



FAIR LABOR
ASSOCIATION®

INDEPENDENT EXTERNAL ASSESSMENT REPORT



Verification Assessment

COMPANIES: Maxport Limited
COUNTRY: Vietnam
ASSESSMENT DATE: 11/22/17
ASSESSOR: One Step Vietnam
PRODUCTS: Apparel
NUMBER OF WORKERS:

Summary of Code Violations

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

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

Previous Report Findings and Verification Results

PREVIOUS FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. Although local law defines different probation durations –from 6 to 60 days- for different positions in accordance with nature and the relative difficulty of the work, factory management has implemented a onemonth probation for all workers without considering the nature and complication of the work. (100% sampled workers affected). [ER.1] 2. The factory signs the probation contract of one month with all workers separately from the official labor contract. During this period the factory does not provide, the social insurance, health insurance, unemployment insurance and annual leave benefits. [ER.22, C.1] 3. The factory does not employ any disabled workers in the factory, as legally required. In addition, the factory does not pay any contributions into the Disability Fund in lieu of hiring disabled workers. [ER.3, ND.1, ND.2] 4. The employment contracts do not include the following legally required details: [ER.1, ER.2] a. Information on working hours (time in and time out) b. Annual leave days and holidays c. DOB –date of birth-of the employee d. ID number of the employer representative who sign the labor contract with the employee 5. Two out of 25 interviewed female workers stated that they were required to undergo a pregnancy test during their recruitment process by facility clinic staff. As part of the pregnancy test, the two workers had to deliver urine samples and clinic staff applied quick over-the-counter pregnancy tests. Furthermore, all interviewed female workers stated that it is a requirement to pass pregnancy test and pregnant candidates are not hired by factory management. The assessment team interviewed the clinic staff and checked for supporting documentation/material during the assessment but could not reach any conclusion, furthermore, several pregnant workers were actively working at the factory by the time of the visit. [ND.5, ND.6, ND.7]

Local Law or Code Requirement

Vietnam Labor Code 2012, Art.27; Labor Code of VN 2012, Art 186.3 and Document No.3945 (2015)/LĐTBXH- LĐTL; Decree No. 81/CP, Art 14 &15; Decree No.05/2015; Labor Code of Vietnam, Art. 154; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2, ER.3 and ER.22; Compensation Benchmark C.1; NonDiscrimination Benchmarks ND.1, ND.2, ND.5, ND.6 and ND.7)

Root Causes

1. There are different interpretations on disabled workers quota in Vietnam. The law is not strictly followed and enforced by local authorities in most of the country. Furthermore, factory management declared that this requirement is not in place anymore but could not provide any decree/circular to prove this claim. 2. Implementation of one-month probation is a common practice in Vietnam as most of the factories do not want to have different probation durations for different tasks for the sake of consistency and easy follow-up. 3. Insufficient training provided to Human Resource/Compliance teams, especially on local law requirements. 4. Although there is an internal monitoring system in place, it is ineffective, both at the factory and Headquarter HQ levels. 5. Factory management declared that asking for pregnancy test is a quite common practice in Vietnam and most of the factories in textile industry require pregnancy test. 6. Although there is a compliance staff in place, he has only received local law update and H&S trainings so far. There was no training needs assessment carried out to identify some other important trainings like auditing skills, communication skills, international standards, and

environmental protection. 7. The factory plans and conducts internal audits once per year and all related documentation/records maintained. However, there is not a detailed internal audit procedure established yet and internal audits are limited with a checklist control that is prepared by compliance staff. 8. There is not an effective system in place for reviewing policies and procedures on a periodical basis; instead, factory management reviews them whenever they become aware of any changes on local law/regulations. 9. Many labor/EHS law related issues in Vietnam are solved/clarified with decrees/circulars as labor law and secondary regulation is not clear on many important topics. It's hard to track having a lot of decrees and circulars makes it hard track for management. 10. Although there is a procedure for following updates on local law, this procedure doesn't include any guidelines reflection of these updates into implementation and monitoring activities. 11. Although the factory is a part of a big group, benchmarking and collective learning opportunities are very limited for CSR staff.

Recommendations for Immediate Action

1. Ensure that social, health, unemployment insurance and annual leaves are added into monthly wages of the workers that working on probation contracts during their probationary period. 2. Ensure that female candidates are not asked to deliver urine samples for potential pregnancy test during the recruitment process.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: Based on relevant document reviews and worker interviews, it was noted that the factory applied six days of probation for cleaning workers, and 30 days for other job positions (e.g. sewing, cutting, packing, ironing, etc.). The factory also developed a training schedule and training material for each job position that requires 30 days of probation.

2. Finding Status: Not Remediated

Explanation: The factory signs the probation contract of one month with all workers separately from the official labor contract. During this period, the factory does not provide the social insurance, health insurance, unemployment insurance or annual leave benefits. [ER.22]

Root Causes: Law requirement is not clear on the regulation for provision mandatory insurance for workers during worker's probation duration. Factory lacked crosschecking with Local Department.

3. Finding Status: Remediated

Explanation: Based on Decree No. 81/CP on Stipulating in details and guiding the implementation of several articles of the Labor Code for Disabled laborers, this finding is no longer a concern as the legal requirements for hiring of disabled workers, including contribution to the Disability Fund is already obsolete. There were no disabled workers working in the factory at the time of assessment. Notes: the factory developed a comprehensive procedure on steps on how to receive applications from disabled workers (if any), prohibit discrimination of disable workers, etc.

4. Finding Status: Remediated

Explanation: Based on relevant document reviewed, it was noted that the employment contract did include the following legally required details:

- a. Information on working hours (time in and time out)
- b. Annual leave days and holidays
- c. DOB –date of birth-of the employee
- d. ID number of the employer representative who sign the labor contract with the employee

5. Finding Status: Remediated

Explanation: Based on relevant document reviewed and worker interview, it was noted that factory provided orientation training to all new workers with the following employment functions, including non-discrimination in hiring and recruitment (e.g. prohibit any form of pregnancy test during recruitment and employment). This regulation is also regulated in the Female Labor policy. All interviewed female workers (approximate 25 female workers) stated that factory did not mention any form of pregnancy test during their recruitment. Furthermore, number of pregnant workers (25 workers) and female workers have child under 12 months old (31 workers) were actively working at the factory by the time of visit.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.22)

Recommendations for Immediate Action

1. Factory shall ensure that all law requirement must be fully complied in implementation. Turn to Local Department for advice when needed.

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory decides to entitle employees in probation period with the social insurance, health insurance, unemployment insurance and annual leave benefits. The policy takes effect from January 2018. Probation period statement is included in the official labor contract, which is covered by compulsory social regime.

PREVIOUS FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The wage scale is not posted on the work floor or communicated to workers. [ER.16] 2. Payment for sick leave/ prenatal check is not processed within 3 working days after receiving the receipts for payment, as required by law. The accounting department sets the payment schedule as on every Tuesday and Friday after the completion of payment documentation; however, the internal process to prepare documentation for payment takes more than 3 days. Thus, the actual payment does not meet the payment schedule of the accounting department and leading to delays of about a week for payment. [ER.18, C.5] 3. The factory does not declare the correct compensation amount for social insurance; they do not include wage allowances. [C.5] 4. The wage level increment as per the legal wage scale is not correct for workers. All workers have been aligned at wage level 1, regardless of their seniority. [ER.29, C.5] 5. Non-production working time (short downtime/ menstruation leave/ break time) compensation for piece rate workers (532 workers) is less than legal rate for each piece. Factory management uses the standard piece rate instead of their hourly rate, which is higher than the standard piece rate (4.3VND/second = 0.0002 USD). A total of 81 workers out of 532-piece rate workers are affected. [C.5] 6. There is no policy on performance reviews that includes steps and processes, demonstrates linkages to job grading, prohibits discrimination, provides written feedback, and complies with legal requirements. [ER.29] 7. The factory does not have any procedures on personnel development, including managing performance review procedures. [ER.29, ER.30]

Local Law or Code Requirement

Labor Code of Vietnam, Art. 93.2; Insurance law No. 71/2006/QH 11, Art.117; Decree. 05/2015, Art.21; Decree No.49/2013, Art.7; Decree No.05/2015. Art.24.1; Employment Relationship Benchmark ER.16, ER.18 and ER.29; Compensation Benchmark C.1, C.5, C.14 and C.17; Hours of Work Benchmark HOW.16; on-Discrimination Benchmarks ND.1, ND.2, ND.5, ND.6, and ND.7)

Root Causes

1. Insufficient training provided to Human Resource/Compliance teams, especially on local law requirements. 2. Although there is an internal monitoring system in place, it's not effective, both at the factory and Headquarter HQ levels. 3. Although there is a compliance staff in place, it was observed that he has only received local law update and H&S trainings so far. There wasn't a training needs assessment carried out to identify some other important trainings like auditing skills, communication skills, international standards, and environmental protection. 4. Internal audits planned and conducted as once per year and all related documentation/records maintained. However, there is not a detailed internal audit procedure established yet and internal audits are limited with a checklist control that is prepared by compliance staff. 5. There is not an effective system in place for reviewing policies and procedures on a periodical basis; instead, factory management reviews them whenever they become aware of any changes on local law/regulations. 6. Misinterpretation of some local law requirements. 7. Many labor/EHS law related issues in Vietnam are solved/clarified with decrees/circulars as labor law and secondary regulation is not clear on many important topics. It's hard to track having a lot of decrees and circulars makes it hard track for management. 8. Although there is a procedure for following updates on local law, this procedure doesn't include any guidelines reflection of these updates into implementation and monitoring activities. 9. Although the factory is a part of a big group, benchmarking and collective learning opportunities are very limited for CSR staff.

Recommendations for Immediate Action

1. Ensure that the non-production working time (short downtime/break time/menstruation leave) of the piece rate workers is calculated on an hourly rate rather than standard piece rate. 2. Stop using one wage level for all workers. Prepare a wage scale with different wage levels with respect to seniority level of the workers as required by law and implement it. 3. Ensure that payment for sick leave/prenatal checks processed within 3 working days after receiving the documentation.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: Based on observation and worker interviews, it was noted that the wage scale was posted on the work floor and communicated to all workers. Most of interview workers also stated that they know their basic salary and how to calculate their monthly salary as well.

2. Finding Status: Remediated

Explanation: Based on relevant document review and interview with factory management, it was noted that the payment for sick leave/prenatal check was paid out directly to workers by Local Social Insurance Department with timely manner as Local Social Insurance Department process when it has been done.

3. Finding Status: Remediated

Explanation: Based on payroll and attendance records during past 12 months, it was noted that the factory applied basic salary and legal allowance (responsibility allowance for leader of fire brigade team, members of hygiene-safety network) to contribute mandatory insurance as legally required.

4. Finding Status: Partially Remediated

Explanation: Based on relevant document reviews and interviews with factory management, it was noted that salary increase was linked to performance reviews for 180 workers in April 2017. However, performance reviews were not conducted for all employees in factory, only those chosen by the supervisors. Additionally, there was no specific performance assessment criteria, and the review depends on the supervisors' discretion. [ER.29, C.5]

Root Causes: Lack of commitment of management in creating policy on worker's performance review.

5. Finding Status: Remediated

Explanation: Based on payroll and attendance records reviewed during past 12 months, it was noted that factory applied hourly rate (the contract's wage of worker) to calculate the non-production working time (short downtime/ menstruation leave, break time) compensation for piece rate workers which is equal to law requirement.

6. Finding Status: Not Remediated

Explanation: Based upon documentation reviewed and interview with HR Manager, it was noted that factory had not developed any policy on performance reviews that includes steps and processes, demonstrates linkages to job grading, prohibits discrimination, provides written feedback, and complies with legal requirements. [ER.29]

Root Causes: Lack of commitment of management in creating policy on worker's performance review.

7. Finding Status: Not Remediated

Explanation: Based upon documentation reviewed and interview with HR Manager, it was noted that factory had not developed any procedures on personnel development, including managing performance review procedures. [ER.29, ER.30]

Root Causes: Lack of commitment of management in creating procedure on worker's performance review

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.29 and ER.30; Compensation Benchmark C.5)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory shall develop procedures/ guidance in 2018 for: 1. Performance review 2. Salary increment 08/2019 update - finding 4: • It was noted that 100% employees were entitled with salary increase aligning with the rise of regional minimum wage. • It was noted that the company has developed policy and procedure for performance review. At the factory level, a detailed guidance was established for performance reviews towards all employees that includes steps and processes, demonstrates linkages to job grading, prohibits discrimination, provides written feedback, and complies with legal requirements. • Performance reviews were conducted to 100% employees at the end of 2018 and in 2019 as per procedure. The results were used to entitle employees with monthly performance bonus.

PREVIOUS FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. Workers in all departments worked exceeded the 30 hours/month overtime limit in May, June, July, and Aug2015 due to urgent orders. Monthly overtime reached up to 40.5 hours in these months. [HOW.1] 2. Four workers in the sewing and finishing departments worked excessive weekly overtime (15.5 hours) in one week in April, and 68 workers worked excessive weekly overtime (17 hours) one week in July. [HOW.1, HOW.8] 3. The factory does not include the 30 minutes break time of the workers into their working hours as required by law. As a result, their daily working hours recorded as 8 hours instead of 8.5 hours and they worked 51 hours/week instead of 48 hours/week. [HOW.3] 4. The existing annual leave policy and related procedures are not in line with local law requirements on how to proceed with if workers cannot provide proper documentation on their sick leaves. Although it is not legally possible to make any deductions from workers' annual leaves, current procedure follows such a deduction of two days of annual leave in case of workers not being able to provide proper documentation for their sick leaves. [HOW.11, HOW.14] 5. The factory did not provide 24 consecutive hours of rest in every seven-day period to some workers in thesewing and finishing departments in April (Mar 29 to April 5) and July 2015 (June 29 to July 5) for 4 and 68 workers respectively. Workers were informed about overtime work on their rest day only two days in advance. They worked 13 and 10 days consecutively in these periods and were provided with the compensatory leave after these periods. [HOW.2] 6. The factory does not provide any legally required overtime break to all workers who work 2 hours or more overtime in a day. The factory is paying an additional compensation in lieu of this 30-minute break. (100% of the workers effected). [HOW.3] 7. Annual leave provided to five workers working heavy, hazardous and toxic jobs (cleaning workers and gardeners working with chemicals and pesticides) is less than local law requirement of 14 days. They receive the same 12 days of annual leave like other workers that are not working hazardous work. [ER.22] 8. The factory does not provide any ongoing training to employees on the working hours policies and procedures. During the assessment, the ongoing training policies and procedures was not conducted fully as per the management and workers testimonials and from document review. There was training record showed that the factory provides the training on the laws update, Code of Conduct and CTPAT, to the workers. [ER.28]

Local Law or Code Requirement

Labor Code of Vietnam 2012, Art. 106; Circular No.15/2003, Art 2.1.2.c; Vietnam Labor Code, Art 108, Decree No.45/2013/ND-CP, art.5 (1); Vietnam Labor Code, Art 111; Labor Code of Vietnam, Art. 110; Decree No.45/2013, art5.2; Labor Code of Vietnam 2012, Art. 111; FLA Workplace Code (Employment Relationship Benchmark ER.22; Hours of Work Benchmarks HOW.1, HOW.2, HOW.3, HOW.8, HOW.11, and HOW.14)

Root Causes

1. Factory management claimed that they are not working on shifts so their break hours should not be counted as working hours. Management provided latest company regulation on Hours of Work that was approved by the Labor Department on February 26, 2014. Factory management also provided the letter No. 12904/LDTBXH-LDTL to explain that they do not arrange shift working, so they can be exempted from the Decree No 45 and they can exclude the break time from their working hours through this waiver. 2. Factory management declared, in contradiction of local law that cleaning workers and gardeners do not fall under heavy, hazardous, and toxic jobs, resulting in them not being provided 14 days of paid annual leave. 3. Factory management thought that deducting improperly documented sick leaves from annual leave instead of deducting it as absence is in favor of workers. 4. There is not an effective system in place for dealing with urgent orders that caused overtime limit exceeding in the past. Not all brands sourcing from this factory is FLA affiliated and responsible sourcing is not an obligation for them. 5. Although there is a compliance staff in place, it was observed that he has only received local law update and H&S trainings so far. There wasn't a training needs assessment carried out to identify some other important trainings like auditing skills, communication skills, international standards, and environmental protection. 6. Internal audits planned and conducted as once per year and all related documentation/records maintained. However, there is not a detailed internal audit procedure established yet and internal audits are limited with a checklist control that is prepared by compliance staff. 7. There is not an effective system in place for reviewing policies and procedures on a periodical basis; instead, factory management reviews them whenever they become aware of any changes on local law/regulations. 8. Misinterpretation of some local law requirements. 9. Many labor/EHS law related issues in Vietnam are solved/clarified with decrees/circulars as labor law and secondary regulation is not clear on many important topics. It's hard to track having a lot of decrees and circulars makes it hard track for management. 10. Although there is a procedure for following updates on local law, this procedure doesn't include any guidelines reflection of these updates into implementation and monitoring activities. 11. Although the factory is a part of a big group, benchmarking and collective learning opportunities are very limited for CSR staff.

Recommendations for Immediate Action

1. Cease the practice of making deductions from workers' annual leaves in case of delivery of incomplete/inaccurate documentation for sick leaves. 2. Ensure that monthly overtime hours are in line with local law requirement of 30 hours/month. 3. Ensure that weekly total working hours is not more than 60 hours/week. 4. Ensure that all workers are provided with 24 hours consecutive hours of rest in every seven-day period. 5. Re-arrange the working hours or break time of the workers to make sure that their daily working hours is not exceeding 8 hours/day. 6. Provide 30 minutes break for workers staying overtime for 2 hours or more. 7. Re-arrange annual leaves of the five workers working on heavy, hazardous and toxic jobs (cleaning workers and gardeners working with chemicals and pesticides) as 14 days.

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: Based on payroll and attendance records reviewed past 12 months and workers interview, it was noted that total workforce did not work overtime or exceed the 30 hours/month limit as legally required.

2. Finding Status: Remediated

Explanation: Based on payroll and attendance records reviewed past 12 months and workers interview, it was noted that total workforce did not work exceed the 60 hours/week (including regular work hours plus overtime) limit as FLA Benchmarks standard.

3. Finding Status: Remediated

Explanation: Based on relevant document review and interview with factory management, it was noted that factory regulated the working hours from 7:30 - 16:15 (45 minutes lunch break without paid and was not included in the number of working hours). The working time regulation was regulated in Company Regulation, CBA that approved by Local Department. Furthermore, factory also conducted the dialogue at workplace on 28th June and 4th July 2017 to discuss about working hours and lunch time to ensure that workers are all satisfied with Company Regulation and CBA before sending out to Local Department.

4. Finding Status: Remediated

Explanation: Based on relevant document reviewed, it was noted that factory developed a comprehensive annual leave policy and related procedure on how to proceed with if workers cannot provide proper documentation on their sick leave. The factory conducted training on this new policy and related procedures to all workers. The regulation is all in line with local law requirement.

5. Finding Status: Remediated

Explanation: Based on payroll and attendance records reviewed for the past 12 months and workers interview, it was noted that total workforce did not work overtime on weekly rest day. All sample workers during past 12 months (approximate 30 samples) were provided sufficiently 24 consecutive hours every seven-day period.

6. Finding Status: Remediated

Explanation: Based on payroll and attendance records reviewed during past 12 months and interview with factory management, it was noted that all total workforce did not work over time exceed 2 hours per day. On the other hand, factory regulated the working hours, wage and benefit in Company regulation that factory shall provide 30 minutes break with overtime paid for workers who work from 2 overtime hours/day (if any) as legally required.

7. Finding Status: Remediated

Explanation: Based on relevant document reviewed during past 12 months, it was noted that there were 8 cleaning workers who performed heavy, hazardous and toxic jobs were provided 14 annual leave standard/year as legally required.

8. Finding Status: Partially Remediated

Explanation: Based on document reviewed and factory manager & workers interview, it was noted that there were changes to policies and procedures on working hours, factory issues the memo, and posted on public areas in the factory. However, there was no ongoing employees (including management) training in the factory. Factory explained that on-going training shall be conducted in the end of this year (December 2017). [ER.28]

Root Causes: Lack of commitment from TOP management in provision annual on-going training for all employees.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.28)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory provides refresh training for all employees on company's policies/ procedures related to working hours in December 2017

PREVIOUS FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. FLA Comment: Vietnam has not ratified ILO Conventions 87 or 98. Under Vietnamese law, all unions are required to affiliate with the single trade union, the Vietnam General Confederation of Labor (VGCL), which is affiliated with the Communist Party. With respect to such union monopolies, the ILO Committee on Freedom of Association has stated “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] 2. Legally required dialog meetings and annual labor conference were not conducted. None of the workers being interviewed were aware of such meetings. Factory management declared that they would conduct them in the 1st quarter of 2016. [ER.16, ER.25] 3. There is no documentation/proof to show that the nominated list for Labor Union representatives is prepared without management’s interference and with workers’ engagement. [ER.16, ER.25]

Local Law or Code Requirement

Labor Code of Vietnam, Art. 65; FLA Workplace Code (Employment Relationship Benchmarks ER.16 and ER.25; Freedom of Association Benchmarks FOA.11 and FOA.12)

Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels. 2. These issues had not been identified during the previous internal and external audits. 3. Implementation of the new worker dialogue regulation and election of union/worker representatives are common issues at factories in Vietnam. 4. Management finds the election process time consuming and burdensome. 5. There is not an effective review process for Freedom of Association. 6. Management is not aware of potential benefits of having strong worker representation in the factory. 7. Although there is a compliance staff in place, it was observed that he has only received local law update and H&S trainings so far. There wasn’t a training needs assessment carried out to identify some other important trainings like auditing skills, communication skills, international standards, environmental protection...etc. 8. Internal audits planned and conducted as once per year and all related documentation/records maintained. However, there is not a detailed internal audit procedure established yet and internal audits are limited with a checklist control that is prepared by compliance staff. 9. There is not an effective system in place for reviewing policies and procedures on a periodical basis; instead, factory management reviews them whenever they become aware of any changes on local law/regulations. 10. Misinterpretation of some local law requirements. 11. Many labor/EHS law related issues in Vietnam are solved/clarified with decrees/circulars as labor law and secondary regulation is not clear on many important topics. It’s hard to track having a lot of decrees and circulars makes it hard track for management. 12. Although there is a procedure for following updates on local law, this procedure doesn’t include any guidelines reflection of these updates into implementation and monitoring activities. 13. Although the factory is a part of a big group, benchmarking and collective learning opportunities are very limited for CSR staff.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation: Vietnam has not ratified ILO Conventions 87 or 98. Under Vietnamese law, all unions are required to affiliate with the single trade union, the Vietnam General Confederation of Labor (VGCL), which is affiliated with the Communist Party. With respect to such union monopolies, the ILO Committee on Freedom of Association has stated that “the rights of workers to establish organizations of their own choosing implies . . . the effective possibility of forming . . . [trade 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]

Root Causes: Freedom of Association is a country issue in Vietnam.

2. Finding Status: Remediated

Explanation: Based upon observation, document review and factory manager & workers interview, it was noted that the dialog meeting as legally required was conducted on Sep 30, 2017 and annual Labor conference on Jan 16, 2017. Workers interview also confirmed that they knew and understood the dialogue at workplace and annual Labor conference.

3. Finding Status: Remediated

Explanation: Based upon observation, document review and factory manager & workers interview, it was noted that factory provided documentation/proof to show that the nominated list for Labor Union representatives (August 12, 2017) is prepared with worker’s engagement and without management’s interference.

Local Law or Code Requirement

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

COMPANY ACTION PLANS

Action Plan no 1.

Description

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.

PREVIOUS FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. Although it was not implemented within the last twelve months, current disciplinary procedures include a wage raise suspension of up to 6 months as a means to discipline. [ER.27, H/A.2] 2. Factory management is deducting the full cost of the tools and uniforms during the termination process without considering the depreciation caused by the use of uniforms/tools. Furthermore, factory management does not have any documentation that shows the actual cost of the uniforms. [ER.16] 3. The factory has formed the disciplinary council to handle the disciplinary cases in the factory as per policy and procedure. [ER.25] However, during records review the disciplinary records do not have signature of any labor union representatives. As such there is doubt if policy and procedure, union engagement in disciplinary meetings is consistently implemented.

Local Law or Code Requirement

Labor Code of Vietnam, art. 101/130; Labor Code of Vietnam, Art. 123. 1; FLA Workplace Code (Employment Relationship Benchmarks ER.16, ER.25, and ER.27; Harassment and Abuse Benchmark H/A.2)

Root Causes

1. Factory management mentioned that wage raise suspension is in line with local law requirements and approved by union and local labor office. 2. Most of the factories in Vietnam are implementing monetary fines through deduction of allowances/bonuses as they do not see allowances and bonuses as a part of salary, but an extra amount paid to the workers. 3. Misinterpretation of local law requirements. 4. Although the factory is a part of a big group, benchmarking and collective learning opportunities are very limited for CSR staff. 5. Lack of knowledge on FLA code/benchmark requirements

Recommendations for Immediate Action

1. Cease the practice of wage raise suspension as a form of disciplinary action.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: Based on relevant document reviewed, it was noted that factory revised the Discipline procedure (issued in August 2017) with a system of maintaining discipline through the application of escalating disciplinary action moving from written warning letter to demotion and finally to termination. Wage raise suspension wage of up to 6 months is not a means to discipline anymore. There was no case of wage raise suspension up to 6 months as means to discipline during past 12 months.

2. Finding Status: Remediated

Explanation: Based on termination records during past 12 months and Termination policy & procedure, it was noted that factory developed a comprehensive procedure on depreciation cause using uniforms and tools for resigned workers. This procedure was regulated clearly in detail the actual full cost and depreciation after use for each of period. (E.g. two months of use value: 50% depreciation of actual cost, six months of use value: 50-75% depreciation of actual cost, etc.)

3. Finding Status: Remediated

Explanation: Based on relevant document reviewed, it was noted that the disciplinary records did have signature of labor union representatives, supervisor, worker and line leader (if any) as legally required.

PREVIOUS FINDING NO.6

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Grievance System

Finding Explanation

1. Although there is a grievance policy and supporting procedures are established, they do not ensure the anonymity of the complainant. Current system requires the detailed information of the complainant in the written form. As a result, there was no complaint filed through the complaint/suggestion boxes, but only directly to the labor union. Furthermore, the verbal grievances raised through the Labor Union were not recorded or tracked by factory management. The factory does not consistently and effectively address all grievances raised through the union. [ER.2 and ER.25]

Local Law or Code Requirement

Vietnam Labor Code, Art 194 and 201 FLA Workplace Code (Employment Relationship Benchmarks ER.2 and ER.25)

Root Causes

1. Factory management thought that having non-confidential grievance/complaint information with worker identification would be useful against misuse of this system as well as speed up the investigation process. 2. There is no effective internal monitoring system, both at the factory and HQ levels. 3. These issues had not been identified during the previous internal and external audits. 4. Although there is a compliance staff in place, it was observed that he has only received local law update and H&S trainings so far. There wasn't a training needs assessment carried out to identify some other important trainings like auditing skills, communication skills, international standards, and environmental protection. 5. Internal audits planned and conducted as once per year and all related documentation/records maintained. However, there is not a detailed internal audit procedure established yet and internal audits are limited with a checklist control that is prepared by compliance staff. 6. There is not an effective system in place for reviewing policies and procedures on a periodical basis; instead, factory management reviews them whenever they become aware of any changes on local law/regulations. 7. Misinterpretation of some local law requirements. 8. Many labor/EHS law related issues in Vietnam are solved/clarified with decrees/circulars as labor law and secondary regulation is not clear on many important topics. It's hard to track having a lot of decrees and circulars makes it hard track for management. 9. Although there is a procedure for following updates on local law, this procedure doesn't include any guidelines reflection of these updates into implementation and monitoring activities. 10. Although the factory is a part of a big group, benchmarking and collective learning opportunities are very limited for CSR staff.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status: Remediated

Explanation:

Based upon observation, document review and factory manager & workers interview, it was noted that factory ensures the anonymity of the complainant. There was not any kind of complaint form to be applied, workers could write down with any paper to raise their complaint instead. Furthermore, factory also recorded and tracked workers complaint to follow & improve.

PREVIOUS FINDING NO.7

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

1. The severance allowance is paid to workers that were terminated or have resigned. However, the probation period is not included in the severance payment calculations, violating local law. [ER.19, ER.1] 2. Orientation training was provided to new hirers. During the assessment, the ongoing training policies and procedures was not conducted fully as per the management and workers testimonials and from document review. There was training record showed that the factory provides the training on the laws update, Code of Conduct and CTPAT, to the workers. [ER.28]

Local Law or Code Requirement

Decree No. 05/2015, Art 14, FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.19)

Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels. 2. These issues have not been identified during the previous internal and external audits. 3. Although there is a compliance staff in place, he has only received local law update and H&S trainings so far. There was no training needs assessment carried out to identify some other important trainings like auditing skills, communication skills, international standards, environmental protection. 4. Internal audits planned and conducted as once per year and all related documentation/records maintained. However, there is not a detailed internal audit procedure established yet and internal audits are limited with a checklist control that is prepared by compliance staff. 5. There is not an effective system in place for reviewing policies and procedures on a periodical basis; instead, factory management reviews them whenever they become aware of any changes on local law/regulations. 6. Misinterpretation of some local law requirements. 7. Many labor, environmental, and Health & Safety laws in Vietnam are solved/clarified with decrees/circulars, as local laws and secondary regulations are not clear on many important topics. The large number of decrees and circulars makes it hard track for management. 8. Although there is a procedure for following updates on local law, this procedure doesn't include any guidelines reflection of these updates into implementation and monitoring activities. 9. Although the factory is a part of a big group, benchmarking and collective learning opportunities are very limited for CSR staff.

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status: Remediated

Explanation:

Based on termination records for the past 12 months, it was noted that the severance payment was calculated and paid accurately as legally required for resigned workers. The probation period was also included in the severance payment as required by law.

2. Finding Status: Partially Remediated

Explanation:

Based on document review and factory manager & workers interview, it was noted that there were changes to policies and procedures, factory issues the memo, and posted on public areas in the factory. However, there was no ongoing employees (including management) training in the factory. Factory explained that ongoing training shall be conducted in end of this year (December 2017). [ER.28]

Root Causes:

Lack of commitment from top management in providing annual ongoing training for all employees.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.28)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory provides refresh training for all employees on company's policies/ procedures related to termination and retrenchment in December 2017

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. A certified trainer delivered the training on Health & Safety and chemical safety training to workers internally; however, the duration of the trainings is less than legal requirement of 16 hours as total duration was only 4 hours instead. Furthermore, the trainer is only certified on H&S but does not have any training certificate on chemical safety. [ER.31, HSE.9] 2. There were two work accidents within the factory in 2015; however, the factory did not conduct the legally required root cause analysis study to figure out the potential underlying reasons and preventing recurrence. [HSE.3] 3. Although there is a laser cutting system in use at the cutting section, the potential laser use related hazards/risks are not included into risk assessment report, as legally required. [HSE.1]

Local Law or Code Requirement

Circular No. 27/2013/TT-BLDTBXH on Providing for Occupational Safety and Hygiene Training (2013), Art. 6 and Decree No.26/2011/ND-CP on Amending and Supplementing a Number of Articles of the Government's Decree No. 108/2008/ND-CP of October 7,2008, Detailing and Guiding a Number of Articles of the Chemical Law, Art. 7(a); Joint Circular No. 12/2012/TTLT-BLDTBXH-BYT on Guiding the Declaration, Surveys and Statistics and Accident Reports (2012), Art. 13 and Labor Code No. 10/2012/QH13 (2013), Art.142; Vietnam Labor Code 2013, Article 138.1.c; FLA Workplace Code (Employment Relationship Benchmark ER.31, Health, Safety & Environment Benchmarks HSE.1, HSE.3, and HSE.9)

Root Causes

1. Factory management thought that the laser level from the laser-cutting machine is not harmful to workers and the cutting operators are not directly contacting with laser as per the operation principle. 2. There is no effective internal monitoring system, both at the factory and HQ levels. 3. These issues had not been identified during the previous internal and external audits. 4. Although there is a compliance staff in place, it was observed that he has only received local law update and H&S trainings so far. There wasn't a training needs assessment carried out to identify some other important trainings like auditing skills, communication skills, international standards, and environmental protection. 5. Internal audits planned and conducted as once per year and all related documentation/records maintained. However, there is not a detailed internal audit procedure established yet and internal audits are limited with a checklist control that is prepared by compliance staff. 6. There is not an effective system in place for reviewing policies and procedures on a periodical basis; instead, factory management reviews them whenever they become aware of any changes on local law/regulations. 7. Many labor/EHS law related issues in Vietnam are solved/clarified with decrees/circulars as labor law and secondary regulation is not clear on many important topics. It's hard to track having a lot of decrees and circulars makes it hard track for management. 8. Although there is a procedure for following updates on local law, this procedure doesn't include any guidelines reflection of these updates into implementation and monitoring activities. 9. Although the factory is a part of a big group, benchmarking and collective learning opportunities are very limited for CSR/EHS staff.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: Based on relevant document reviews and worker interviews, it was noted that factory signed contract with authorized service company & conducted annual training on chemical safety December 28 & 29, 2016 with training duration of 12 hours. This point was complied with law requirement.

2. Finding Status: Remediated

Explanation: Based on relevant document reviewed and interview with factory management, it was noted that there were 3 work accidents in 2017 year. Factory conducted the legally required root cause analysis study to figure out the potential underlying reasons and preventing recurrence.

3. Finding Status: Remediated

Explanation: Based on relevant document reviewed and interview with factory management, it was noted that factory conducted risk assessment for cutting section including laser cutting system as well as identified and provided the corrective action plan to reduce risk.

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Maintenance and inspection records of all firefighting equipment were not established as per the legal requirements announced in 2014. Factory management mentioned that they will implement the new legal requirements in November 2015. [HSE.13] 2. The inspection/maintenance of the smoke detectors/ fire alarms is not conducted on a yearly basis; the factory management said that they do the inspection for respective smoke detectors and fire alarm once every two years instead of the legally required annual basis. The next inspection/maintenance activity is planned for November 2015. [HSE.5] 3. No Liquefied Petroleum Gas LPG detectors provided in kitchen where LPG is in use. [HSE.1, HSE.13] 4. The factory has a fire-resistant cabin for flammable chemicals; however, there is no ventilation provided for this cabin.

Local Law or Code Requirement

Circular No.52/2014, Art.7; Decision No. 2726/BKHCN on Fire protection equipment for building and construction - Providing, installation, inspection, maintenance (2009), Art. 6(2) (3); FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.5, HSE.9, and HSE.13)

Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels. 2. These issues had not been identified during the previous internal and external audits. 3. Although there is a compliance staff in place, it was observed that he has only received local law update and H&S trainings so far. There wasn't a training needs assessment carried out to identify some other important trainings like auditing skills, communication skills, international standards, and environmental protection. 4. Internal audits planned and conducted as once per year and all related documentation/records maintained. However, there is not a detailed internal audit procedure established yet and internal audits are limited with a checklist control that is prepared by compliance staff. 5. There is not an effective system in place for reviewing policies and procedures on a periodical basis; instead, factory management reviews them whenever they become aware of any changes on local law/regulations. 6. Many labor /EHS law related issues in Vietnam are solved/clarified with decrees/circulars as labor law and secondary regulation is not clear on many important topics. It's hard to track having a lot of decrees and circulars makes it hard track for management. 7. Although there is a procedure for following updates on local law, this procedure doesn't include any guidelines reflection of these updates into implementation and monitoring activities. 8. Although the factory is a part of a big group, benchmarking and collective learning opportunities are very limited for CSR/EHS staff.

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status: Remediated

Explanation:

Based on observation and document reviewed, it was noted that factory signed contract with authorized service company on June 24, 2017 to maintain all firefighting equipment every year. In practice, it was noted that all fire equipment was inspected & maintained in August 2017 and in line with law requirement.

2. Finding Status: Remediated

Explanation:

Based on observation and document reviewed, it was noted that factory signed contract with authorized service company on June 24, 2017 to maintain all firefighting equipment every year. In practice, it was noted that all fire equipment was inspected & maintained in August 2017 and in line with law requirement.

3. Finding Status: Partially Remediated

Explanation: Based upon observation and factory manager & workers interview, it was noted that the factory provided testing machines and used it to check the LPG in the morning every day without installing LPG detectors in the kitchen area to detect gas leakage during the day. [HSE.1, HSE.13]

Root Causes:

Lack of crosscheck from HSE team and in-charge person

4. Finding Status: Remediated

Explanation:

Based upon observation and factory manager, it was noted that ventilation system was installed at chemical warehouse.

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory requests for BOM's approval to install the permanent LPG detectors in the kitchen area to detect gas leaking during the day.

PREVIOUS FINDING NO.10

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. One hand grinding machine in the mechanical workshop was not equipped with a protective guard. Safety instructions are not displayed or posted near machinery, in workers' language(s). [HSE.14] 2. Two prong plugs in use for three prong sockets in different sections of the factory building, which bypasses grounding protections. [HSE.1] 3. Compressed air, with an operating pressure of 6 bars, is used for cleaning activities. [HSE.1] 4. Drinking water dispensers are exposed to direct sunlight which could cause contamination. [HSE.23] 5. Some ultrasonic sewing machine operators and workers working around these machines were not using their earplugs. [HSE.7, HSE.8] 6. Positioning of table saw guard is not okay as it is positioned high above than it should be. [HSE.17] 7. The factory does not provide anti-fatigue mats to all workers that have to stand at their workstation. [HSE.17] 8. Some clothing hangers at finished goods warehouse are bent. [HSE.1] 9. Since the factory has glass walls, chemicals at the chemical warehouse are exposed to direct sunlight. [HSE.9] 10. Although there is a limit defined for hand truck operation, that limit is not posted at the workplace. [HSE.1] 11. PET bottles for water consumption are distributed to workers once a month used on a continuous basis these bottles are not good for re-use and may pose a health risk. [HSE.23] 12. Wooden chopping boards are commonly used for different kind of food groups which poses the risk of cross-contamination and violates local law (red: raw meat, blue: raw fish, yellow: cooked meat, brown: vegetables, white: bakery-dairy, green: salads/fruit).

Local Law or Code Requirement

Circular No 15/2013, Art.2.3.b; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.7, HSE.8, HSE.9, HSE.14, HSE.17, HSE.22, and HSE.23)

Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels. 2. These issues had not been identified during the previous internal and external audits. 3. Although there is a compliance staff in place, it was observed that he has only received local law update and H&S trainings so far. There was not a training needs assessment carried out to identify some other important trainings like auditing skills, communication skills, international standards, and environmental protection. 4. Internal audits planned and conducted as once per year and all related documentation/records maintained. However, there is not a detailed internal audit procedure established yet and internal audits are limited with a checklist control that is prepared by compliance staff. 5. There is not an effective system in place for reviewing policies and procedures on a periodical basis; instead, factory management reviews them whenever they become aware of any changes on local law/regulations. 6. Many labor/EHS law related issues in Vietnam are solved/clarified with decrees/circulars as labor law and secondary regulation is not clear on many important topics. It's hard to track having a lot of decrees and circulars makes it hard track for management. 7. Although there is a procedure for following updates on local law, this procedure doesn't include any guidelines reflection of these updates into implementation and monitoring activities. 8. Although the factory is a part of a big group, benchmarking and collective learning opportunities are very limited for CSR/EHS staff.

Recommendations for Immediate Action

1. Ensure that grounding system covers all electrical systems in the factory; stop using 2 prong plugs on 3 prong sockets. 2. Provide proper guard on hand grinding machine in mechanical workshop. Apply sun control window films to the glass walls of the chemical warehouse. 3. Replace PET bottles with HDPE/LDPE/PP alternatives or stainless-steel cups which are more suitable for repetitive use.

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status: Partially Remediated

Explanation:

Based upon observation, document review and factory manager & workers interview, it was noted that hand grinding machine in the mechanical workshop was equipped with a protective guard. However, button instruction by the local language are not displayed or posted near the Seam sealing machines. Additional, Safety operation procedure (SOP) for one cutting and three laser cutting machines do not mention the emergency button while machines have problems. [HSE.14.1, HSE.14.3]

Root Causes:

Lack of crosscheck by HSE team & person in-charged.

2. Finding Status:

Explanation:

Based upon observation and factory manager & workers interview, it was noted that factory replaced the two prong plugs sockets by directly connection with on/off switch.

3. Finding Status:

Explanation:

Based upon observation and factory manager & workers interview, it was noted that workers worked/cleaned the thread by manual to replaced compressed air.

4. Finding Status:

Explanation:

Based upon observation and factory manager & workers interview, it was noted that factory assigned new location to place drinking water dispensers where avoided direct sunlight.

5. Finding Status:

Explanation:

Based upon observation and factory manager & workers interview, it was noted that ultrasonic sewing machine were not found at the assessment time. Moreover, the factory also provides earplugs for workers and requires workers to use while working with this machine.

6. Finding Status:

Explanation:

Based upon observation and factory manager interview, it was noted that safety guards were reinstalled for table saw with proper height.

7. Finding Status:

Explanation:

Based upon observation, document review and factory manager & workers interview, it was noted that the factory provides ant fatigue mats and consequently, workers use the mats while stand at workstation.

8. Finding Status:

Explanation:

Based upon observation and factory manager & workers interview, it was noted that the clothing hangers at finished goods warehouse were replaced and controlled the bent of the clothing hangers.

9. Finding Status:

Explanation:Based upon observation and factory manager interview, it was noted that the factory posts the insulation film on glass walls at the chemical warehouse to avoid direct sunlight.

10. Finding Status: Remediated

Explanation:

Based upon observation and factory manager & workers interview, it was noted that loading limit is posted on hand truck operation to remind workers.

11. Finding Status: Remediated

Explanation:

Based upon observation, document review and factory manager & workers interview, factory bought PET bottle with high quality, which is qualified for re-use. Most of interview workers also confirmed that they are satisfywith this drinking water bottle.

12. Finding Status: Remediated

Explanation:

Based upon observation, document reviewed and interview with factory manager, it was noted that the factory marks clearly for each wooden chopping board and requires workers to use separately for each kind of food group (raw meat, raw fish, cooked meat, vegetables, etc.)

Local Law or Code Requirement

Vietnam Labor Law 2012, Article 138 and FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.14.1, and HSE.14.3)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory shall post SOP for seam sealing machine. SOP for cutting and laser cutting machines do include information of the emergency button while machines have problems. Employees shall be trained on related machine safety procedures.

PREVIOUS FINDING NO.11

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. There is no ozone depleting substances (ODS) inventory list or phase out plan being prepared by the factory management. Factory management declared that they had the inspection record conducted by the relevant authority confirmed that they did not have any ODS in their operations and facilities and they will provide it to FLA assessor later. [HSE.1] 2. The Coliform and BOD5 levels of the wastewater analysis report in June 2015 exceeded the legally permitted levels (5600>5000 and 65>50 respectively). Although factory management carried out a corrective action and fixed the issue and the wastewater analysis report dated October 2015 shows that all wastewater parameters are in line with required standard, there is no proof to show that the factory conducted a root cause analysis to identify underlying reasons and prevent recurrence of such an issue. [HSE.1] 3. Some hazardous solid waste, dyed fabric and paper, is stored in solid waste storage area. [HSE.1] 4. There is no secondary containment provided for cleaning chemicals in warehouse. [HSE.9, HSE.10] 5. There are no nylon bags in the spill kit at the chemical warehouse. [HSE.1] 6. There is leaking compressed air throughout the production areas. Furthermore, there is not a system in place for turning off the lights at workstations when there is no work on those stations, which is an issue for energy efficiency. [HSE.1] 7. Factory's environment policy does not include a statement of the factory management's general support of energy and water efficiency, and a commitment to minimize impacts with respect to air emissions, waste, hazardous materials and other applicable environmental risks. [HSE.1]

Local Law or Code Requirement

Environmental Law No.55/2014, Art.42; Environmental Law no.55/2014, Art.68.1, FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, and HSE.9)

Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels. 2. These issues had not been identified during the previous internal and external audits. 3. Since there is no process water and activities within this facility is limited as garment production, management thought that there are no environmental risks. 4. CSR staff hasn't been trained on environmental protection and there is not a designated qualified person following issues related with environment. 5. There is no effective internal monitoring system, both at the factory and HQ levels. 6. Although there is a compliance staff in place, it was observed that he has only received local law update and H&S trainings so far. There wasn't a training needs assessment carried out to identify some other important trainings like auditing skills, communication skills, international standards, and environmental protection. 7. Internal audits planned and conducted as once per year and all related documentation/records maintained. However, there is not a detailed internal audit procedure established yet and internal audits are limited with a checklist control that is prepared by compliance staff. 8. There is not an effective system in place for reviewing policies and procedures on a periodical basis; instead, factory management reviews them whenever they become aware of any changes on local law/regulations. 9. Many labor/EHS law related issues in Vietnam are solved/clarified with decrees/circulars as labor law and secondary regulation is not clear on many important topics. It's hard to track Having a lot of decrees and circulars makes it hard track for management. 10. Although there is a procedure for following updates on local law, this procedure doesn't include any guidelines reflection of these updates into implementation and monitoring activities. 11. Although the factory is a part of a big group, benchmarking and collective learning opportunities are very limited for CSR/EHS staff.

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: Based upon observation, document review and factory manager, it was noted that factory conducted assessment to identify ozone depleting substances (ODS) as well as made inventory list. Moreover, factory also made the corrective action plan to replace eight air conditioned which fraught with ODS (Gas R22).

2. Finding Status: Remediated

Explanation: Based upon document review and factory manager interview, it was noted that factory conducted the wastewater testing on September 25, 2017 by the authorized external services and all indicators were complied with law requirement.

3. Finding Status: Remediated

Explanation: Based upon observation, document review and factory manager & workers interview, it was noted that factory solid waste (carton, paper, and fabric) and hazardous wastes are stored separately in wastebaskets.

4. Finding Status: Partially Remediated

Explanation: Based upon observation, document review and factory manager & workers interview, there is no available Material Safety Data Sheets (MSDS) for chemical (X66 Glue) and no secondary containment for X66 glue and cleaning chemicals in fabric warehouse. Notes: Factory has improved this point at the assessment time.

[HSE.9, HSE.10]

Root Causes: Lack of crosscheck by HSE team & person in-charged

5. Finding Status: Remediated

Explanation: Based upon observation, document review and factory manager & workers interview, it was noted that factory provided the nylon bags in the spill kit at the chemical warehouse as well as conducted training for workerson how to use them.

6. Finding Status: Partially Remediated

Explanation: Based upon observation, document review and factory manager & workers interview, it was noted that there was no leaking compressed air throughout the production areas during the assessment. However, some QC workstations did not turn off the lights when not in use even though the factory has posted posters on saving energy on information boards in the production areas. [HSE.1]

Root Causes: Lack of crosscheck by HSE team & person in-charged

7. Finding Status: Remediated

Explanation: Based upon observation, document reviewed and interview with factory management, it was noted that factory revised the Environment policy on 15th August 2017, in which mentioned clearly the statement of the factory management's general support of energy and water efficiency, and a commitment to minimize impacts with respect to air emissions, waste, hazardous materials and other applicable environmental risks.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety and Environment Benchmark HSE.1, HSE.9, and HSE.10)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Employees shall be reminded on company's requirements on energy saving through refresh and ongoing training.

PREVIOUS FINDING NO.12

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Review Process (Macro)

Finding Explanation

1. The factory does not have a review system for the existing policies and procedures for all Employment Functions.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.30, and ER.31)

Root Causes

1. Insufficient training provided to Human Resource/Compliance teams, especially on local law requirements. 2. Although there is an internal monitoring system in place, it is ineffective, both at the factory and HeadquarterHQ levels.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status: Remediated

Explanation:

Based upon document review and factory manager and workers interview, it was noted that Factory developed a comprehensive procedure on updating process and document review for existing policies and procedures for all Employment Functions.

New Findings and Action Plans

NEW FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Exit aisle is obstructed by working table at Sewing line. [HSE.5] 2. 02 fire hose reel outside of the building leaks water while testing. [HSE.6] 3. Battery power of fire alarm panel is ensured within 12 hours instead of at least same duration as factory's non-operational time (24 hours). [HSE.6] 4. One exit door at finished goods warehouse is a sliding door instead of outward door. [HSE.1, HSE.5]

Local Law or Code Requirement

TCVN 3890:2009; QCVN 06:2010/BXD; Decree 79/2014/ND-CP and FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.5, and HSE. 6)

Root Causes

1. ESH committee is not active and does not conduct internal audits periodically. 2. Lack of crosscheck from HSE team and worker's awareness. 3. Network of occupational safety-hygiene collaborators and fire safety team are not active in action; Lack of crosscheck from compliance team. 4. Team leader/supervisor only focus on production. 5. Lack of awareness on FLA's Code and Benchmarks and Law requirements. 6. Top management does not take time to involve in updating/reviewing the law requirement and other standards.

Recommendations for Immediate Action

1. Keep exit aisles clear from obstructions at all times. 2. Inspect regularly and ensure fire hose reel is in good condition. 3. Install more battery power for fire alarm system least same duration as factory's nonoperational time (24 hours). 4. Adjust the exit door at finished goods warehouse to ensure it is an outward door.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The factory shall re-arrange working space at relevant areas to ensure exit aisle is not obstructed. 2. The factory shall re-check all fire hose reel and inspect the root cause of leaking. 3. The factory shall test the battery power of fire alarm within 24 hours to ensure its working order. 4. The factory shall escalate issue to the BOM for further decision. 08/2019 update: - The sliding door at warehouse was no longer used as Exit door. The facility has posted sign "Not an Exit" at this area. - A new push bar exit door was installed instead for emergency response. All required equipment (exit sign, emergency light) were equipped at this door. - Evacuation plot plan for warehouse was updated that reflected the accurate conditions after the change. - All updates were communicated with employees via trainings/ meetings. - HSE staff, OHS network contributors keep monitoring to ensure

compliance requirements for emergency response respected.

NEW FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Medicines are exposed to direct sunlight instead out of direct sunlight and is not stored below 30°C. [HSE.18.3]

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmark HSE.18.3)

Root Causes

1. ESH committee is not active and does not conduct internal audits periodically. 2. Lack of crosscheck from HSE team and worker's awareness. 3. Lack of awareness on FLA's Code and Benchmarks and Law requirements. 4. Top management did not take time to involve in updating/reviewing the law requirement and other standards.

Recommendations for Immediate Action

1. Store medicines below 30°C and away from direct sunlight.

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory shall study and come with compatible method to store medicines below 30°C and away from direct sunlight.

NEW FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Worker used unsuitable metal gloves. The gloves are too big for workers. [HSE.7] 2. One worker who works at wastewater treatment area is not provided PPE to prevent the fall hazards. [HSE.7]

Local Law or Code Requirement

Vietnam Labor Law 2012, Article 138; FLA Workplace Code (Health, Safety & Environment Benchmark HSE.7)

Root Causes

1. ESH committee is not active and does not conduct internal audits periodically. 2. Lack of crosscheck from HSE team and worker's awareness. 3. Lack of awareness on FLA's Code and Benchmarks and Law requirements. 4. Top management did not take time to involve in updating/reviewing the law requirement and other standards.

Recommendations for Immediate Action

1. Provide all workers with the proper PPE, and train workers on the proper use and maintenance of PPE.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The factory shall provide suitable metal gloves for workers, which will fit with their hands.
2. The factory shall install the handrails system on waste water storage tank to prevent the fall hazards.

NEW FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Location of finger guard was changed by the operator on one of the punch button machines. [HSE.14] 2. Freight lift in the canteen has a door that can be opened when the cabin was not in a safe place. It could lead to risk of falling out of the lift. [HSE.14] 3. Tape has been used to fix electrical wires at canteen area. [HSE.13] 4. It was found that Hazardous waste area and chemical storage area is small and narrow. [HSE.9]

Local Law or Code Requirement

Vietnam Labor Law 2012, Article 138 and FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.9, HSE.13, and HSE.14)

Root Causes

1. ESH committee is not active and does not conduct internal audits periodically. 2. Lack of crosscheck from HSE team and worker's awareness. 3. Lack of awareness on FLA's Code and Benchmarks and Law requirements. 4. Top management did not take time to involve in updating/reviewing the law requirement and other standards.

Recommendations for Immediate Action

1. Repair punch button machine and freight lift at canteen to ensure workers' safety.
2. Use proper material to fix electrical wires to avoid any potential fire risk.
3. Find a new proper location to store hazardous waste and chemical.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The factory shall make the finger guard on punch button machine fixed permanently.
2. The factory shall contact contractor to improve the condition of freight lift and prevent fall hazards.
3. The factory shall use proper material to fix electrical wires to avoid any potential fire risk.
4. The factory has limited space thus it is difficult to widen the hazardous waste area and chemical storage area. The factory shall ensure keep those areas neat and in order, workers shall aware of all safety requirements related to working in those areas.

NEW FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. There is no domestic wastewater treatment emergency plan and secondary containment in case the factory's wastewater treatment process breaks down. The factory wastewater discharges approximately 36 cubic meter per day. [HSE.5.4]

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmark HSE.5.4)

Root Causes

1. ESH committee is not active and does not conduct internal audits periodically. 2. Lack of crosscheck from HSE team and worker's awareness. 3. Lack of awareness on FLA's Code and Benchmarks and Law requirements. 4. Top management did not take time to involve in updating/reviewing the law requirement and other standards.

Recommendations for Immediate Action

1. Ensure wastewater treatment has secondary containment ready to use in case of emergency.

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory shall develop the domestic wastewater treatment emergency plan.

NEW FINDING NO.6

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Grievance System

Finding Explanation

1. Workers are provided with Hotline (0912647189) to raise their complaint. However, the grievance procedure has not been updated with this hotline number. Moreover, there was one miss call from hotline system, without any action from person in-charged to call back or collect the information. [ER.25]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.25)

Root Causes

1. Lack of crosscheck and review by Manager. 2. Lack of knowledge by person in-charged.

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory shall update the Hotline number into the grievance procedure and post on grievance boxes.

NEW FINDING NO.7

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. Labor Union representative was elected on Sep 11, 2017 with 18 members. However, the chairman of the trade union does not remember members' name as well as roles and duties of each member. [ER.25] 2. The factory and union have signed a Collective Bargaining Agreement (CBA). While the factory meets the legal requirement in informing employees about the CBA, including posting on bulletin boards, worker briefings, providing a copy to each of worker. However, some of information of CBA handbook's content does not reflect to the actual practice, such as: working hours, annual leave calculation, mandatory insurance of employer's contribution, etc. [ER.16.2]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.16.2, and ER.25)

Root Causes

Lack of awareness on FLA's Code and Benchmarks and Law requirements.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The Labor Union's chairman shall be equipped with better awareness of members' name as well as roles and duties of each member, and other information related to Union. 2. The factory shall develop plan to review and update the employee handbook.

NEW FINDING NO.8

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The payment of unused annual leave in 2016 for two workers and were not paid fully and accurately as legally required, in detail: [ER.22, HOW.11, HOW.14] + Factory calculation: the average salary of the six-continuous-month/27* unused annual leave*300% =VND 777,778 (USD 34.14) + Correct calculation: the average salary of the six-continuous-month/26* unused annual leave*300% =VND 807,692 (USD 35.45)

Local Law or Code Requirement

Article 14, Circular 47/2015/TT-BLDTBXH and FLA Workplace Code (Employment Relationship Benchmark ER.22; Hours of Work Benchmarks HOW.11, and HOW.14)

Root Causes

1. Lack of knowledge by person in-charged.

Recommendations for Immediate Action

1. Retroactively pay the two workers and ensure the payment of unused annual leave is calculated accurately, as legally required for all workers.

COMPANY ACTION PLANS

Action Plan no 1.

Description

The finding was detected due to the policy and practice of former owner. The factory has changed the policy and applied the correct calculation in 2017 as the average salary of the six-continuous-month/26* unused annual leave*300%

NEW FINDING NO.9

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. Although, factory maintains records of disciplinary actions and in line with local law. However, it does not meet FLA Benchmarks requirement, these records should be placed to employee files. [ER.27.3.4]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.27.3.4)

Root Causes

1. Lack of awareness on FLA's Code and Benchmarks and Law requirements.

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory shall make copies of records of disciplinary actions and retain in employee files.

NEW FINDING NO.10

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

1. The factory does not provide ongoing training on the following Employment Functions: Recruitment, Hiring, and Personnel development, Compensation, Industrial Relations, Workplace Conduct & Discipline, Grievance, Environmental Protection, Health & Safety. [ER.1, ER.15, and ER.25]

Local Law or Code Requirement

Root Causes

1. Lack of awareness on FLA's Code and Benchmarks. 2. Lack of commitment from TOP management in provision annual on-going training for all employees.

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory provides refresh training for all employees on company's policies/ procedures related to Recruitment, Hiring, and Personnel development, Compensation, Industrial Relations, Workplace Conduct & Discipline, Grievance, Environmental Protection, Health & Safety. in December 2017.