products and machines. [HSE.5]

Root Causes:

The factory does not fully understand the legal and FLA requirements.

8. Finding Status: Not Remediated

Explanation:

There are no structural drawings and detailed fire system plan maintained for the fire equipment system. The factory management explained that they lost a copy of the plan and has not obtained it from the fire police.

[HSE.4]

Root Causes:

The factory does not understand of the legal requirements about documentation maintained for fire system.

9. Finding Status: Remediated

Explanation:

Based on interviews, the workers are aware of the primary and second exit routes.

Local Law or Code Requirement

Decree No. 79/2014/ND-CP, Art. 15; Decision No. 2726/QĐ-BKHCN, Art. 6(1)(1); TCVN 5738:2001, Art. 6.; TCVN 7435-1:2004, Art 5.4, Art. 6.; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.4, HSE.5, and HSE.6)

Recommendations for Immediate Action

1. Ensure smoke detector system is inspected and maintained regularly.
2. Ensure evacuation plot plan is properly maintained with first aid kit positions.
3. Ensure evacuation plan includes contractors and visitors
4. Ensure aisles are free of obstacles.
5. Ensure structural drawings maintained for the fire equipment system.

PREVIOUS FINDING NO.8

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The chemical storeroom contains drums of Toluene, MC, and other solvents/thinners without containment, segregation, warning labels, eyewash, or firefighting and alarm systems. [HSE.9] 2. The factory does not keep proper inventory and monthly usage records for chemicals. [HSE.9] 3. Chemicals used during production are unsafe. There are strong solvent smells in most production areas, as well as, inadequate exhaust ventilation and safety precautions. Test results show passing levels of particulates, but these tests are not credible. More detailed and frequent testing is needed. [HSE.13] 4. Personal protective equipment (PPE) is inadequate. The "carbon" masks provided do not have a carbon or volatile organic compound (VOC) rating. Health checks for 66 workers exposed to chemicals were conducted in November 2013; 10 passed while 56 (85%) showed health issues and were to receive follow-up testing within once month. The factory delayed and conducted follow up tests for 43 workers only in September 2014, but results are not yet available. [HSE.7] 5. There is not a list of hazardous jobs, or a formal system for job reassignment to protect pregnant workers from reproductive risks. [HSE.11, HSE.12]

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.7, HSE.9, HSE.10, HSE.11, HSE.12, and HSE.13; Nondiscrimination Benchmark ND.8)

Recommendations for Immediate Action

1. Conduct a thorough review and risk assessment for chemical safety, and improve the safety of chemical storage and systems for safe management, handling, and distribution of chemicals. 2. Conduct a thorough risk assessment and detailed testing of chemical exposure. Reduce chemical hazards through substitution. Decrease chemical risks with a new exhaust system that is properly maintained and tested regularly. 3. Provide adequate PPE. 4. Conduct health checks for hazardous work in a timely manner. 5. Implement a job reassignment system to protect pregnant workers, and provide full leave, as well as other legal benefits, to workers engaged in hazardous work.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation:

The factory equips two fire extinguishers and also the fire alarm calling point in front of the chemical warehouse. However, there are no eye wash and shower stations equipped at chemical warehouse. The factory only installs a washing basin there, considered as the eye wash station. Moreover, improper labels (no warning sign, only a small paper with the chemical name printed, flimsily stuck on to the containers with glue) are maintained for chemical containers in the chemical warehouse. Also, the volume of the secondary containers at the lasting area and chemical warehouse are not big enough to contain all chemical containers inside. There are some chemical containers put outside of the secondary containment and the secondary containment at the chemical warehouse cannot contain leakage as it is made of cement and it links directly to the sewage. [HSE.9]

Root Causes:

The factory does not understand the legal requirements on chemical safety and chemical labelling. Also, there is a lack of strict monitoring on chemical safety implementation.

2. Finding Status: Not Remediated

Explanation:

The factory failed to provide inventory and monthly usage records for chemicals to the assessors on the grounds that the computer storing such data was broken during the assessment. [HSE.9]

Explanation:

There is no ventilation system installed in production areas or any safety precautions implemented. There is a strong solvent smell everywhere in the entire production area while from the provided testing record dated Nov 9, 2016, the testing result showed passing results in terms of particulate level. [HSE.13]

Root Causes:

The factory management does not fully grasp the risks of chemical exposure and does not treat investment in this area a priority.

4. Finding Status: Not Remediated

Explanation:

The "Carbon" masks are used by workers exposed to chemicals instead of respirators in the lamination, and lasting section and the chemical warehouse. The factory does not have a procedure to collect and replace the dusty masks. On 9/1/17 there were 58 workers had provided occupational health check, but 36 workers (on total 58) were required for further health examination and the factory provided follow up health examination for them on 8/4/2017, three months later instead of having done immediately. The result of the further health check was "in normal". [HSE.7]

Root Causes:

Lacking of competent persons to look over the health and safety risks and hazards.

5. Finding Status: Partially Remediated

Explanation:

The factory has defined a list of hazardous jobs for workers, which entitle them to the hazardous job allowance such as machine operators in lasting, assembly, screen printing, QC in grinding section and lamination, gluing, and cutting. However, the list does not cover all the potentially hazardous jobs for pregnant or lactating workers. Also, there is no system established for job reassignment for pregnant/ lactating workers to protect them from reproductive health risks. It was observed that pregnant workers were working next to gluing area and lactating workers also handle gluing [HSE.11, HSE.12]

Root Causes:

The factory does not understand the legal and FLA requirements.

Local Law or Code Requirement

Law No. 06/2007/QH12, Art. 21, Art.28, Art.30, and Art.31; Law No. 84/2015/QH13, Art. 16; Circular No. 26/2013/TTBLTBXH, Part.B; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.7, HSE.9, HSE.11, HSE.12, and HSE.13)

Recommendations for Immediate Action

1. Ensure all chemicals are equipped with proper label in local language, proper secondary containment, and eye wash and shower stations.
2. Maintain an up-to-date inventory records for all chemicals.
3. Equip proper ventilation system and establish safety cautions to eliminate the hazardous chemical exposures.
4. Ensure credible testing of chemical exposure in production areas.
5. Ensure workers handling chemicals are equipped with proper mask or respirator.
6. Ensure health checks for workers exposed to chemicals are conducted and followed up on regularly.

7. Establish a reproductive health procedure and ensure pregnant workers and those nursing a baby are assigned jobs which won't affect their reproductive health.

PREVIOUS FINDING NO.9

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. After a 2006 government environment inspection, the factory committed to several improvements, which have not been made. The factory committed to install basic wastewater treatment, and to treat and reduce its air emissions. No actions have been taken and no updated approvals are available; therefore, the environment permit has effectively lapsed. The factory has a small printing section that cleans screens over an open drain, which goes untreated into the city sewage system. [ER.31, HSE.1] 2. The permit allowing the factory to use groundwater for drinking and production expired in 2012. [ER.31] 3. The factory does not have an effective environmental management system (EMS). Risk assessments for Environment and Safety began in September 2014. Further analysis and detailed review are needed to capture all of the risks, e.g. environmental impacts and risks, chemical warehouse, fire, and work safety risks. [ER.31] 4. There is no proper storage area for hazardous and non-hazardous waste. Hazardous waste is stored in the open without a roof, protection, or containment. The hazardous waste storage containers do have labels, and there is insufficient segregation of hazardous and non-hazardous waste. [ER.31]

Local Law or Code Requirement

FLA Workplace Code (Employment Relations Benchmarks ER.31; Health, Safety & Environment Benchmarks HSE.1 and HSE.9)

Root Causes

FLA Workplace Code (Employment Relations Benchmarks ER.31; Health, Safety & Environment Benchmarks HSE.1 and HSE.9)

Recommendations for Immediate Action

1. Comply with environment inspection commitments from 2006 to treat wastewater, air emissions, and submit these improvements to the Environment authorities for review and approval. Water from the printing section should not be discharged into the public sewage system without treatment. 2. Review and expand the environmental risk assessment to capture all relevant risks, and develop an EMS to manage and control for these risks. 3. Build a proper storage facility for separating regular and hazardous wastes. It must have a roof and protection from the elements, and proper environmental and safety precautions.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation: There is no waste water treatment system or a system to treat/reduce air emissions. Environmental permit has not been renewed and there is no process implemented to treat water from the printing section before discharge.

Also, the printing section was not in operation during the assessment. Based on worker interviews, this was due to the FLA assessment so that workers in the printing section were assigned to support the assembly lines while the printing section was temporarily stopped for few days. [ER.31, HSE.1]

Root Causes: The factory does not have commitment to comply with the legal requirements related to Environment Protection.

2. Finding Status: Not Remediated

Explanation: The permit for use of groundwater has not been extended since 2012. In addition, as shown on the Environment Inspection record of the inspectors dated Aug 25, 2016, the factory was required to occlude the ground water well in accordance with the legal requirement, as it is not allowed to exploit ground water for production anymore. The factory said that they do not use the ground water anymore, but assessors could not confirm it as the factory did not provide proof of tap water usage. [ER.31]

Root Causes: The factory does not have commitment to comply with the legal requirements related to Environment Protection.

3. Finding Status: Partially Remediated

Explanation: There is no risk assessment for Environment and also there is no environmental commitment on the environment policy. The factory said that they lost them while rearranging the workshop after damage caused by heavy rain. The factory had a risk assessment dated 29/2/17 for each position on fire and chemical safety, but there are no corrective actions taken against identified risks. [ER.31]

Root Causes: The factory does not fully understand of the legal requirements.

4. Finding Status: Partially Remediated

Explanation: The factory is now designing an area for hazardous waste storage near the back gate of the factory. However, there is missing secondary containment at the designated waste storage area. Roof is built for waste storage area but not big enough to protect all wastes from elements. Also, non-hazardous and hazardous wastes are not segregated. [ER.31]

Root Causes: The factory does not fully commit to the legal requirements and FLA requirements related to environment protection.

Local Law or Code Requirement

Law no.55/2014/QH13, Art 68.1.a ; Law No. 17/2012/QH13, Art. 44; Law no.84/2015/QH13, Art. 76, Art. 77; FLA Workplace Code (Employment Relations Benchmarks ER.31; Health, Safety & Environment Benchmarks HSE.1 and HSE.9)

Recommendations for Immediate Action

1. Ensure all document related to waste water treatment system, air emission, environment permit and process to treat water from printing section installed and available during the verification. Ensure the full operations conducted during verification.
2. Ensure hazardous wastes are stored under shelter and in secondary containment.
3. Obtain the extension permit for ground water.
4. Ensure that waste water from cleaning printing screens is treated before discharging into the city sewage system.

PREVIOUS FINDING NO.10

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Health, Safety & Environment (HSE) training and communication for workers and supervisors is insufficient. There is limited internal training, which is conducted during a portion of one day each year in December. This training does not include managers and supervisors or all risks including lifting, ergonomics, etc. This training is insufficient to fulfill the legal requirements. [ER.1, ER.17, HSE.1, HSE.9] 2. Warehouses are overfilled. There is neither a safe lifting program, nor a forklift; workers only have a ladder and hand trucks. There are no procedures or safety training programs addressing the risk of falling due to unsafe conditions/practices. [HSE.8, HSE.14, HSE.17] 3. The factory does not have procedures for workers to raise health and safety concerns and for protection against retaliation for raising healthy and safety concerns. [ER.31] 4. The factory does not review its health and safety program on a periodic basis. There is a safety committee in place, but it is nonfunctional. There have been no recent meeting or records kept. [ER.1]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.17, and ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.8, HSE.9, HSE.14, HSE.15, and HSE.17)

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Partially Remediated

Explanation:

Health and safety (H&S) training was provided to workers (group 4) in March 2016 and the next annual training was schedule for December 2017. However, the new workers are only provided with 8 hours of H&S training instead of 16 hours as legally required. Also, the factory only provided the H&S training to one staff instead of to all H&S officers/ Committee (group 2 of 11 persons established by April 12, 2017). In addition, H&S training is not

provided to group 5 and group 6 as legally required. Further, workers handling chemicals are not trained and certified on chemical safety as legally required. [ER.1, ER.17, HSE.1, HSE.9]

Root Causes:

There is a lack of commitment from the top management on the legal requirements and FLA requirements regarding H&S training.

2. Finding Status: Partially Remediated

Explanation:

Only 10% of material warehouse are filled up to the ceiling and no overstorage was observed at the finished goods warehouse. However, there is no lifting program or procedure established nor workers are trained on it. Workers only have a ladder and hand trucks to lift or arrange the goods in the warehouses. [HSE.8, HSE.14]

Root Causes:

The factory's risk assessment on fall risks and lifting hazards have deficiencies.

3. Finding Status: Not Remediated

Explanation:

There are no procedures for workers to raise health and safety concerns and for protection against retaliation for raising healthy and safety concerns. [ER.31]

Root Causes:

The factory is not aware of FLA requirements.

4. Finding Status: Not Remediated

Explanation:

The factory does not regularly review their health and safety program. There is no procedure to review & update their policies and procedures. [ER.1]

Root Causes:

The factory is not aware of FLA requirements.

Local Law or Code Requirement

Decree 44/2016/NDCP, Art. 17 and Art. 18; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.17, and ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.8, HSE.9, HSE.14, and HSE.17)

PREVIOUS FINDING NO.11

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. There are policies and procedures for Hiring and Recruitment, but not for Personnel Development. [ER.1, ER.28, ER.30] 2. The Hiring and Recruitment policies and procedures do not include performance reviews or a process for broadening workers' skills in order to advance their careers. [ER.28, ER. 29] 3. The factory does not provide training for supervisors, or ongoing training for workers on Recruitment, Hiring & Personnel Development. [ER.17, ER.28] 4. The factory does not have job descriptions for all positions. [ER.1] 5. There are no policies and procedures regarding transparent and fair promotion, demotion, and job reassignment. [ER.30] 6. Policies and procedures for Recruitment, Hiring & Personnel Development are not periodically reviewed. [ER.1]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.17, ER.29.1, and ER.30.1; Nondiscrimination Benchmark ND.2.1)

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation: The factory has no policy or procedure for Personnel Development. As explained by factory management, the factory will recruit the new candidates for supervisor or manager positions, if need be. [ER.28, ER.30]

Root Causes: The factory does not understand the FLA requirements.

2. Finding Status: Not Remediated

Explanation: Performance review program is neither established nor implemented. Similarly, there is no system for broadening workers' skills. [ER.29]

Root Causes: The factory does not understand the FLA requirements.

3. Finding Status: Not Remediated

Explanation: The factory still does not provide training for supervisors, or ongoing training for workers on Recruitment, Hiring & Personnel Development. [ER.17, ER.1]

Root Causes: The factory does not understand the FLA requirements on Recruitment, Hiring & Personnel Development.

4. Finding Status: Partially Remediated

Explanation: The factory has job descriptions established for office staff positions only. [ER.1]

Root Causes: The factory does not fully understand the FLA requirements.

5. Finding Status: Not Remediated

Explanation: The factory does not have policies and procedures regarding promotion, demotion, and job reassignment with transparent and fair implementation manner. [ER.31]

Root Causes: The factory does not fully understand the FLA requirements.

6. Finding Status: Not Remediated

Explanation: The factory does not periodically review their policies and procedures for Recruitment, Hiring & Personnel Development. [ER.1]

Root Causes: The factory does not fully understand the FLA requirements.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.17, ER.28, ER.29, and ER.30)

PREVIOUS FINDING NO.12

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Individual workstations are not adjustable to fit individual workers. [HSE.17]

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.17)

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation:

The individual workstations are not adjustable to fit individual workers as observed during the walkthrough. [HSE.17]

Root Causes:

The factory does not set the priority for the improvement of workstations due to no budget allocation.

Local Law or Code Requirement

Vietnam Labor Code 2013, Art 138.1; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.17)

PREVIOUS FINDING NO.13

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The clinic is not in operation during all working hours. [HSE.18] 2. The clinic does not have adequate supplies. For example, there is no phone and only one bed. [HSE.18]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety & Environment Benchmark HSE.18)

Recommendations for Immediate Action

1. Ensure that the clinic is in operation during all working hours, and that it is fully equipped.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation:

During the walkthrough, assessors met a person in the clinic who introduced himself as the part-time doctor. However, as confirmed by all interviewed workers and also admitted by the part-time doctor himself, the administrative staff, who is not stationed at the clinic, is the only one to do the first aid or provide workers with medicines in case of injury or sickness. Also, the clinic is not in operation while doctor is not onsite, who rarely comes to the factory. [HSE.18]

Root Causes:

The factory does not fully understand the legal requirements on medical facilities.

2. Finding Status: Partially Remediated

Explanation:

The clinic does not have adequate supplies. There is no phone to internal communication and only one bed and some first aid supplies (e.g., medicines, elastic bandage, surgical masks) are missing at the clinic. [HSE.18]

Root Causes:

The factory does not fully understand the legal requirements.

Local Law or Code Requirement

Circular No. 19/2016/TT-BYT, Art. 7; Annex 1; FLA Workplace Code (Health, Safety & Environment Benchmark HSE.18)

Recommendations for Immediate Action

1. Hire a fully licensed medical staff as per local law and ensure the medical staff is presence during working hours.
2. Maintain adequate supplies in the clinic at all times.

PREVIOUS FINDING NO.14

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

1. New employees do not receive training on Industrial Relations or human resource policies, and do not receive written documentation of all issues covered in the orientation. [ER.15]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.15)

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation:

From the training records as well as management and workers' testimonials, the factory does not train new workers on Industrial Relations or human resource policies. The new workers do not receive written documentation of all issues covered in the orientation. [ER.15]

Root Causes:

The factory is not aware of FLA requirements.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.15)

PREVIOUS FINDING NO.15

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

1. 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:

Based on management and worker interviews, 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 and ER.25.2]

Root Causes:

The factory does not fully understand the FLA requirements.

Local Law or Code Requirement

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

New Findings and Action Plans

NEW FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The factory has the following discriminatory practices during recruitment: [ND.2.1, ER.3] a. Tattoo check is applied in hiring process as a hiring condition. b. Candidates with dyed hairs are not hired according to workers' testimonials. c. The factory hires workers from 18 to 25 and 18 to 35 for other positions that are not regular production positions (e.g., maintenance staff, cleaners, supervisors) while the legal working age ranges from 15 to 55 to females and 15 to 60 for males. 2. Seasonal contract of 3 months is signed with all workers, who perform the long-term job. [ER.9.1 ER.11] 3. Labor Contract content does not follow the current legal requirements. It is following the obsolete Circular No.21/2003 and missing: a) the ID # and address of the Legal Representatives, b) the time in and time out and rest time, c) tools and Personal Protective Equipment (PPE) workers are entitled to, d) the wage increment frequency, e) allowances, f) details of the social security deduction from wage, g) the Labor Union fee (says "1% from the employer" instead of the correct figure, 2%), form of

payment and h) methods and time of payments for social security. [ER.1] 4. There were inconsistencies in the joining dates of workers between the workers testimonials and the provided personnel profiles. The joining dates on the provided personnel profiles are three months behind the actual joining dates that workers provided. Workers also confirmed that they were asked to fill in the factory's hiring application form and sign the three-month labor contract after completion of their first three months' service at the factory. [ER.1]

Local Law or Code Requirement

Labor Code No. 10/2012/QH13 (2013), Art. 5(1), and Art 22.3; Decree No. 05/2015/ND-CP (2015), Art. 4; FLA Workplace Code (Nondiscrimination Benchmark ND.2.1; Employment Relationship Benchmarks ER.1, ER.3, ER.9.1, and ER.11)

Recommendations for Immediate Action

1. Cease the discrimination practices in hiring. Train the hiring staff. 2. Sign long term of labor contracts with workers performing long-term jobs. 3. Ensure labor contract content meets the legal requirements. 4. Record workers' actual joining dates on their personnel profiles.

NEW FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. No tea breaks are provided to workers in violation of legal requirements. HOW.3 2. The nursing workers also worked overtime on a rest day in January and on the compensatory day for holiday (January 2, 2017). HOW.1 Pregnant workers from 7th to 8th month of pregnancy work 8 hours a day instead of 7 hours a day as per law. HOW.4, ER.14, 3. Elderly workers work excessive regular work 8 hours instead of the legal limit of 7 hours/day. They also work overtime. HOW.1, ER.14 4. There is excessive daily (4.5 hours versus 4 hours as per the legal limit), weekly overtime (up to 26 hours versus 16 hours of the legal limit) and monthly overtime (more than 100 hours versus 30 hours as per the legal limit). As reported, workers work overtime from 16:30 to 21:00 every Monday, Tuesday, Thursday and Friday. On Sunday, they work from 7:30 to 16:30. Weekly working hours excess 60 (74 hours) HOW.1, HOW.8 5. Buffer time for working time recorded is more than 15 minutes. For example, a worker's manual punch-in time is recorded as 7.10am, but the start time is considered 7.30am for compensation purposes. C.5, C.6 6. Overtime is not voluntary. Workers who do not work overtime will lead to their ABC allowance deduction. (For example, one day of leave without approval plus 3 days with overtime refusal will lead to 30% of ABC allowance deduction). Also, overtime refusal needs written approval from the supervisor and production manager as a gate pass. Otherwise workers are not allowed to get out. F.8, F.1 Annual leave records were not provided for review until the end of the second day of the assessment while the designated staff left the factory at the same time shortly after so the assessor could not verify whether or not workers were provided with annual leave that they're legally entitled to. Based on worker interviews, they are not well informed about annual leave benefits. Some new workers said that they do not have any annual leave and that they even did not know about this benefit whereas some senior workers confirmed that they have DN: legal requirement.or revirew.eam left at 4:00PM and the factory explained that there 12 days of DN: legal requirement.or revirew.eam left at 4:00PM and the factory explained that there annual leave instead of the legally mandated 14 days for performing hazardous work. ER.2, ER.23, ER.22, HOW.11, HOW.14, HOW.12, HOW.13

Local Law or Code Requirement

Vietnamese Labor Code, Art. 106, Art. 108.3, Art.110, Art.125, Art.128, Art.155, and Art.166; Circular No. 54/2015/TTBLTBXH, Art. 6; FLA Workplace Code (Employment Relationship Benchmarks ER.2, ER.14, and ER.23; Hours of Work Benchmarks HOW.1, HOW.3, HOW.4, HOW.8, HOW.11, HOW.12, HOW.13, and HOW.14; Compensation Benchmarks C.5 and C.6; Forced Labor Benchmarks F.1, and F.8)

Recommendations for Immediate Action

1. Provide tea breaks for workers as per legal requirements. 2. Ensure pregnant, nursing and elderly workers only work seven hours per day and no overtime. 3. Ensure daily, weekly and monthly overtime are in line within the FLA Code and legal requirement. 4. Ensure that workers are compensated for all working time; reduce the buffer time accordingly. 5. Ensure that overtime work is voluntary. 6. Provide workers with the annual leave as per law.

NEW FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. The disciplinary system does not follow the legal disciplinary procedure which requires that the factory invite in writing the violators and the related persons three times to attend the disciplinary meeting. The factory calls the workers to attend the disciplinary meeting only in the case of dismissal, but not in relation to other disciplinary actions. [ER.27] 2. The wage increment suspension or deduction of bonus (A,B,C) is listed as the factory internal regulation and also in the ABC performance assessment procedure. [H/A.2] 3. The person signing off on the termination decisions is not the legal representative but the vice general director as per law. [ER.1, ER.32] 4. Warning letter will be issued if violating rules as posted at the water dispensers; or attendance bonus deduction will be applied for not keep the production area clean, which are not listed in the official registered company regulations. [H/A.1, H/A.2]

Local Law or Code Requirement

Vietnam Labor Code, Art 123, and Art. 128; Decree 05/2015/ND-CP, Art 29, and Art. 30; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.27, and ER.32; Harassment or Abuse Benchmarks H/A.1, and H/A.2)

Recommendations for Immediate Action

1. Ensure disciplinary practices comply with the legal disciplinary procedures. 2. Cease all forms of monetary penalty. 3. Ensure that the person who signs off on the termination decision is the company's legal representative.

NEW FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. Wage increment is not implemented in line with the registered wage scale of the factory. [C.1] 2. Compensation for Sunday work performed by piece rate workers is not in line with the law which stipulates 200% of the normal rate. Factory's practice, however, is as follows: Piece rate workers are entitled to 120%, 150%, 170% of the normal rate for Sunday worked depending on how many Sundays they work a month. For example, 120% of the normal rate is paid if worker works on one Sunday per month, 150% of the normal rate if the worker work on two Sundays, and 170% of the normal rate for work on three Sundays. If the worker works on all four Sundays, the rate for the fourth Sunday is back to 120% of the normal rate. [C.1, C.5] 3. The overtime work performed on Jan 2, a holiday, was paid directly by cash without being recorded in the payroll system. The factory did not provide the payment record for this day before this off-clock work found by the assessors. [C.5, C.7] 4. No pay slip is provided to workers as reported by all workers and confirmed by the HR staff. [C.13] 5. Fixed allowances such as responsibility, hazardous, seniority allowances are neither included into wage for overtime compensation nor for social security contribution. [C.5, C.7, C.10] 6. Payout for terminated or resigned workers is not paid within 7 days of termination as legally required, but on the 8th or 20th of the next month. [ER.19, C.4] 7. The 8th hour for piece-rate pregnant workers is not properly paid. The factory uses their basic salary divided for 208 hours instead of 182 hours as their monthly regular hours. [ND.3, C.5] 8. Probationary workers are not compensated for Social Security and annual leave. [C.3, C.5]

Local Law or Code Requirement

Vietnam Labor Code, Art 47, Art 90, Art 93, Art 97, and Art. 186; Decree 49/2013/ND-CP Art 7; Decree 05/2015/ND-CP, Art 21, Art 24, and Art 25; FLA Workplace Code (Employment Relationship Benchmark ER.19; Compensation Benchmarks C.1, C.3, C.5, C.7, and C.10; Nondiscrimination Benchmark ND.3)

Recommendations for Immediate Action

1. Compensate piece-rate workers for Sunday overtime work at 200% of the normal rate as legally required.. 2. Discontinue the cash payment and ensure all the payments are recorded on the payrolls. 3. Ensure fixed allowances such as responsibility, hazardous, seniority allowances are included into wage for overtime compensation and for social security contribution. 4. Process payout for terminated or resigned workers within 7 days of termination. 5. Pay the 8th hour of work performed by piece-rate pregnant workers in line with legal requirements. 6. Compensate probationary workers for Social Security and annual leave as legally required.

NEW FINDING NO.5

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. Interviewed workers reported that a strike happened in 2015 due to low wages and in 2016 due to workers not being allowed to bring foods and drinks into the workshop. However, there were no records maintained to document the solutions and communicate them to workers. The factory management insisted that there were no strikes. [ER.2, ER.26] 2. The factory has a trade union under the Vietnam General Confederation of Labor (VGCL). However, there are neither records on file that indicate that any elections have been held nor any written operational procedures that pertain to such elections. The factory does not provide any proof of labor union election. [ER.2, FOA.1] 3. Approval Decision of trade union executive board had expired as of February 28, 2016 (term from 2014 to 2016). The factory has not conducted the Labor Union Meeting to elect the new executive board. [FOA.1] 4. The decision of the Labor Union establishment is not maintained in the factory. [FOA.1, ER.2] 5. There is no proof of Labor union Activity Fund and Labor Union fee contribution to the Labor Union Federation. The factory did not provide any documents for review as the trade union accountant was off on the assessment days. [FOA.1]

Local Law or Code Requirement

Vietnamese Labor Code, Articles 65; Decree No. 60/2013/ND-CP, Art. 10; Vietnam Trade Union Constitution, Art.5, Art.10, and Art. 17; Decree 191/2013/N-CP, Art 6; FLA Workplace Code (Employment Relationship ER.2, ER.26; Freedom of Association Benchmark FOA.1)

NEW FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The lasting section is very noisy with decibel levels up to 89dBA, exceeding the legal standard of 85dBA. Workers in this section are not provided with ear plus, either. [HSE.13] 2. Fall risks are observed in the following areas: [HSE.1, HSE.13] a. Material was stacked up to the ceiling at the packing area, b. Missing handrails for stairs at the sample making room 3. There is no loading capacity defined and posted at shelves for the goods stored at the material warehouse and in the accessories warehouse. [HSE.1] 4. 10% packed goods are not put on pallets, but directly on the floor at the finished goods warehouse. [HSE.1] 5. Crack of two-meter long was observed at the cutting area along the walkway to accessories warehouse. The factory does not have inspection conducted by the competency agency to ensure the integrity of the building structure. [HSE.19] 6. No toilet paper and soap are provided to workers in the toilets. [HSE.19] 7. Number of toilets for male workers is insufficient. There are only three toilets for males while there are 219 male workers employed. According to legal regulations, there needs to be 11 toilets (one per 20 persons) in the factory. [HSE.20]

Local Law or Code Requirement

Vietnam Labor Code, Articles 138; Decree 46/2015/ND-CP, Art 40; Circular 19/2016/TT-BYT, Annex 1; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.13, HSE.19, and HSE.20)

Recommendations for Immediate Action

1. Ensure noise at the production area meets the legal standards. 2. Control height of material stacked in the warehouse to decrease any potential falling risks and equip handrails for stairs at the sample making room. 3. Ensure loading capacity defined and posted at shelves for the goods storage at material warehouse and in the accessories warehouse. 4. Ensure packed goods are put off the floor at the finished goods warehouse. 5. Have the building inspection conducted by the competency agency. 6. Provide sufficient number of toilets for male workers and provide toilet paper and soap in the toilets.

NEW FINDING NO.7

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. None of the stitching machines are grounded. HSE.14 2. Repair tapes are used for electric wire connection. HSE.13 3. Electrical control

panels are not locked to limit unauthorized access. HSE.13 4. One electric panel in accessories warehouse is blocked by products. HSE.13 5. No dangerous warning sign installed at the electric panels at the front gate. HSE.13 6. None of the circuit breakers are covered or labeled in control panels. HSE.13 7. There are no inner cover for circuit breakers at the accessory warehouse. HSE.13 8. Grounding system inspection had recently expired as of Sept 05, 2017. HSE.4, HSE.13 9. Steel stairs serving as emergency exit for the sample making room are located very close to the electrical wires that pose the electrical shock risk. HSE.13 10. One of electricians was not trained or certified (group 3). ER.1, HSE.1

Local Law or Code Requirement

Vietnam Labor Code Art 138; Decree 79/2014/ND-CP, Art 7.c; Circular No.31/2014/TT-BCT, Art. 15 and Art.16; FLA Workplace Code (Employment Relationship Benchmark ER.1, ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.13, and HSE.14)

Recommendations for Immediate Action

1. Ensure all sewing machines are grounded. 2. Lock electrical control panels and ensure electric panel in accessories warehouse is not blocked. Post warning signs near electric panels. 3. Cover all circuit breakers in control panels. 4. Update the grounding system inspection to ensure it is in date. 5. Ensure the electrician is trained and certified.

NEW FINDING NO.8

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Policies & Procedures (Macro)

Finding Explanation

1. The Health & Safety policy and procedure lacks the following information: [ER.31, HSE.1] a. lockout-tagout procedure; b. reproductive health protection procedure; c. SOP related to job safety of each position; d. Asbestos controlling program; e. Procedure to check and inspect the fire extinguishers and fire equipment. 2. The HOW procedure to calculate the period that pregnant workers entitled the shortened working hours is not established. [HOW.1, ER.14, ER.23] 3. The disciplinary procedure does not ensure: a. pregnant and lactating worker are not disciplined; b. disciplinary meeting is conducted before any disciplinary actions are reached; c. workers can appeal disciplinary actions against them. Furthermore, the procedure does not include the following information: a. written meeting invitation shall be sent to the related person 5 days in advance. b. responsibility for material damage shall meet the legal requirement. (Liability must not exceed 30% of the monthly wage exclusive of compulsory social insurance, health insurance and unemployment insurance premiums and income tax. [ER.14, ER.27, H/A.1] 4. The compensation policy and procedure lack the following information: [C.1] a. written procedure to calculate payout, the wages and benefits for piece rate workers. b. how to calculate the annual leave days in case of less than one year of service and for special category workers whose regular working time is less than the regular workers. c. performance assessment to define/ assign the wage level to production piece rate workers. (Note: It now heavily depends on the discretion of the supervisors.)

Local Law or Code Requirement

Vietnam Labor Code Art 155; Circular NO. 26/2013/TT-BLTBXH, Part.B; FLA Workplace Code (Employment Relationship Benchmarks ER.14, ER.23, and ER.31; Hours of Work Benchmark HOW.1; Compensation Benchmark C.1; Harassment or Abuse Benchmark H/A.1; Health, Safety & Environment Benchmark HSE.1)

NEW FINDING NO.9

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Chairs used by workers in sewing, lasting, and sole sections are without cushion and back rest. [HSE.17] 2. The factory does not provide brackets for sewing workers to contain semi-finished products. Workers are keeping these products next to their seats, which makes their working space too narrow and poses a risk of bodily strain. [HSE.17] 3. No chair and proper work station are provided for pressing operators. They are all sitting on the frames of the conveyors, which pose ergonomics risks. [HSE.17] 4. The factory does not remove the drying system on the conveyor when the production item does not require drying along the conveyors. The factory keeps them vertically attached to the conveyors, which pose physical and ergonomics risk to workers working there. [HSE.17]

Local Law or Code Requirement

Vietnamese Labor Code Art 137, 138; FLA Workplace Code (Health, Safety & Environment Benchmark HSE.17)

NEW FINDING NO.10

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. One glue container has no label and the factory uses soft drink bottles as glue containers at sewing section and lasting section. Similarly, drinking water bottles and soft drink bottles are utilized to contain chemicals for use in the lasting section. Chemical containers are not equipped with proper label at sewing and lamination section. The label neither in local language or the original label of the chemical. Missing warning sign for each type of chemicals on the chemical containers. All chemical containers used lack proper label at lasting section. [HSE.9] 2. The factory lacks MSDS for all chemicals at the using area. Furthermore, there are no MSDS for glue bottles and containers at sewing section. [HSE.10] 3. Glue without cap and secondary containment placed in the temporary chemical storage area at the sewing section. [HSE.9] 4. Lighting and electric equipment lack not non-explosive proof at lamination area where flammable chemical fume is high. [HSE.1, HSE9]

Local Law or Code Requirement

Vietnam Standard 5507:2002, Art 5.1.7; Law no.06/2007/QH12, Art 27 and Art 28, Circular 19/2016/TT-BYT, Art 5.3; Decree 44/2016/N-CP, ART 17; Law no.55/2014/QH13, Art 108; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.9 and HSE.10)

Recommendations for Immediate Action

1. Ensure glue and solvent bottles and containers have MSDS and warning signs posted at using areas. 2. Ensure all chemicals have label in local language. 3. Equip non sparking, anti-explosive lightings and fan system at Lamination section.

NEW FINDING NO.11

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Sewing workers work with glue without gloves at the sewing section. [HSE.7] 2. Safety shoes are not equipped for cutting workers. [HSE.7] 3. Improper eye wash station equipped at printing section. The factory uses the washing basins and faucets in lieu of eyewash stations. [HSE.6] 4. There is no PPE available for fire-fighting team. [HSE.6, HSE.7] 5. Cotton gloves instead of chemical gloves are provided to workers exposed to chemicals at the lasting area. Also, workers working with leather steaming machines are not provided with cotton gloves. [HSE.7] 6. No gloves or respirators are provided to workers exposed to hazardous chemicals at the lamination and sewing section. They are only provided with fabric apron, which can't protect them from exposure. [HSE.7] 7. Workers using bare hands while working directly with hazardous chemicals applied on mid-sole area. [HSE.7]

Local Law or Code Requirement

Circular 04/2014/BLDTBXH, Art 4; Circular 19/2016/TT-BYT, Art 5.2; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.6, and HSE.7)

Recommendations for Immediate Action

1. Provide all workers with proper PPE and train workers on the proper use and maintenance of PPE. 2. Install an eyewash station at the printing section.

NEW FINDING NO.12

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Workers use nails on the tables to hang bags for semi-finished products at their work station, which posed risk of cut/scratch and also obstruct their evacuation from their work station. [HSE.5] 2. Aisles are blocked by goods and carts in the warehouse. Furthermore, 20% of aisles are blocked by big bags of semi-finished products in accessories and finishing warehouse. [HSE.5] 3. Emergency exits do not open outwards. Most of the emergency exits at sewing, and lasting section are rolling doors and four of five emergency exit doors at cutting, printing and warehouse are sliding doors. [HSE.5] 4. Sewing workers are blocked at their work station by bags and rackets of semi products. [HSE.5] 5. Emergency light at the cutting area does not work. [HSE.5] 6. First aid supplies in the first aid kits do not follow the circular No.19/2016/BYT. For example, first aid supplies are missing in all first aid kits. [HSE.6] 7. None of the illnesses and injuries are tracked or documented. [HSE.3]

Local Law or Code Requirement

Decree 79/2014/ND-CP Art 13.4; TCVN 2622:1995 Art 7.1, 7.5; Vietnam Building Code No. QCVN 06:2010/BXD, Art 3.2.3, 3.3.1; Decision No. 2726/QĐ-BKHCN (2009), Art. 10.1.4; Circular 19/2016/TT-BYT, Annex 4; Law no.84/2015/QH13, Art 7, 21; Decree No. 39/2016/ND-CP, Art 37; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.3, HSE.5, HSE.6, and HSE.19; Employment Relationship Benchmark ER.1)

Recommendations for Immediate Action

1. Ensure workers are free to escape from their work station at all time. 2. Keep aisles clear from obstruction at all times. 3. Re-install emergency exits to ensure all of them are open outward. 4. Inspect and maintain emergency light is functional. 5. Inspect and maintain first aid supplies in a sufficient and effective way. 6. Track and record all illnesses and injuries.

NEW FINDING NO.13

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. There is no sprinkler system in the entire factory. [HSE.5, HSE.6] 2. Finished goods, leathers are stored next to the electric panels, electric wires in the warehouse, which pose a fire risk. [HSE.13] 3. Fire extinguishers are not well managed: [HSE.6] a. Fire extinguishers are missing in the following areas: a.) bike parking area; b.) hazardous waste storage area next to the parking area at the back of the production building b. Fire extinguishers are blocked at the grinding area. c. At least two fire extinguishers at the lasting section are not mounted on the wall. d. Most of fire extinguishers in the sewing, lasting and lamination workshops and canteen are expired as of September 01, 2017. e. No operational instructions available for any of the fire extinguishers. 4. Fire alarm system has the following shortcomings: [HSE.5, HSE.6] a. There is no automatic fire alarm system, only manual fire alarm available. b. There is no battery, central warning and red flash lights for fire alarm system. c. One fire alarm is placed too low and blocked by fire extinguishers in front of the accessory warehouse. 5. Smoking management has the following shortcomings: [HSE.6] a. The smoke detecting system is not inspected and validated by the authorities and there is no testing or maintenance records maintained for this system. b. Workers smoke at the security guard booth which is next to the flammable chemical warehouse. c. Cigarette box with cigarettes inside was found at the lamination area, where flammable chemicals are used.

Local Law or Code Requirement

Decree No. 79/2014/ND-CP, Art. 7, and Art. 15; Decision No. 2726/QĐ-BKHCN, Art. 5, and Art. 6; TCVN 5738:2001, Art 5, and Art. 6; Law no.84/2015/QH13, Art 16; TCVN 7435-1:2004, Art 5; Circular No. 66/2014/TT-BCA, Art 5; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.5, HSE.6, and HSE.13)

Recommendations for Immediate Action

1. Install sprinkler system in the entire factory. 2. Ensure finished goods, leathers are stored away from the electric panels, electric wires in the warehouse. 3. Inspect and maintain fire extinguishers to ensure they are sufficient, accessible, unexpired, and in good working condition. Establish operational instructions for all fire extinguishers. 4. Install an automatic fire alarm system. Equip battery, central warning and red flash lights for fire alarm system. 5. Enhance smoking management to avoid fire risks. Inspect the smoking detecting system by the local authority and obtain approval. Train workers not smoke near flammable chemical areas. Mark out a specific area for

smoking.

NEW FINDING NO.14

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. No warning sign for safety cautions posted on the work floor. [HSE.14] 2. The operational procedure of the sewing machines is posted at the sliding machines. [HSE.14] 3. Machine covers are missing on the following machines: [HSE.14] a. All sliding machines; b. 20% electric fans in the printing area. 4. Machine guards are not well managed: [HSE.14] a. No upper and lower pulley guards on stitching machines; b. No pulley guards on dust control machines; c. No machine guards on all lasting machines, grinding machines, and drying machines; d. About 20% of upper pulley guards on stitching machines are loose, not fixed to the machines. 5. Not all labels or signs are available in the local language. For example: [HSE.14] a. Operational control panels of electric power generator are not labeled in the local language. b. All emergency buttons and warning signs of all cutting machines are not marked in the local language.

Local Law or Code Requirement

Vietnam Labor Code 2013, Art 138; FLA Workplace Code (Health, Safety & Environment Benchmark HSE.14)

Recommendations for Immediate Action

1. Post warning sign on the work floor. 2. Post operational procedure of the sewing machines correctly. 3. Equip the covers or machine guards on electric fans, sliding, stitching, dust control machines, and grinding, drying and lasting machines. 4. Post labels or signs at the right place in the local language.

NEW FINDING NO.15

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. There are not sufficient number of cups available for workers. There are only three cups provided to all sewing workers. Workers are not provided with a washing facility to clean the shared cups and if they use the water at the water dispenser to clean the cup, a warning letter would be issued, as a result, their attendance and housing allowance would be deducted and wage level would be reduced leading to wage reduction. [HSE.23] 2. Cooked soup is not covered in the canteen. [HSE.22] 3. Chemical bottles are kept together with soya bean sauce bottles at the lasting area. [HSE.22]

Local Law or Code Requirement

Circular 15/2012/TT-BYT, Art 8; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.22, and HSE.23)

Recommendations for Immediate Action

1. Provide a separate cup to each worker. 2. Cease the practice of monetary penalty for use of water dispenser to wash the cups. 3. Cover cooked soup in the canteen for food safety. 4. Ensure foods are kept separately from chemicals.

NEW FINDING NO.16

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. Waste classification management is rather weak. The factory does not classify and separate: [HSE.1] a. medical wastes from household wastes at the clinic; b. hazardous wastes from the non-hazardous wastes in the sewing section and lasting section; c. industrial and hazardous wastes from other solid wastes at the printing section; d. The factory has not obtained the waste water discharge permit. [HSE.4] 2. Following shortcomings with hazardous waste storage were observed: a. Hazardous waste are not protected from elements at the hazardous waste storage area found outside of the sole section. b. Hazardous wastes are kept outside without a shelter at the parking area. c. Dirty oil container is not covered at fire pump area. [HSE.1] d. Two empty chemical drums are put outside without cover. [HSE.1, HSE.9]

Local Law or Code Requirement

Environment law no.55/2014/QH13, Article 68, point 1.b; Decree No. 201/2013/N-CP, Art.17, 22; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, and HSE.9)

Recommendations for Immediate Action

1. Classify and separate hazardous wastes from non-hazardous wastes. Assign a responsible person to inspect and maintain regularly. 2. Obtain the waste water discharge permit. 3. Ensure all hazardous waste are stored under shelter and in secondary containment.

NEW FINDING NO.17

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

1. The factory does not set-up the written training program for new workers, and for supervisors on all Employment Functions. [ER.1] 2. The factory does not properly conduct the training on company policies and procedures. The factory only uses the policies and procedures to explain to workers. [ER.1] 3. Piece rate workers do not know how to calculate their overtime compensation as the factory does not provide workers with the training on how wage and benefits calculated. [C.8] 4. The factory does not provide training to workers temporarily transferred to handle other job different from their normal tasks. [ER.1] 5. No specific training is provided to supervisors regarding environmental impacts and protection. [ER.17] 6. No chemical spill response training has been conducted. [HSE.9] 7. The factory does not provide training for group 5 and 6- Medical staff and Hygienic and safety committee. Only one staff of 15 members of group 2 is trained. [ER.1]

Local Law or Code Requirement

The Vietnam Labor Law, Art 60; FLA Workplace Code (Employment Relationship Benchmarks ER.1, and ER.17; Health, Safety & Environment Benchmark HSE.9; Compensation Benchmark C.8)

NEW FINDING NO.18

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. Manual time record system is applied for all workers, which is administered by the statistical staff instead of by workers themselves. Based on worker interviews, QC and lamination workers use the punch time card system to record the working time themselves, but the punch time cards were not provided for review. The factory insisted that they do not use any punching time records and that only manual time sheets are utilized. Assessors observed use of punch time cards on the first day of assessment, but on the second day, the punch time machine was no longer in its place at the security guard booth. [ER.2, ER.23.5] 2. There are inconsistencies in time records. Double bookkeeping was reported by 90% of interviewed workers who stated that overtime until 21:00 happens four times per week, plus Sunday work of 8 hours twice to four times a month. However, on the time records and payrolls by the factory, overtime until 21:00 appeared to happen only twice a week. Also, monthly overtime hours as shown on the provided time records and payrolls were less than 30 hours a month. In addition, there is no Sunday work reflected on the provided payroll journals. However, Sunday off- clock on Mar 26, 2017 (finished goods issuing log book-Latching 05), Nov 30, 2016, Jan 15, 2017 (Medicine distribution log book) were found on the production records. The daily production output at the lasting section were not provided for review to verify the inconsistency found. The factory said that the computer where the production output data is stored was broken. [ER.2, ER.23, HOW.2, C.16, C.15]

Local Law or Code Requirement

The Vietnam Labor Law, Art 60; FLA Workplace Code (Employment Relationship Benchmarks ER.2, ER.23, and ER.23.5; Compensation Benchmarks C.15, and C.16 1, Hours of Work Benchmark HOW.2)

Recommendations for Immediate Action

1. Cease the practice of double bookkeeping and ensure only one set of records are maintained that reflects actual working time and compensation.

NEW FINDING NO.19

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. Disciplinary records were not provided to the assessors for review despite several requests. The factory only provided three samples chosen by the management. [ER.2, ER.27] 2. Full worker interviews were not allowed by the Vice General Director Mr. Tran Minh Phap. The interviews were interrupted by Mr. Phap Tran on the grounds that too many workers were being interviewed and he asked for the names of workers the assessors interviewed. During the closing meeting, Mr. Phap Tran stated that he had checked with all interviewed workers on what the assessors asked as well as what the workers had shared and said that they are different from what the assessors were reporting. [H/A.8] 3. The printing and grinding areas were not in operation during the assessment so the assessors were not able to verify the health and safety conditions in those areas. [ER.2]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2, ER.26, and ER.27; Freedom of Association Benchmark FOA.19; Harassment or Abuse Benchmark H/A.8)

Recommendations for Immediate Action

1. Ensure worker interviews are not restricted and interfered by the management. Factory management should not inquire with the workers about what they shared with the assessors and should not engage in any retaliatory practices for their participation in the process. FLA affiliated company should follow up with the factory to ensure that there were no such retaliatory acts. 2. Ensure all documents are made available to third-party assessors commissioned by the FLA and they are not denied access to any areas of the factory.