



FAIR LABOR  
ASSOCIATION®

## INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANY: Fair Labor Association

COUNTRY: Vietnam

ASSESSMENT DATE: 09/09/16

ASSESSOR: FLA China

PRODUCTS: Apparel

NUMBER OF WORKERS: 7461

## 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
------------------	------------

## Findings and Action Plans

### FINDING NO.1

#### SUSTAINABLE IMPROVEMENT REQUIRED

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

##### Finding Explanation

- 1.The factory does not post the FLA Code for worker awareness, although the brand's Code of Conduct is posted in the local language. The factory does not provide specific training for relevant supervisors or ongoing training for employees on the FLA Code.
- 2.The labor contracts do not include the following information, as required by law: start time and end time; rest time; overtime and overtime-related provisions; start and end of break time; holidays; personal leaves; unpaid leaves; social insurance provisions, training, and Personal Protective Equipment (PPE).
- 3.The factory's legal representative authorized its Deputy General Director (DGD) to sign labor contracts with employees, however DGD's authorization document (dated December 31, 2015) does not follow the legally required form.

##### Local Law or Code Requirement

Government Decree No.05/2015/ND-CP, Article 4; Circular No.47/2015/TT-BLDTBXH, Article 3.1; FLA Workplace Code (Employment Relationship Benchmark ER.1 and ER 17.1)

#### COMPANY ACTION PLANS

1. The factory will post FLA code in the local language in all workplaces and conduct training program to entire employees and managers. The training program to be designed in various form such as:
  - As a part of New employee orientation training program

- Separated training program conducted for every group of employees
  - The training for general workforce will be conducted annually.
2. The factory will update the contents of labor contract to specify items and reference sources in compliance with the requirements of local laws. New contents of LC will be communicated to employee and TU and to be integrated into new worker orientation training program.
  3. The factory will make the Letter of authorization specializing for labor contract signing authorization for the Deputy General Director

Action plan status: ABL Test

Planned completion date: 09/11/18

Progress update: 1. The factory already posted FLA code in the local language in all workplaces and conduct training on FLA code as a part of New employee orientation training. The training for general workforce are being conducted and will complete on Dec 2017.  
2. Completed  
3. Completed -Mar 2017

## FINDING NO.2

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Compensation

##### Finding Explanation

The factory does not have a system through which workers can submit grievances or questions about wage payments and benefits and receive a timely response.

##### Local Law or Code Requirement

FLA Workplace Code (Compensation Benchmark C.19)

### COMPANY ACTION PLANS

1. 1. The factory will insert hotline number into the payslip form so that employee can contact to HR for any grievances regarding C&B matter.
2. The factory will notify employee about this new channel of grievance and assign specific C&B staff to be in charge of receiving and handling any question from employee directly in case they do not want to use the hotline channel. HR and TU will improve the communication system to convey and push up the encouragement for employee to rise their voice regarding wage payment.

Action plan status: ABL Test

Planned completion date: 09/11/18

Progress update: Completed

Completion date: 02/28/17

## FINDING NO.3

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Termination & Retrenchment

##### Finding Explanation

1. The factory does not pay the daily production incentive bonus to workers who resigned or were terminated before pay day. For the period from January to August 2016, about 30 workers affected, for a total amount of VND 2,988,000 (USD 134).
2. Although the factory has policies and procedures for Termination, it does not have policies and procedures for Retrenchment.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.32)

##### Recommendations for Immediate Action

Pay the daily production incentive bonus to workers who resign or are terminated in addition to their termination pay, consistent with contract terms, pay policies, CBA and other agreements in place. Retroactively pay the daily production incentive bonus to all previous workers who had resigned or were terminated before pay day and are still owed the bonus.

## COMPANY ACTION PLANS

1. Effective from Jan 2017, the factory will revise the policy to pay productivity bonus for those whose labor contract end before the bonus payment due date. HR will conduct specific training to entire employees, supervisors, managers about the update items.
2. The factory will create the retrenchment policy and procedure in Jan 2017. The copy of this policy will be sent to every department in fty. HR will conduct specific training to general workforce about its content.

Action plan status:	ABL Test
Planned completion date:	09/11/18
Progress update:	1. Completed - Jan 2017 2. Completed - The factory complete to create the retrenchment policy in Jan 2017 and conducted the training for all general workforce in Sep 2017
Completion date:	09/30/17

## FINDING NO.4

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Industrial Relations

##### Finding Explanation

- 1.The factory trains workers on freedom of association policies, however both workers and relevant supervisors have not been trained on dialogue and collective bargaining procedures.
- 2.The factory has not posted the signed Collective Bargaining Agreement (CBA) nor has it provided workers with a copy of the CBA. About 90% of the interviewed workers were completely uninformed about the content of the CBA, although according to the union's written record, 96.4% workers signed off agreeing with the contents of the CBA.
- 3.FLA Comment: Vietnam has not ratified ILO Conventions 87 or 98. Under Vietnamese law, all unions are required to affiliate with the single trade union, the Vietnam General Confederation of Labor (VGCL), which is affiliated with the Communist Party. With respect to such union monopolies, the ILO Committee on Freedom of Association has stated that "the rights of workers to establish organizations of their own choosing implies... the effective possibility of forming... [trade unions] independent both of those which exist already and of any political party." Vietnam's legal framework is therefore not compatible with the ILO Principles on Freedom of Association and, as such, all factories in Vietnam fail to comply with the FLA Code standard on Freedom of Association.

##### Local Law or Code Requirement

Vietnamese Labor Code, Article 74.3; FLA Workplace Code (Employment Relationship Benchmarks ER.15.1, ER.16.2, and ER.17; Freedom of Association Benchmark FOA.2)

## COMPANY ACTION PLANS

1.
  1. The factory will conduct training about dialogue and collective bargaining procedures for entire employees.
  2. The factory will post the Collective bargaining agreement (CBA) in bulletin boards provide CBA training for entire employees. As the content of CBA is reviewed and modified every year and with big scale of the workforce, factory will prepare printed copy of CBA and send to every department, production line, meanwhile, we will make the survey to find out that employee want a printed copy in hands. For individual would like to have one, can contact with HR or TU
  3. Currently, the factory has the trade union according to the local law: the Trade Union was elected by employees and acted according to the regulations established by Trade Union Executive Team. All Trade Union activities are implemented according to the local law. The factory's managements do not have any specific guidance to personnel who participating on the Trade Union Executive Committee.  
Currently, there are 13 persons in the Trade Union Executive Committee. Mainly on-site team leaders and staffs.

Action plan status:	ABL Test
Planned completion date:	09/11/18
Progress update:	1. A part of workers is trained on dialogue and collective bargaining procedure. The factory will continue to conduct this training for all workers in Dec 2017.

## FINDING NO.5

### SUSTAINABLE IMPROVEMENT REQUIRED

## FINDING TYPE: Workplace Conduct & Discipline

### Finding Explanation

- 1.The factory does not comply with local laws on disciplinary decision rights. The authorized Deputy General Director signs all forms of discipline, including written warnings, prolonging wage increases for a maximum of six months, and dismissal. However, according to local law, the DGD does not have the authority to issue any form of discipline other than a written reprimand.
- 2.The factory's disciplinary practice includes monthly posting of a list of disciplined workers, which does not comply with either local law or the FLA Code.
- 3.The factory deducts from the production incentive bonus when workers are disciplined for violations unrelated to production.

### Local Law or Code Requirement

Chapter VIII of the Vietnamese Labor Code; Decree No. 05/2015/ND-CP; FLA Workplace Code (Employment Relationship Benchmark ER.1 ER.27.3.1; Harassment & Abuse Benchmarks H/A.1, H/A.2 and H/A.6)

## COMPANY ACTION PLANS

1. The factory will update the labor discipline handing procedure to strictly follow legal requirement. For prolonging rise of pay or demotion & dismissal sanction, HR will collect required documents and send to GD (General Director) for approval. The warning letter will be approved by DGD (Deputy General Director).
2. The factory will keep the violation announcement in general and avoid mentioning specific name of violated employees because we want to warn employee for labor rules and regulation compliance as a methods of deterrence
3. The factory will update Productivity bonus policy to ensure only work-related items covered in assessment criteria. Before the assessment criteria for Productivity bonus deduction including non work related item labor rules compliance, attendance..., in new policy, we will only focus the assessment into performance and employee's productivity

Action plan status:	ABL Test
Planned completion date:	09/11/18
Progress update:	1. Completed in Feb 2017 2. Complete in Oct 2016 3. Completed in Feb 2017
Completion date:	02/28/17

## FINDING NO.6

## SUSTAINABLE IMPROVEMENT REQUIRED

## FINDING TYPE: Environmental Protection

### Finding Explanation

The factory's policies and procedures for Environmental Protection do not include protections for workers who allege environmental violations.

### Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environmental Benchmark HSE.1)

## COMPANY ACTION PLANS

1. The factory will update the current health, safety and environment policies to include protections for workers who allege environmental violations

Action plan status:	ABL Test
Planned completion date:	09/11/18
Progress update:	Completed
Completion date:	01/28/17

## FINDING NO.7

## SUSTAINABLE IMPROVEMENT REQUIRED

## FINDING TYPE: Health & Safety

### Finding Explanation

- 1.The factory's policies and procedures on Health & Safety do not include protection against retaliation for workers who raise health and safety concerns or steps to ensure that all personnel, visitors, contractors, service providers, and special categories of workers are safely evacuated.
- 2.The factory does not provide adjustable work stations for production workers. The factory has provided a few adjustable stools and chairs in the sample section, but has not done so for all workers and departments. The factory plans to add more adjustable stools and chairs.
- 3.In the summer months, temperatures in some areas of the factory regularly reach 36 to 37 degrees Celsius (96.8 to 98.6 Fahrenheit). There are fans in the factory, but they are struggling to find cooling solutions; they are currently testing a roof cooling system.

### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety & Environment Benchmark HSE.14)

## COMPANY ACTION PLANS

1. 1. The factory will update the current health, safety and environment policies to include protections for workers who allege health and safety violations. The factory will review the evacuation plan for all subjects( employees, special employees, personnel, visitors, contractors, service providers).

After that, the factory will train all subjects before entering the factory (including The procedures, The instruction pictures, symbols , emergency assembly points) to ensure all subjects will follow The evacuation procedures easily in emergency case.

2. The factory will make request form for TPM Department and make the adjustable tools & chairs for all workshop.

We've chosen the best sample. We intend to make at least 90 to 180 chairs per month to replace the old chair from March, prioritize pregnant women (Total chairs: 6000 chairs).

3. The factory installed the water cooling system on the roof to reduce the temperature in shop floor during summer.This system includes pipes bored the small holes, water is pumped from the tank to the roof in order to water the roof(like a rain).

Action plan status: ABL Test

Planned completion date: 09/11/18

Progress update: 1. Completed on 28 Jan 2017  
2. In progress: The factory already made 400 chairs and will complete the remain chairs

## FINDING NO.8

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Health & Safety

### Finding Explanation

- 1.The factory does not give detailed trainings to staff with special responsibilities (e.g. warehouse staff) on safety procedures for lifting and loading. The factory does not provide lifting belts.
- 2.Two cooking gas canisters in the canteen were did not have chains to prevent accidental tipping.
- 3.The factory has not clearly marked or enforced vehicle traffic lanes or pedestrian walkways. Although workers received some training on safe driving, careless driving behavior was still present.
- 4.Most ventilation fans in the factory do not have adequate screens to prevent objects or fingers from coming into contact with the fans. The factory is, however, in the process of replacing these screens, starting in Building B.
- 5.Screen printing and assembly areas use many solvents and are exposed to volatile organic compounds (VOCs). In some cases, the exhaust ventilation was not working or ineffective and proper PPE was not always used by workers, although signs and MSDS were posted. The factory conducts minimal testing for VOCs once or twice a year (last in November 2015); however the tests are not frequent or detailed enough (only testing 6 to 7 samples) to effectively track exposures.
- 6.In one instance, the factory disciplined a worker with a warning (negative incentives) for not using PPE when an accident occurred.
- 7.Some electrical cords in the maintenance room are fixed with duct tape.

### Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.9, HSE.13, HSE.14, HSE.15, HSE.16, HSE.17)

### Recommendations for Immediate Action

- 1.Provide the relevant workers with lifting belts and training on their correct use.
- 2.Ensure that all gas canisters in the canteen are secured properly with chains.
- 3.Clearly mark vehicle traffic lanes and pedestrian walkways. Ensure that trucks and other vehicles obey rules and proper safety precautions.
- 4.Install adequate screens on all ventilation fans.
- 5.Ensure the exhaust ventilation is functioning and workers use the proper PPE. Perform frequent and detailed tests – one to three tests

per line in high risk areas – for VOCs.

6. Provide further training and positive incentives for workers to correctly use PPE.

7. Correctly repair electrical cords and monitor for proper maintenance.

## COMPANY ACTION PLANS

1. The factory have had posters (right posture for lifting and loading) at the workplace of materials warehouse since 3/2016. In addition, the factory will develop the detailed instruction for lifting and loading and provide more training for relevant workers. The factory will also provide the lifting belt with clear instruction for relevant workers.
2. The factory immediately installed the chains for all gas cylinders at canteen. (9/9/2016). This will be maintained all the time.
3. The factory will collaborate with external party to mark the vehicle traffic lanes and pedestrian walkways. Workers are provided training on safe driving every year by internal trainer and third party.
4. The factory will install the adequate screens on all ventilation fans (28/10/2016) .This will be always maintained.
5. Factory's TPM department will install additional ventilation fans, test and maintain periodically to make sure the exhaust ventilation is functioning. The factory will strengthen training and monitoring program to develop workers's awareness about PPE wearing (RPE is Active carbon mask. Each worker will use 2 peace/week). The factory will review and increase the amount of VOC's samples to effectively track exposures.
6. The factory will enhance training for workers in order to elevate their awareness about the importance of PPEs by various methods including training, meetings, seminars, communicating by safety clips , posters...
7. The factory will cover electrical cords with insulation pipes and replace the broken electrical cords.

Action plan status: ABL Test

Planned completion date: 09/11/18

Progress update:

1. Completed on 25 Nov 2016
2. Completed on 9 Sep 2016
3. Completed on 15 Dec 2016
4. Completed on 28 Oct 2016
5. Completed on 30 Nov 2016
6. Completed on 30 Nov 2016
7. Completed on 20 Sep 2016

Completion date: 11/30/16

## FINDING NO.9

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. The finished goods warehouses are over-stacked and overcrowded. In many cases, stacks of boxes exceeded the posted height limits (2.5m), on which workers were also trained. Factory management explained that the auxiliary finished goods warehouse is under repair (scheduled to be reopened in September 2016), which has caused overcrowding.
2. One of the diesel fire pumps behind the canteen would not start when tested; however, it functioned normally after the battery was replaced with a spare.
3. There was no fire alarm in the glue storage and mixing area. The factory had installed a foam sprinkler system at the advice of the local fire police, who reportedly advised the factory that a fire alarm was not necessary (a fire alarm is installed in the adjacent waste storage area).
4. The fire alarm was not loud enough to hear in many areas of production. Additional measures – such as repeaters, amplifiers, and/or lights – should be added to insure workers can hear and respond to alarms.
5. The assembly areas posted in the evacuation plan run the risk of obstructing emergency vehicle access. Factory should review evacuation plan and take care that posted assembly areas can accommodate all workers without obstructing access by emergency vehicles.

##### Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.5)

##### Recommendations for Immediate Action

1. Cease stacking boxes over the posted height limits and review safety guidelines with relevant staff.
2. Ensure that all fire pumps, including the diesel pump are fully functioning. Test and replace their batteries regularly.
3. Install a fire alarm in the glue storage and mixing area.
4. Install additional alarms, repeaters, and/or lights in loud production areas to insure that all workers can hear the fire alarm. Alarm should be tested when machines are in operation to make sure alarm is audible over the noise of production.
5. Review assembly areas in evacuation plan to ensure they are accessible to all workers and do not obstruct emergency vehicles.

## COMPANY ACTION PLANS

1. The auxiliary finished goods warehouse reopened in September 2016. The factory will conduct the training for finished goods warehouse workers on loading standard.
2. The factory will install the automatic charging system for the diesel pump to ensure it always ready to work ( during 24 hours per day). The factory will conduct weekly checking for this system.
3. The factory will install 3 more fire alarms for glue room and mixing room ( completed 17/9/2016). The factory will conduct the routine check for this system.
4. The fire alarm was not loud because the power supply is not strong enough. Separating the power supply into each area make fire alarm be louder. The factory will conduct the routine check for this system.
5. The factory will review assembly areas in evacuation plan to ensure they are accessible to all workers and do not obstruct emergency vehicles.

Action plan status: ABL Test

Planned completion date: 09/11/18

Progress update:

1. Completed on 29 Sep 2016
2. Completed on 15 Sep 2016
3. Completed on 17 Sep 2016
4. The factory already installed more source cabinets for fire alarm to all workshops and will continue to install more fire alarms- 29 Apr 2017
5. Completed on 30 Sep 2016