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## INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Fast Retailing Co., Ltd.

COUNTRY: Vietnam

ASSESSMENT DATE: 10/05/20

ASSESSOR: Openview

PRODUCTS: Apparel

NUMBER OF WORKERS: 1607

## Summary of Code Violations

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

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

FLA Code Element	Number of Violations
Employment Relationship	2
Health, Safety, and Environment	9
Nondiscrimination	2

## Findings and Action Plans

### FINDING NO.1

#### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Compensation

##### Finding Explanation

1. The factory provides a productivity bonus to workers each month, which is calculated based on three factors including a productivity bonus fund, bonus rate and actual working hours. However, the factory reduces the bonus rate anywhere between one quarter to one half of the bonus for workers violating the factory rules, paying them a lower amount of a productivity bonus. For example, if workers forget to punch their time in or out or forgot to clean the sewing machines, their production bonus rate is decreased by 0.25 times for each violation. [ER.22.1, H/A.2]

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.22; Harassment or Abuse Benchmark H/A.2)

##### Recommendations for Immediate Action

1. Pay the productivity bonus based on the actual contribution of workers. Cease the practice of giving monetary fines for violating factory rules.

### FINDING NO.2

#### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Industrial Relations

##### Finding Explanation

1. FLA Comment: Vietnam has not ratified ILO Convention 87. 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, FOA.10]

#### Local Law or Code Requirement

FLA Workplace Code (Freedom of Association Benchmarks FOA.2 and FOA.10)

### FINDING NO.3

#### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. The factory has installed sliding doors at both emergency exits in the material warehouse, which is not in line with the legal requirement that exit doors should open in the direction of evacuation. The factory has installed locking devices to keep both sliding doors open during working hours. [HSE.5.1]

2. The factory has installed 65 fire extinguishers to cover a surface area of 11,636 square meters, including one 4-story production building and one 1-story material and finished goods warehouse building. There are no back-up fire extinguishers in place. Based on local law that requires one fire extinguisher for every 75 square meters of surface area and an additional 10% of the total required as back-up fire extinguishers, the factory should install 155 fire extinguishers (11,636 square meters / 75) and 16 back-up fire extinguishers (155 \* 10%). [HSE.6.1]

3. None of the primary flammable chemical containers in the oil storage warehouse have bonding or grounding, including the 500-liter oil tank for the genset engine and a four 209-liter oil drums. [HSE.9.1]

4. Both drums of boiler treatment chemical in the boiler area and all six cans of industrial alcohol in the chemical warehouse have labels with incomplete elements and are missing the information of the main hazard, ingredient and Chemical Abstract Services (CAS) number. [HSE.9.1]

5. Neither of the button snapping machines in the No. 3 Sewing Workshop have finger guards. [HSE.14.1]

6. The factory has installed the boiler against the production building wall, while the boiler should be installed in a separate area. In addition, the factory has not installed a safety fence in the fire pump area, boiler area or generator area, to prevent unauthorized entry. [HSE.14.1]

7. The factory does not post the safe operating procedures for ten sewing machines, two cutting machines, two button snapping machines and five computerized sewing machines. In addition, the safety warning labels on all those machines are in English and Chinese, rather than in the local language of Vietnamese. [HSE.14.3]

#### Local Law or Code Requirement

TCVN 5507: 2002, Clause 5.1.12; Law No. 84/2015/QH13, Article 16; QCVN 06/2010/BXD, Clause 3.2.3; Law No. 06/2007/QH12, Article 27; TCVN 3890:2009, Article 5.1; TCVN 2622:1995, Clause 9.16. FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.5, HSE.6, HSE.9 and HSE.14)

##### Recommendations for Immediate Action

1. <!--[endif]-->Replace all sliding doors and ensure exit doors are open in the direction of evacuation.

2. <!--[endif]-->Install sufficient fire extinguishers as per legal requirement.

3. <!--[endif]-->Have all primary flammable chemical containers bonded and grounded in the oil storage warehouse.

4. <!--[endif]-->Label all chemical containers with complete information, including main hazard, ingredient and CAS number.
5. <!--[endif]-->Install finger guards on both button snapping machines.
6. <!--[endif]-->Install the boiler in a separate area as per legal requirement. Install safety fence in all high-risk areas to prevent unauthorized entry.
7. <!--[endif]-->Post the safe operating procedures for all machines and ensure the machine safety warning labels are in the language spoken by the workers i.e. Vietnamese.