



COMPANY: Fair Labor Association

COUNTRY: Vietnam

ASSESSMENT DATE: 10/28/16

ASSESSOR: FLA China

PRODUCTS: Apparel

NUMBER OF WORKERS: 1500

Understanding this Assessment Report

This is a report of a workplace assessment conducted by Fair Labor Association assessors following FLA's Sustainable Compliance methodology (SCI), which evaluates a facility's performance in upholding fair labor standards through effective management practices throughout the entire employment life cycle.

This report identifies violations and risks of noncompliance with the Fair Labor Association Workplace Code of Conduct in its assessment of the employment functions, and includes a description of the root causes of violations, recommendations for sustainable and immediate improvement, and the corrective action plan for each risk or violation as submitted by the company. This document is not a static report; rather, it reflects the most recent progress updates on remediation in the "Progress Update" section for each finding.

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	Violations
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Findings and Action Plans

FINDING NO.1

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Policies & Procedures (Macro)

Finding Explanation

1. The factory does not have written policy on Personnel Development or Termination & Retrenchment.
2. The factory does not have written procedures on Personnel Development, Compensation, Hours of Work, , Retrenchment, or Environmental Protection. However, some documents or systems exist to manage certain practices.
3. The Recruitment & Hiring policies and procedures do not regulate the recruitment and hiring of temporary, contract, or contingent workers.
4. The Workplace Conduct & Discipline procedures do not include steps for workers to appeal disciplinary actions taken against them.
5. The Environmental Protection policy does not include a commitment to minimize impacts with respect to air emissions, waste, hazardous materials or to conserve energy and water. The policy does include some energy and water measurements, but does not provide clear targets or make an effort to reduce impacts. The documents and systems that manage Environmental Protection practices do not enable workers to raise environmental concerns or include protections for workers who allege environmental violations. The documents and systems do not include procedures for reporting environmental emergencies, either.
6. The factory's Health & Safety procedures do not cover how workers can raise Health & Safety concerns or provide protection against retaliation for workers who do so.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.7, ER.19, ER.23, ER.27, ER.28, ER.29, ER.30, ER.31, and ER.32; Health, Safety & Environmental Protection Benchmark HSE.5)

COMPANY ACTION PLANS

1. The factory will establish written policy on Personnel Development and Termination and Retrenchment. The factory will be training for all workers and relevant management personnel as detail schedule below: 1) For management personnel: 5 Aug 2017. 2) For all workers: 12 Aug 2017. Beside that, the factory will also posted all related policy on internal notice-boards system.

Action plan status: ABL Test

2. The factory will have supplementary all procedures by written document as required. The factory already assigned the HR MGR in charge of developing these procedures as attached document. Also, the factory has plan to training for all workers in August.

Action plan status: ABL Test

3. The factory will regulate all contents such as recruitment and hiring of temporary, contract, or contingent workers to the Recruitment & Hiring Policies and procedures. The factory already added the Person in charge into these policy and procedures as required. The factory will be conduct the training for all workers about these procedures in August.

Action plan status: ABL Test

4. The factory will include steps for workers to appeal disciplinary actions taken against them in the Workplace Conduct & Discipline procedures. Human resources staff is training worker and HR manager is responsible person. The workplace conduct & Discipline procedures is trained for newcomer. The training activities will be conducted in August.

Action plan status: ABL Test

5. 5.

The factory will revise the Environmental Protection policy which include a commitment to minimize impacts with respect to air emissions, waste, hazardous materials or to conserve energy and water. The policy also provide clear targets or make an effort to reduce impacts. The documents and systems that manage Environmental Protection practices will enable workers to raise environmental concerns or include protections for workers who allege environmental violations. The documents and systems will include procedures for reporting environmental emergencies, either.

The factory already assigned HR officer as person in charge and fixed plan to training in August.

Action plan status: ABL Test

6. 6. The factory will revise the Health and Safety procedures which will cover how workers can raise Health & Safety concerns or provide protection against retaliation for workers who do so. The training activities will be conducted in August.

Action plan status: ABL Test

FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

1. The factory does not provide specific training to the relevant supervisors on any of the Employment Functions.
2. The factory does not provide ongoing training to workers on any of the Employment Functions. Management claims that there is ongoing training on Health and Safety but the records could not support this claim.
3. The factory does not provide training to Human Resources (HR) personnel or administrative staff on Workplace Conduct & Discipline.
4. The orientation training provided to new workers does not cover Human Resources policies. Furthermore, workers do not receive written documentation that substantiates all the topics covered during orientation.
5. The chemical safety training is insufficient, as workers did not know how to properly use chemicals and PPE.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15, ER.17, and ER.27; Compensation Benchmark C.17; Health, Safety & Environment Benchmark HSE.9)

COMPANY ACTION PLANS

1. 1. The factory will provide specific training to the relevant supervisors on any of the Employment Functions. The factory has

plan to conduct the evaluation for all employee on Sep 2017 to determine which areas the Supervisors need to further training. After that, the factory will be set up the training schedule in detail.

Action plan status: ABL Test

2. 2. The factory will provide ongoing training to worker of the Employment functions and health & safety. The factory already assigned the HR MGR to in charge of this functions.

Action plan status: ABL Test

3. 3. The factory will train to HR staff on workplace conduct & Discipline. The factory already assigned the HR MGR to in charge of this functions.

Action plan status: ABL Test

4. 3. The factory will train to HR staff on workplace conduct & Discipline. The factory already assigned the HR MGR to in charge of this functions.

Action plan status: ABL Test

5. 5. The factory will re-train for all workers about how to properly use chemicals and PPE. The factory has tested The knowledge of workers on chemical management. After determining their level, The factory will be conduct the re-training for them.

Action plan status: ABL Test

FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

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

Local Law or Code Requirement

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

COMPANY ACTION PLANS

1. 1. The factory will establish procedures to request and/or receive workers' input/feedback regarding the creation, implementation, and updating of its policies and procedures. The factory already worked with Union and unanimous the Chairman of Union will be take responsibility in developing these procedures. We have plan to training for all worker in September, 2017.

Action plan status: ABL Test

FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. Permanent workers' employment contracts lack specific information on overtime hours, overtime provisions, Personal Protective Equipment, promotions, and wage raises that is required by local law to be included.

2. The factory signs two-month apprenticeship contracts with workers prior to signing an employment contract. However, the factory has not developed an apprentice training plan and program as required by local law.

3. The factory only sporadically communicates the Recruitment, Hiring & Personnel Development policies, procedures, and updates to the general workforce.

Local Law or Code Requirement

Decree No.05/2015/ND-CP, Article 4; Decree No.48/2015/ND-CP, Article 31.7; FLA Workplace Code (Employment Relationship Benchmarks ER.1.1 and ER.13.3)

COMPANY ACTION PLANS

1. 1. The HR department will add information on overtime hours, overtime provisions, personal protective equipment, promotions, and wage raises to the labour contracts.

Action plan status: ABL Test

2. 2. The factory will develop an apprentice training plan and program. The factory will be conduct orientation training and on job training for all trainee on apprentice period. The orientation training will be doing by HR Department and "on job training" will be doing by related Department.

Action plan status: ABL Test

3. 3. The factory will communicates the Recruitment, Hiring & Personnel Development policies, procedures, and updates to the general workforce regularly. Any updated will be communicated once per month through the key's meeting monthly. Beside that, the factory will be posted on bulletin boards and annouced on radio system also.

Action plan status: ABL Test

FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

The factory hired at least two temporary workers in July 2016, but does not pay Social Insurance, Health Insurance, Unemployment Insurance, or Annual Leave into workers' monthly salary as required by local law.

Local Law or Code Requirement

Labor Code, Article 186.3; FLA Workplace Code (Employment Relationship Benchmarks ER.11.2 and ER.22; Compensation Benchmark C.1)

Recommendations for Immediate Action

Ensure that all temporary workers are paid at the same time of the employee's payment period an additional amount equivalent to the rate of mandatory social insurance premium and mandatory health insurance, unemployment insurance and the amount of annual leave as prescribed.

COMPANY ACTION PLANS

1. 1. The factory will pay Social insurance, health insurance, unemployment insurance and annual leave into workers' monthly salary. The factory stopped recruit temporary worker from Jan 2017.

Action plan status: ABL Test

FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

1.The factory issues wage and benefit payments to resigned and terminated workers within seven to 15 days of their last day of employment. However, by law these payments should be made within seven days.

2.Two out of 10 sampled workers did not receive the severance allowances to which they are legally entitled

Local Law or Code Requirement

The Vietnam Labor Code, Article 47.2; Decree No. 05/2015/ND-CP; FLA Workplace Code (Employment Relationship Benchmark ER.22; Compensation Benchmarks C.1, C.4, and C.5)

Recommendations for Immediate Action

1.Factory should issue wage and benefit payments to resigned and terminated workers within seven working days of their last day of employment.

2.Factory should check any other case that workers are not paid severance allowance to which they are legally entitled. Payment should be made to these workers.

COMPANY ACTION PLANS

1. 1. The factory will revise procedure and implemented payment for resigned workers within 7 days as required. The factory already annouced to all management personel and all of them have awareness about this regulation.

Action plan status: ABL Test

2. 2. The factory will pay enough severance allowances for employees. From Y2017, all severance allowances payment are corectly.

Action plan status: ABL Test

FINDING NO.7

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1.The factory deducts a union fee of VND 15,000 (USD 0.66) per month from workers' monthly salary without the written consent of workers, although all interviewed workers were aware of this deduction.

2.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 union] independent both of those which exist already and of any political party." Vietnam's legal framework is therefore not compatible with the ILO Principles on Freedom of Association and, as such, all factories in Vietnam fail to comply with the FLA Code standard on Freedom of Association.

Local Law or Code Requirement

Vietnam Law on Trade Unions; FLA Workplace Code (Freedom of Association Benchmarks FOA.2 and FOA.24)

COMPANY ACTION PLANS

1. 2. The factory will try to comply with the FLA Code standard on Freedom of Association. The factory will be applied on the next term of Union (2018 - 2020)

Action plan status: ABL Test

2. 1. The factory will obtain written consent from all workers for union fee dduction.

Action plan status: ABL Test

Completion date: 03/29/17

FINDING NO.8

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Grievance System

Finding Explanation

The factory does not communicate the Grievance System policies, procedures, or their updates to the general workforce.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, and ER.25.3)

COMPANY ACTION PLANS

1. 1. The factory will communicate the Grievance System policies, procedures, or their updates to the general workforce.

Action plan status: ABL Test

FINDING NO.9

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

The factory does not send written invitations to the concerned worker and the Trade Union representative to participate in a disciplinary meeting five days prior to the meeting, as required by local law. Instead, the disciplinary meeting is held right after the occurrence of the violation.

Local Law or Code Requirement

The Vietnam Labor Code on Discipline and Material Responsibility, Decree No. 05/2015/ND-CP; FLA Workplace Code (Harassment or Abuse Benchmark H/A.1; Employment Relationship Benchmarks ER.27.3.1 and ER.27.4)

COMPANY ACTION PLANS

1. 1.

The factory will send written invitations to the concerned worker and the Trade Union representative to participate in a disciplinary meeting five days prior to the meeting, as required by local law.

Action plan status: ABL Test

FINDING NO.10

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1.The factory has not conducted an environmental risk assessment to identify whether its on-site operations generate any negative environmental impacts. The factory does not have an Environmental Management System (EMS), either; it is not making efforts to reduce its environmental impact.

2.The factory's waste streams are not well-segregated, separated, stored, or labeled. The regular waste area is disorganized and messy. Hazardous waste is generally handled properly.

3.The factory does not have any chemical spill procedures and does not conduct training or drills on what do in the event of a chemical spill.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety & Environmental Benchmark HSE.5)

COMPANY ACTION PLANS

1. 1. The factory will conduct an environmental risk assessment to identify whether its on-site operations generate any negative environmental impacts. The factory already assigned the HR officer and HR manager to take responsibility.

Action plan status: ABL Test

2. 2. The factory ensure that factory's waste streams will be well-segregated, separated, stored, or labeled. The regular waste area will be organized and tidy.

Action plan status: ABL Test

3. 3. The factory will establish chemical spill procedures and conduct training or drills on what do in the event of a chemical spill.

Action plan status: ABL Test

Completion date: 12/30/16

FINDING NO.11

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The fire police have instructed the factory to install a sprinkler system in the warehouse building as required by local law and regulations. The factory says there are plans to comply in 2017, but no details were available.

2. There is no fire alarm installed in the boiler room or the chemical and waste storage areas, which poses a significant risk in the case of fire.

3. The factory signed an inspection contract in April 2016 with the emergency alarm supplier, however, there are no maintenance logs or records of a third-party inspection of the alarm system. There are no records of testing or inspection of the separate alarm system in the warehouse building either.
4. Cooking gas canisters are not properly chained and secured. They are also located close to the stove, posing a risk of fire or explosion.
5. The emergency assembly area near the clinic is marked with paint on the ground, but the paint is faded and there are no signs posted to identify the area. A second emergency assembly area located outside the gate is not marked at all and there are no signs posted.
6. A basic fire risk assessment was conducted internally, but the factory has not commissioned a third party to conduct a fire risk assessment.
7. The factory has ordered firefighting equipment and PPE required by local law (including helmets, gloves, suit, and mask), but they are not available yet.
8. Several electrical panels were left open.

Local Law or Code Requirement

Vietnam Fire Standard TCVN 389, 2009; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.5, HSE.6, HSE.7, and HSE.13)

Recommendations for Immediate Action

1. Ensure that the factory complies with the local fire code and inspections and install a sprinkler system in the warehouse building as required.
2. The fire alarm should be installed in all high-risk areas and cover the boiler room and chemical and waste storage areas, which pose significant risks.
3. The factory should adequately inspect and maintain the emergency alarm systems for the whole factory and keep up-to-date records and logs of testing, repairs and errors or issues with the system.
4. Cooking gas canisters must be properly chained and secured to prevent the risk of tipping. They must also be located a safe distance from the stoves and open flames as well as windows to minimize risk of fire or explosion.
5. The emergency assembly area near the clinic must be repainted and clearly marked and posted with sign(s). The second emergency assembly area outside the gate, must also be posted and located so as not to obstruct emergency access.
6. Firefighting equipment and PPE required by local law (including helmets, gloves, suit, and mask), must be available on site and the fire team must be trained in their use.
7. Electrical panels should be closed and secured against unauthorized access.

COMPANY ACTION PLANS

1. 1. The factory had the plan to install a sprinkler system which will perform in 2017.

Action plan status: ABL Test

2. 2. The factory will install fire alarm system in the boiler room/chemical room and waste storage area as required.

Action plan status: ABL Test

3. 3. The factory will obtain maintenance logs or records of a third party inspection of the alarm system and records of testing or inspection of the separate alarm system in the warehouse building either.

Action plan status: ABL Test

4. 5. The factory will re-paint aisle mark at assembly area and post the sign to identify the area. In addition, the factory will mark and post sign for second emergency assembly as well. The factory already assigned the ESH staff and Internal Inspector to take responsible to maintain this assembly area.

Action plan status: ABL Test

5. 6. The factory will conduct a fire risk assessment by third party as required.

Action plan status: ABL Test

6. 8. The factory will check and maintain all electrical system and ensure all electrical panels always closed. The factory already remind the Maintenance Team should be follow this required. Also, the factory assigned Internal Inspector and ESH staff should be check regularly.

Action plan status: ABL Test

7. 4. The factory will chain and secure all cooking gas canister as required.

Action plan status: ABL Test

Completion date: 05/31/17

8. 7. The factory will purchase firefighting equipment and PPE required by local law.

Action plan status: ABL Test

Completion date: 05/31/17

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. There is no alarm, PPE, or eyewash station in the chemical storage area.
2. Appropriate PPE is available in the spot cleaning station, but assessors noticed that one worker was not wearing their mask and gloves correctly.
3. Some spot cleaning chemicals (e.g. acetone) used in production are kept in water bottles with inadequate labels for safety.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.5, HSE.6, HSE.8, and HSE.9)

Recommendations for Immediate Action

1. Chemical storage area should be properly equipped with an alarm, eyewash station and PPE suitable for the chemicals stored there, as required by their MSDS.
2. Workers carrying out spot cleaning must be trained in and aware of the risks of chemicals they use and in the proper use of PPE as per the MSDS of said chemicals (eg. Acetone).
3. Spot cleaning chemicals (e.g. acetone) used in production must be kept in suitable chemical containers with adequate labels for safety and not in water bottles.

COMPANY ACTION PLANS

1. 1. The factory will provide sufficient equipment such as: alarm, PPE, eyewash for new chemical storage area.

Action plan status: ABL Test

2. 2. The factory will remind and request all worker to wear masks and gloves correctly. 1) The factory already posted so many "warning sign" in all relevant area. 2) The factory will be used radio system to announce in daily. 3) The internal inspector should be check regular to warning for all employee.

Action plan status: ABL Test

3. 3. The factory will label for all hazardous chemical used in the factory as required. The factory has plan to review and complete this required on August 2017.

Action plan status: ABL Test

FINDING NO.13

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Welding workers in maintenance have not been provided with the all appropriate PPE (they have glasses but no gloves, aprons, or masks). Furthermore, the factory does not have SOP in place for the welding machines.
2. The factory does not train workers on proper lifting techniques or provide them with lifting belts.
3. There are no weight limits posted on the storage racks in the warehouses.
4. Canteen staff prepared food on the ground, without using mask and gloves.
5. Traffic lanes, sidewalks, and crosswalks are not marked. Furthermore, the factory has not provided any visual management, such as indicators, convex mirrors in dead ends, reflectors, etc., to ensure safe driving practices on factory premises.
6. The factory is not taking proactive steps to reduce repetitive-motion stress and/or injuries. Anti-fatigue mats have not been provided for all ironing workers who stand all day. Only some workstations are adjustable to fit individual workers.
7. No clinic personnel are on the safety committee, as required by law.
8. There is no doctor on duty in the clinic, only one nurse. Emergency numbers not posted in clinic.

Local Law or Code Requirement

Decree No. 39/2016/ND-CP, Article 37; Occupational Health and Safety Law, Article 75.3; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.6, HSE.7, HSE.14, HSE.17, HSE.18, and HSE.22)

Recommendations for Immediate Action

1. Ensure that maintenance workers carrying out welding must be provided with a safety SOP and necessary PPE (eg. gloves, sleeves, apron, mask).
2. Factory must provide lifting belts to workers involved in manual lifting and loading and proper training in their use.
3. Weight limits must be posted on all storage racks in warehouses.
4. Canteen staff must be trained on the proper use of mask and gloves and proper hygiene for food preparation. Ensure that the staff are reminded that food is not to be prepared on the floor, but on tables, or other designated and hygienic surfaces.
5. Traffic lanes, sidewalks, and crosswalks should be clearly marked and visual management indicators provided where needed (eg. convex mirrors in dead ends, reflectors, etc.) to ensure safe driving practices on factory premises.

COMPANY ACTION PLANS

1. 1. The factory will post SOP in place for welding machines and provided PPE for maintenance staff also. The training was done as required.

Action plan status: ABL Test

2. 2. The factory will train workers on proper lifting techniques and provide them with lifting belts.

Action plan status: ABL Test

3. 5. The factory will mark traffic lanes, sidewalks, and crosswalks. Furthermore, the factory will provide visual management, such as indicators, convex mirrors in dead ends, reflectors, etc., to ensure safe driving practices on factory premises. The factory has plan to complete on September after finished the re-layout activities.

Action plan status: ABL Test

4. 6. The factory will provide anti-fatigue mat for all ironing workers as required. The factory will be review and provided more anti-fatigue mat for all workers who work on standing position as required on August.

Action plan status: ABL Test

5. 8. The factory will post emergency number in the clinic room. The factory will try to recruit a doctor for the clinic in the future.

Action plan status: ABL Test

6. 3. The factory will post weight limits on all storage racks in the warehouse as required.

Action plan status: ABL Test

Completion date: 05/31/17

7. 4. The factory will remind and request all Canteen staff to use mask and gloves properly. The GA staff was assigned to check regularly. The factory already made regulation for Canteen staff and this was posted in Canteen also.

Action plan status: ABL Test

Completion date: 05/31/17

8. 7. The factory will add the Clinic staff on the Safety Committee as required.

Action plan status: ABL Test

Completion date: 02/02/17