



FAIR LABOR
ASSOCIATION®

INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: PVH Corp
COUNTRY: Vietnam
ASSESSMENT DATE: 06/15/16
ASSESSOR: FLA China
PRODUCTS: Apparel
NUMBER OF WORKERS: 3031

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: Policies & Procedures (Macro)

Finding Explanation

The factory does not have written policies and procedures for the following Employment Functions: Termination & Retrenchment, Workplace Conduct & Discipline, Grievance System, Industrial Relations, and Environmental Protection. However, there are some documents or systems to manage some practices.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1 and ER.32.1; Health, Safety & Environment Benchmark HSE.1)

COMPANY ACTION PLANS

1. Immediate action:

The factory has drafted written policies/procedures on Termination & Retrenchment, Workplace Conduct & Discipline, Grievance System, Industrial Relations, and Environmental Protection and will ensure that these policies remain on file for review.

Sustainable action:

1. The factory will provide training to all workers and related departments on the policies and procedures.
2. The factory will publicly post the policies on the notice board.
3. The factory will regularly review and refresh workers' understanding of the policies.

Action plan status: In progress

Progress update: Pending PVH Verification.

FINDING NO.2

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. Immediate action:

The factory has established procedures to request and/or receive workers' input/feedback regarding the creation, implementation, and updating of all policies and procedures.

Sustainable action:

The factory will :

1. Provide training to all workers/departments to ensure that workers are aware of the procedures.
2. Collect workers' input/feedback before making decision regarding policies and procedures.
3. Assign an individual to monitor the collection and integration of worker feedback into procedures.
4. Inform workers/related departments of the final decision regarding the integration of workers' comments.

Action plan status: In progress

Progress update: Pending PVH Verification.

FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

1. The factory does not provide specific training for relevant supervisors on the following Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, and Environmental Protection.
2. The factory does not provide ongoing training for employees on the following Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, Environmental Protection, and Health & Safety.
3. The factory does not provide training on Workplace Conduct for the relevant HR staff.
4. The factory communicates information on all Employment Functions and the hiring policy to new employees during orientation training, but does not include its policy on Personnel Development.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15, ER.17.1, and ER.17.3)

COMPANY ACTION PLANS

1. Immediate and Sustainable action: 1. The factory will continue to provide training on Workplace Conduct for the relevant HR staff. 2. The factory will maintain training records for review. 3. The factory will administer a test/quiz at the end of the training to ensure that all attendees adequately understood the information provided in the training. 4. The factory will regularly provide refresher training to the relevant parties.

Action plan status: In progress

2. Immediate action:

- 1.The factory has drafted written policies/procedures on Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, and Environmental Protection. These policies will be maintained on file for review.
2. The factory has provided specific training for relevant supervisors
3. The factory will ensure that supervisors understand the training by implementing a test/quiz at the end of the training.
4. The factory will keep training records for review.

Sustainable action:

1. The factory will assign a person who will monitor the creation and implementation of these policies.
2. The factory will regularly update policies/procedure
3. The factory will regularly provide refresher training to the relevant supervisors.

Action plan status: In progress

Progress update: Pending PVH Verification.

3.

Immediate action:

- 1.The factory has drafted written policies/procedures on Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, and Environmental Protection. These policies will be maintained on file for review.
2. The factory has provided specific training for relevant supervisors
3. The factory will ensure that supervisors understand the training by implementing a test/quiz at the end of the training.
4. The factory will keep training records for review.

Sustainable action:

1. The factory will assign a person to monitor the creation and implementation of these policies.
2. The factory will regularly update the policies/procedure
3. The factory will regularly provide refresher training to the relevant supervisors.

Action plan status: Scheduled

Progress update: Pending PVH verification

4. Immediate and Sustainable action: 1. The factory added the policy on Personnel Development to the orientation training for new workers 2. The factory will provide training regarding personnel development to new workers. 3. The factory will keep training records for review.

Action plan status: In progress

FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Review Process (Macro)

Finding Explanation

The factory does not conduct a periodic review and update of its policies and procedures for the following Employment Functions: Workplace Conduct & Discipline, Termination & Retrenchment, Grievance System, and Health & Safety.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3 and ER.31.1)

COMPANY ACTION PLANS

1. Immediate & Sustainable action: 1. The factory will assign a person to be in charge of updating relevant policies as per new laws and requirements. 2. The factory will set up a timeline for periodic review and update of policies 3. The factory will provide training to workers/ relevant supervisors on any policy updates. 4. The factory will maintain all records for review.

Action plan status: In progress

FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The workers do not receive written documentation that substantiates all the issues covered in orientation.
2. The factory does not have written policies and procedures on performance reviews that include steps and processes, demonstrate linkages to job grading, prohibit discrimination, provide written feedback, and comply with legal requirements.
3. The factory has written procedures for Recruitment & Hiring but not for Personnel Development, including procedures for managing performance reviews.
4. The factory does not have written job descriptions prepared for all positions when personnel need to be hired.
5. The factory does not have a system to review the performance of new employees while their probation period is being implemented.
6. The factory does not conduct performance reviews for all employees.
7. A hiring announcement posted at the gate of the factory noted that factory recruits women, ages from 18 to 40.
8. The company's legal representative authorized the Vice General Manager to sign labor contracts with workers, however, the authorization document does not comply with legal requirements.
9. Workers do not receive a copy of their employment contracts.

Local Law or Code Requirement

Labor Code, Article 16.1; Circular No.47/2015/TT-BLDTBXH, Article 3.1; FLA Workplace Code (Employment Relationship Benchmarks ER 1.1, ER. 3.2, ER.15.3, and ER.29.1; Non-Discrimination Benchmarks ND.1, ND.2.1, and ND 2.2)

Recommendations for Immediate Action

Revise the hiring announcement to remove the discriminatory clauses regarding gender and age.

COMPANY ACTION PLANS

1. Immediate & Sustainable action: 1. The factory has drafted written policies/procedures on performance reviews which includes information on steps and processes, demonstrating linkages to job grading, prohibits discrimination, providing written feedback, and complying with legal requirements 2. The factory will provide training to relevant person in charge of implementation. 3. The factory will maintain all records for review.

Action plan status: In progress

2. Immediate & Sustainable action: 1. The factory has drafted written procedures for personnel development and all workers have been informed about the policy. 2. The factory will implement yearly performance reviews on the basis of developed procedures. 3. The factory will maintain all records for review. .

Action plan status: In progress

3. Immediate & Sustainable action: 1. The factory has prepared written job descriptions for necessary positions. 2, The factory will provide workers job descriptions prior to being hired. 3. The factory will clearly mention the job description in each worker's labor contract.

Action plan status: In progress

4. Immediate & Sustainable action: 1. The factory will provide the workers job descriptions prior to being hired. 2. The factory will assign a person to monitor workers who are under the probationary period. 3. The factory will inform relevant parties about the result after the probationary period has expired. 4. The factory will maintain all records for review.

Action plan status: In progress

5. Immediate & Sustainable action: 1. The factory will draft written policies and procedures on performance reviews. 2. The factory will inform all workers of the policy and procedure regarding performance reviews. 3. The factory will periodically perform performance reviews. 4. The factory will maintain all records for review.

Action plan status: In progress

6. Immediate Action: The factory will work to ensure compliance with legal requirements. NOTE: THE FACTORY IS REQUESTING MORE GUIDANCE ON THIS FINDING AND SUGGESTED REMEDY.

Action plan status: In progress

7. Immediate & sustainable action: The factory has publicly posted all factory policies/procedures provided to workers during orientation on the notice board. Additionally, the factory will provide a set of policies/procedures to all workers who are provided training with their signature to confirm their receipt.

Action plan status: In progress

8. Immediate & Sustainable action: 1. The factory will immediately remove the recruitment notice in question. 2. The factory will ensure that all policies/procedures clearly state the factory's stance on non-discrimination on the basis of age and gender in the factory. 3. The factory will provide training to all workers, relevant persons on this policy/procedure.

Action plan status: Scheduled

9. Immediate Action: The factory will provide a copy of the worker's contract to the worker in compliance with local law. A second copy will be kept on file by the factory. Sustainable action: 1. The factory will make list of workers who are provided labor contracts and request them to sign the list in order to confirm receipt. 2. The factory's HR dept. will keep records of receipt for review.

Action plan status: Scheduled

FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The factory has not met full compliance with all required insurance payments. Approximately 38% of workers who sign three-year contracts have not been enrolled in social insurance, health insurance, or unemployment insurance benefits.
2. The wage rate used to register for social insurance, health insurance, and unemployment insurance does not include a hazardous work allowance, as required by law.
3. The factory employs 31 foreign employees who are part of the managerial staff. These employees are not enrolled in the national health insurance, as required by law.
4. Workers were not properly compensated during work stoppage in February and March 2016. The Vietnam Labor Code requires that factories pay no less than the minimum wage to workers during work stoppages.
5. The factory grievance system does not allow workers to submit grievances or questions about wage payments and benefits or receive clarifications in a timely manner.

Local Law or Code Requirement

Vietnam Labor Code, Article 98; Health Insurance Law, Article 12; Social Insurance Law, Article 2.1; Circular No. 59/2015/TT-BLDTBXH, Article 30.1; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, ER.16, and ER.17; Compensation Benchmarks C.1.1 and C.19)

Recommendations for Immediate Action

1. Ensure that all workers are enrolled in social insurance, health insurance, and unemployment insurance.
2. Ensure that all workers, including migrant workers, are enrolled in national health insurance, as required by law.
3. Ensure that the wage rate used to register for social insurance, health insurance, and unemployment insurance includes allowances, such as the hazardous work allowance, as required by law.
4. Ensure that all workers are paid during work stoppages.

COMPANY ACTION PLANS

1. Immediate action: 1. The factory will check the number of workers who were not included in the hazardous work allowance to cover SSI. Sustainable action: 1. The factory will begin covering SSI which includes hazardous work allowance. 2. The factory will assign someone to oversee implementation.

Action plan status: In progress

2. Immediate action: The factory will inform its partner to cover national health insurance of the 31 foreign employees. Sustainable action: The factory will provide the 31 foreign nationals a copy of enrollment information regarding the national health insurance.

Action plan status: Scheduled

3. Immediate Action: The factory is in the process of determining how to address this issue.

Action plan status: Scheduled

4. Immediate Action 1. The factory has currently enrolled 1600 workers in insurance which accounts for 54% of the workforce. 2. The factory will work towards adding 5% of workers to be covered SSI each month Sustainable Action 1. The factory will ensure that 100% of workers are covered by SSI by the end of 2018.

Action plan status: In progress

FINDING NO.7

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. There is excessive overtime work recorded that exceeds the legal limit of over four hours per day, over 30 hours per month, and over 300 hours per year. A review of 62 monthly cases from June 2015 to May 2016 showed that:
 - a. The maximum amount of overtime recorded was 5.5 hours per day, which violates the local law that limits daily overtime to four hours per day.
 - b. Monthly overtime hours exceeded the legal limit of 30 hours per month in June, July, September-December 2015, January 2016, April 2016, and May 2016. An average of 61% of sampled workers worked between 31 and 116 overtime hours, with an average of 40 hours per month.
 - c. 81% of all reviewed cases worked a total of 335 hours to 594 hours from June 2015 to May 2016.
 - d. The sum of regular and overtime hours for two to four weeks per month exceeded 60 hours. The maximum working hours were 48 hours for regular working plus 30 hours for overtime.
2. The factory workers worked between one and four Sundays per month from June 2015 to May 2016 without a compensatory day off the following week; in several cases, workers worked more than seven days without the legally required rest day. A review of 62 monthly cases from June 2015 to May 2016 showed that:
 - a. June 2015: 32% of reviewed cases worked on one Sunday, 32% of cases worked on two Sundays, 3% of cases worked on three Sundays, and 3% of cases worked on four Sundays.
 - b. July 2015: 8% of reviewed cases worked on one Sunday and 13% of cases worked on two Sundays.
 - c. September 2015: 5% of reviewed cases worked on one Sunday and 2% of cases worked on two Sundays.
 - d. October 2015: 10% of reviewed cases worked on one Sunday, 10% of cases worked on two Sundays, 2% of cases worked on three Sundays, and 2% of cases worked on four Sundays.
 - e. November 2015: 45% of reviewed cases worked on one Sunday, 5% of cases worked on two Sundays, 5% of cases worked on three Sundays, and 13% of cases worked on four Sundays.
 - f. December 2015: 23% of reviewed cases worked on one Sunday and 35% of cases worked on two Sundays.
 - g. May 2016: 24% of reviewed cases worked on one Sunday, 61% of cases worked on two Sundays, and 3% of cases worked on three Sundays.
3. The factory's production plan includes overtime, using 60 working hours per week as a standard working week. The factory management sets production targets and production systems at a level where workers need to work beyond regular working hours to complete.
4. The factory generally exempts pregnant women and nursing mothers from working overtime, but they work between one and four Sundays per month.
5. According to interviewed workers, they are given 15 minutes for their dinner break instead of 30 minutes, as required by law.
6. All workers are prevented from leaving the factory freely after working hours, usually during overtime, unless they are given permission in the form of an exit or gate pass permit. These permits require two to five signatures from assistants, supervisors or managers.

Local Law or Code Requirement

Labor Code on Overtime Working, Article 106 and Article 155.1; FLA Workplace Code (Employment Relationship Benchmark ER.24; Hours of Work Benchmarks HOW.1, HOW.2, HOW.3, HOW.8.1, HOW.8.4, and HOW.8.5; Harassment or Abuse Benchmark H/A.7; Forced Labor Benchmarks F.4 and F.8)

Recommendations for Immediate Action

1. Ensure workers do not work more than the legal overtime limit of 30 hours per month.
2. Ensure that workers do not work more than the legal overtime limit of four hours per day.
3. Ensure that workers do not work more than 60 hours per week.
4. Establish a system to control working hours and introduce procedures for overtime hours in extraordinary circumstances.
5. Ensure that workers receive 24 consecutive hours off for every 7-day working period. Sunday work requires a compensating day off.
6. Ensure that pregnant women/nursing mothers do not work overtime, as required by local law.
7. Ensure that workers have at least a 30 minute break for dinner when working more than two hours of overtime per day.
8. Regularly train and communicate policies on Hours of Work to the general workforce.
9. Provide factory management with ongoing training on policies regarding Hours of Work.
10. Allow workers to leave after regular hours.
11. Implement a voluntary overtime system.
12. FLA affiliate Company's Production, Sales, and Social Compliance teams should: implement FLA Principles of Fair Labor and Responsible Production and accordingly coordinate on the topics mentioned below to help the factory address its excessive hours issue:
 - a. Review of the factory's production capacity and planning;
 - b. Possible workshops/consultancy for the factory on how to improve productivity/quality;
 - c. Clear guidelines on how to make shipment deadline extension requests in case of contingencies;
 - d. Steps that factory management must follow if overtime is inevitable (steps for how to communicate with a brand's Sourcing and Social Compliance teams);
 - e. Clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks;
 - f. Clear guidelines on how and when the factory can use temporary workers to avoid excessive overtime or request use of an approved subcontractor.

COMPANY ACTION PLANS

1. Immediate action:

The factory is in the process of reviewing its current production to understand the overtime situation and determine how best to address the issue.

Sustainable action:

1. The factory will work with the planning department to create an effective production plan.
2. The factory will assign a person to be in charge and strictly control daily/weekly/monthly working hours to ensure it comply with law.
3. The factory is currently hiring more workers to ensure working hours will be in compliance with the law.

Action plan status: In progress

2. Immediate Action:

The factory is in the process of reviewing its current production to understand the overtime situation and determine how best to address the issue.

Sustainable action:

1. The factory will work with the planning department to create an effective production plan.
2. The factory will assign a person to be in charge and strictly control daily/weekly/monthly working hours to ensure it comply with law.
3. The factory is currently hiring more workers to ensure working hours will be in compliance with the law.

Action plan status: In progress

3. Immediate Action:

1. The factory is in the process of reviewing its current production to understand the overtime situation and determine how best to address the issue.

Sustainable action:

1. The factory will work with the planning department to create an effective production plan.
2. The factory will assign a person to be in charge and strictly control daily/weekly/monthly working hours to ensure it comply with law.
3. In urgent cases, the factory will hire temporary workers to ensure compliance with the law.

Action plan status: In progress

4. Immediate & Sustainable action:

1. The factory will draft a policy on working hours for pregnant and nursing workers
2. The factory will provide training to all workers to ensure they understand the new policy.
3. The factory will assign one person to ensure that no pregnant and nursing women are working overtime or on Sunday.

Action plan status: In progress

5. Immediate & Sustainable action:

1. The factory will draft a policy and procedure regarding working hours and break times that allows for workers to have a 30 minute break as per local law.
2. The factory will provide training to all workers to ensure they are aware of the working hour and break time policy & procedure

Action plan status: In progress

Progress update: Pending PVH Verification.

6. Immediate action:

The factory will immediately cease this practice.

Sustainable action:

1. The factory will draft policies and procedures which clearly state that workers are free to leave the factory after the end of the work shift. -
2. The factory will inform all line leaders/supervisor to allow workers to freely leave the factory if they don't want to work overtime.

Action plan status: Scheduled

FINDING NO.8

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

1. The factory's Termination practices do not comply with legal requirements. The severance allowance and the balance of annual leave amounts are not paid to workers in all modes of Termination.
2. Workers who leave the factory during the workday without prior notification are not paid for the time that they already worked.

Local Law or Code Requirement

The Vietnam Labor Code, Article 47.2; FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.16.1, ER.19.1, ER.32.1, and ER.32.3)

Recommendations for Immediate Action

1. Pay workers the correct severance amount, including unused annual leave, when they cease employment at the factory.
2. Pay workers for all time worked on days that they leave the factory early. Retroactively compensate workers who were not paid for this time.

COMPANY ACTION PLANS

1. Immediate & Sustainable action: 1. The factory will update the policy on severance payments to ensure compliance with local law. 2. The factory will provide training on the updated policy to all workers and those in charge of implementing the policy. Additionally, the factory will assign a person to be responsible for monitoring that the severance allowance payments are properly settled.

Action plan status: In progress

2. Immediate & Sustainable Action: The factory will draft a clear policy on payment for working days and provide training to the person in charge of wage calculation to ensure compliance.

Action plan status: Scheduled

FINDING NO.9

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. The factory has a trade union under the Vietnam General Confederation of Labor (VGCL) that was established in 2008. The current term of the Union is three years, from 2013 to 2017. Workers elect representatives of their department. These representatives then elect the Executive Committee which is comprised of 21 persons. The committee then elects the chairman, who is an HR staff member. In July 2015, the chairman was moved to another factory and his position was replaced by a non-elected person. This is not in compliance with Article 192.7 of the Vietnamese Labor Code that requires a written agreement with the committee if the assigned Union chairman can no longer hold the position.
2. The factory does provide a meeting room for the union upon request, but there is no designated office with the necessary equipment for the union to conduct daily meetings or for the union representatives to perform their functions.
3. The Collective Bargaining Agreement (CBA) was signed on April 14 2016 with a three year term. The workers are not provided with a copy of the Collective Bargaining Agreement (CBA) and 100% of the interviewed workers were uninformed about the contents of the CBA. There is a record that states 99.5% of workers agreed with the contents of the CBA.
4. The factory fails to comply with the terms agreed upon in the CBA. This includes salary during downtime, insurance, working hours, severance allowance, labor discipline, and health and safety, among others. The CBA merely restates the law and does not include any provisions that exceed the basic legal requirements.
5. 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

The Vietnam Labor Law, Articles 192.7; FLA Workplace Code (Employment Relationship Benchmarks ER.16.2, ER.25.2, and ER.26.2; Freedom of Association Benchmarks FOA.2, FOA.11, FOA.15, and FOA.19.1)

COMPANY ACTION PLANS

1. Immediate & Sustainable Action: The factory will work to re-form the union committee in 2017 as per local regulation. Additionally, the factory will ensure that the union chairman is elected by the workers.

Action plan status: In progress

2. Immediate & Sustainable action: The factory will provide all equipment needed to conduct daily activities. Furthermore, the factory will provide a permanent room for daily use.

Action plan status: In progress

3. Immediate & Sustainable action: The factory will post one copy of the CBA on the notice board for workers to reference. The union will regularly provide refresher training on the CBA through the internal loud speaker.

Action plan status: Scheduled

4. Immediate Action & Sustainable Action: The factory will follow the terms set out in the CBA which contains certain provisions that exceed basic legal requirements.

Action plan status: Scheduled

FINDING NO.10

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. There are no procedures for workers to appeal disciplinary actions against them.
2. The factory does not have a system to discipline supervisors, managers, and workers who engage in any form of harassment or abuse.
3. Workers do not receive a copy of the work rules during orientation training, nor are they included in the employee handbook.
4. The factory does not comply with local laws in terms of disciplinary decision rights. The Deputy Factory Director, who is duly authorized by the employer, can only issue discipline warnings, not impose either dismissal or a delay in wage increase as a form of disciplinary action, which the law only allows the Employer to impose. Specific legal requirements only allow the Employer or the company's legal representative to apply serious discipline to employees.
5. The factory does not send written invitations to the concerned worker or to the Trade Union representative to participate in the disciplinary meeting, five days prior to the meeting, as per local law.
6. A written copy of the disciplinary decision is not sent to the worker.

Local Law or Code Requirement

The Vietnam Labor Code on Discipline and Material Responsibility, Chapter VIII, Article 123; Decree No. 05/2015/ND-CP, Article 30.4; FLA Workplace Code (Employment Relationship Benchmarks ER.25.2 and ER.27.4; Harassment or Abuse Benchmark H/A.1)

COMPANY ACTION PLANS

1. Immediate & Sustainable action: 1. The factory will draft a disciplinary policy and procedure that will allow workers to have the right to defend themselves against any allegations. 2. The factory will inform all workers as to the policy and procedure regarding disciplinary actions. 3. The factory will maintain all record on file for review.

Action plan status: Scheduled

2. Immediate & Sustainable action: The factory will draft a policy that explicitly prohibits harassment or abuse and settle the types of issues in compliance with the harassment and abuse policy. Furthermore the factory will provide training to workers/supervisors. Managers on the new policies regarding harassment and abuse.

Action plan status: In progress

3. Immediate & Sustainable action: The factory will draft and implement a policy which provides information on the workers right to defend themselves against allegations. The factory will inform all relevant workers of the disciplinary policy and procedure. The factory will send written invitation to the concerned worker or Trade Union representative to participate in the disciplinary meeting, five days prior to when the meeting was to occur. The factory will keep all relevant files for review.

Action plan status: In progress

4. Immediate & Sustainable Action: The factory will draft and implement a policy which provides information on the workers right to defend themselves against allegations. The factory will inform all relevant workers of the disciplinary policy and procedure. The factory will send written invitations to the concerned worker or Trade Union representative to participate in the disciplinary meeting, five days prior to when the meeting was to occur. The factory will keep all relevant files for review.

Action plan status: Scheduled

5. Immediate & Sustainable action: The company will provide all officers and employees a manual including workplace rules and information on labor laws relating to the rights and obligations of workers.

Action plan status: Scheduled

6. Immediate & Sustainable Action: The factory will work towards compliance with this finding. NOTE: PLEASE PROVIDE GUIDANCE ON THIS FINDING.

Action plan status: Scheduled

FINDING NO.11

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

The factory's security has a general practice of performing pat down searches on all male workers exiting the factory gates. These searches are sometimes performed by female guards and are not gender appropriate. Female workers are generally subject to bag searches and not body pat-downs.

Local Law or Code Requirement

Vietnamese Constitution, Article 21; FLA Workplace Code (Harassment or Abuse Benchmark H/A.10.2)

Recommendations for Immediate Action

Cease using pat-down searches as a general practice. Body searches and physical pat downs shall only be undertaken when there is a legitimate reason to do so and upon consent of workers.

COMPANY ACTION PLANS

1. Immediate & Sustainable action:

The factory will draft policies and procedures which appropriately outline procedures on pat-down searches and provide training to security guards on this practice. The factory will also provide training to workers on the updated policies for awareness purposes and to empower the workers to immediately report any violation of this policy.

Action plan status: In progress

FINDING NO.12

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Grievance System

Finding Explanation

1.The factory has a written grievance procedure that has two channels for workers to report their complaints, these are suggestion boxes managed by the Union and a hotline number to the Union Chairman. The procedures do not allow for direct settlement of grievances by the workers and their immediate supervisors.

2.There is no evidence that management reviews complaints and grievances or takes appropriate action.

3.There is no documentation on the grievance handling process.

4.There is no non-retaliation policy to protect workers who report grievances, and workers do not trust or use the grievance channels.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2 and ER.25.3.1)

COMPANY ACTION PLANS

1. Immediate & Sustainable Action: The factory will add a grievance channel to allow for direct settlement of grievances by workers with their immediate supervisor. Additionally, the factory will provide training to all workers and relevant departments.

Action plan status: In progress

2. Immediate & Sustainable action: The factory will draft procedures for reviewing complaints and grievances and create a system for tracking and reviewing complaints. The factory will retain records for review.

Action plan status: In progress

3. Immediate & Sustainable action: The factory will draft procedures for reviewing complaints and grievances and create a system for tracking and reviewing complaints. The factory will retain records for review.

Action plan status: Scheduled

4. Immediate & Sustainable Action: The factory will draft a policy on the grievance system in the factory which will include information on submitting anonymous letters. The factory will inform factory workers of the non-retaliation policy.

Action plan status: Scheduled

FINDING NO.13

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

- 1.Chemicals are stored improperly without secondary containment. The chemical mixing areas in production lack secondary containment for chemicals and are located on and near open drains. The main chemical warehouse has some containment, but not enough for all the stored bulk chemicals.
- 2.The factory does not have an appropriate system to respond to any unexpected environmental emergencies such as chemical spills or gas leaks.
- 3.Solid waste is not labeled, separated, or segregated. Hazardous waste containers are stored out in the open, exposed to rain and sun, without containment, labels, or security.
- 4.The factory does not provide spill kits at the chemical mixing areas.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER 31.3; Health, Safety & Environment Benchmarks HSE.5 and HSE.9)

Recommendations for Immediate Action

- 1.Provide secondary containment for all chemicals.
- 2.Properly label hazardous waste containers, and store them in a secure location with secondary containment.
- 3.Provide spill kits in all areas where chemicals are used.

COMPANY ACTION PLANS

1. Immediate & Sustainable Action: The factory will check all sections where chemicals are being used. The factory will then ensure that all relevant chemicals have secondary containment. Furthermore, the factory will provide training to all relevant workers and supervisors.

Action plan status: In progress

2. Immediate & Sustainable Action: The factory will draft policies and procedures on protocol in the event of unexpected environmental emergencies. The factory will also provide regular training to all relevant workers on this issue.

Action plan status: In progress

3. Immediate & Sustainable action: The factory will develop a policy and procedure on handling solid waste/hazardous waste containers which dictates that containers must be labeled, separated or segregated. The factory will provide training to all relevant workers and assign an individual to monitor this issue and ensure compliance.

Action plan status: In progress

4. Immediate & Sustainable Action: The factory will develop a clear policy and procedure on chemical management. Additionally, the factory will provide training to all relevant workers. In order to ensure continued to compliance the factory will monitor all chemical areas in the facility and provide spill kids to all areas where needed. Furthermore, the factory will assign an individual to regularly check all chemical areas to ensure compliance.

Action plan status: In progress

FINDING NO.14

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The fire alarm in factory 2 was not operational at the time of the assessment. However, after the factory was informed, technicians were able to activate and switch on the alarms after several minutes. There is only one bell in the factory production area, with no speakers or repeaters. Therefore, the alarm is inaudible throughout most of the factory. The alarm is centralized and does have backup batteries. However, the factory does not have a service contract with the manufacturer or an authorized supplier to inspect and maintain

the system. The alarm system does not cover areas outside of the production area, posing significant fire risks in areas such as the canteen, the generators, chemical storage areas, and waste areas.

2. As per local fire codes and regulations, the factory is required to update their fire plan and must have automatic fire fighting systems (e.g. sprinklers) installed throughout the factory. Although this requirement has been repeated multiple times in inspections since 2014, the factory recently was fined for a fire inspection in January 2016; inspectors required six improvements, including the installation of sprinkler systems. The factory owners and management have yet to draft or submit any plan to comply with the local authorities or regulations.

3. The factory has installed several mezzanines throughout the production areas; they all lack postings of loading or occupancy limits. Most are used for storage, but in one case in factory 3, there are 20 people working on the mezzanine, with only one narrow exit stairway, insufficient for safe evacuation. TCVN 2622 requires 2 exit stairways for over 15 people.

4. There are no marked or posted assembly areas for evacuations.

The fire extinguishers are serviced only once per year, not twice as per local law. Some of the fire extinguishers are left outside in the open and are unprotected.

5. There are no individual test records or maintenance logs kept for fire alarms and emergency/exit lights. There are no records or systems for tracking batteries in the emergency lights; the emergency light in the new annex building had a dead battery at the time of assessment.

Local Law or Code Requirement

Vietnam's TCVN 2622; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.5, HSE.6, and HSE.25)

Recommendations for Immediate Action

1. Ensure a working, centralized and battery powered fire alarm system in the factory.

2. Ensure that the fire alarm covers all areas of the building, this includes the installation of smoke detectors and other passive systems as required by local law and fire codes. The alarm must be audible to all workers throughout the factory.

3. Ensure that the system is tested regularly and kept in working order; these tests need to be recorded.

4. Alarms should be inspected periodically by an authorized assessor.

5. Additional mezzanine structures should have structural/engineering assessments and have loading/occupancy limits for safety clearly posted; they must have sufficient exit stairs to evacuate all workers as per TCVN.

6. The fire extinguishers and exit and emergency lights must be regularly checked and maintained.

7. The assembly area must be marked and posted.

COMPANY ACTION PLANS

1. Immediate & Sustainable Action

The factory has installed a fire alarm system in the cafeteria area, warehouse, glue station, power station, waste area to ensure safety. Also, the factory contracted maintenance equipment for fire protection and ensure normal operation in service if a fire occurs. Additionally, the factory has installed 2 additional lights, warning sirens to ensure that all workers hear a fire alarm if they were sounded. Furthermore, monthly safety officials will check the functioning of all equipment and fully document such inspections to ensure compliance.

Action plan status: In progress

2. Immediate action:

The factory is currently in the process of installing an automatic fire extinguishing system in accordance with the fire protection requirements. This is scheduled for completion in January 2017.

Sustainable action:

The factory will regularly check to ensure that the automatic fire extinguishing system is properly working.

Action plan status: In progress

Progress update: Pending PVH Verification.

3. Immediate Action & Sustainable Action

The factory will have a third party inspect the safety of the mezzanines and loading capabilities. Additionally, the factory has asked the fire department to inspect fire safety on the mezzanines. The factory will regularly inspect these mezzanines to ensure safety of the mezzanines and will ensure that there is a maximum of 5 workers on the mezzanines at all times.

Action plan status: In progress

Progress update: Pending PVH Verification.

4. Immediate Action & Sustainable Action:

The factory will clearly mark assembly areas for evacuation and service the fire extinguishers twice a year as per local law.

Action plan status: In progress

Progress update: Pending PVH Verification.

5. Immediate & Sustainable action:

The factory's monthly safety committee has established inspection records for all fire protection devices to ensure normal

operation.

Action plan status: In progress

Progress update: Pending PVH Verification.

FINDING NO.15

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Safety (HSE) committee(s) do not include worker participation and engagement.
2. There is no training on HSE for foreign managers. There is limited training on HSE for local management and staff; this training covers approximately 105 people out of 2898. There is no general or regular HSE training.
3. There are no detailed trainings for managers, supervisors, or staff with special responsibilities on safety procedures for lifting/loading, work at heights, and lockout/tagout (LOTO).
4. The factory has not implemented a LOTO system for machines and tools.
5. There is a lack of programs and trainings on ergonomics and safe lifting. All warehouse storage shelves and racks must post loading limits. No lifting belts were provided.
6. The factory does not have a copy of the building permits or approvals on file. The factory has numerous mezzanines which were not part the original building. These added structures have no structural approvals or loading limits posted, though some technical documents are available.
7. There are no eye shields or protection for upper sewing machines; 10%--20% of the sewing machines are missing belt pulley guards.
8. Personal Protective Equipment (PPE) requirements are not posted at workstations in the production area. Some workers use hearing protection, but not all workers who are exposed to elevated noise use hearing protection, especially those working with compressed air machines. There is no system to schedule or track distribution or receipt of PPE by the workers.
9. A very basic fire risk assessment was done internally, but this assessment was too general and non-specific and did not capture serious risks like chemical storage, waste storage, and the diesel generator. There has been no 3rd party fire risk assessment and no risk assessments for chemicals or other safety concerns.
10. Fans and ventilation exist but not enough for cooling or to exhaust solvent vapors. The factory fails to keep any temperature records in production areas; the factory also fails to regulate and monitor chemical levels and exposures.
11. The factory's chemical safety management is inadequate. Many solvent-based glues and solvents are used in the production line, but no Material Safety Data Sheets (MSDS) are posted and no specific PPE requirements are provided. There is an insufficient system to protect special categories of workers from risks to reproductive health.
12. Accidents are not actively reported and investigated, and the injured persons are not referred to health authorities for evaluation and follow up.
13. About 12 factory workers make bread at the factory for snacks without proper PPE or hygiene and communicable disease health checks. Most food is prepared outside by licensed providers with proper permits.
14. The toilets are dirty, smell bad, and lack any cleaning schedule or checklist. No soap was available.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, and ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.5, HSE.8, HSE.9, HSE.10, HSE.11, HSE.12, HSE.14, HSE.22, and HSE.25)

COMPANY ACTION PLANS

1. Immediate Action: The factory will work towards complying with and implementing a LOTO system.

Action plan status: In progress

2. Immediate & Sustainable Action: The factory will have a third party inspect the safety and loading capabilities. Additionally, the factory has received a fire department inspection of the mezzanine for fire safety. Additionally, the factory will ensure that only 5 workers work on the mezzanine at a time.

Action plan status: Scheduled

3. Immediate Action: The factory has established a workplace safety board which includes participants who are workers, in accordance with the law.

Action plan status: Scheduled

4. Immediate & Sustainable Action The factory invites managers and staff from Taiwan, China and Vietnam to an annual training about safety, health and the environment. The factory will assign an individual to ensure compliance with this requirement.

Action plan status: In progress

5. Immediate Action & Sustainable Action: The factory has trained all relevant staff members on safety procedures. These include workers who have special responsibilities such as lifting and loading, working at heights and LOTO. All trained staff are issued a training certificate.

Action plan status: In progress

6. Immediate Action & Sustainable Action: The factory has posted loading limits on warehouse storage shelves and racks. The factory has provided lifting belts to related workers and will train workers on their usage. The factory will monitor the use of PPE to ensure compliance and proper usage.

Action plan status: In progress

7. Immediate & Sustainable Action: The factory has provided additional shielding devices for all sewing machines to ensure safe operation and use. Additionally, belt pulley guards have been installed. Training will be provided to all workers on the use of PPE and inform workers of the advantages of PPE usage. In order to ensure continued compliance, the factory will assign an individual to regularly monitor this issue.

Action plan status: In progress

8. Immediate & Sustainable action: The factory will draft a policy/procedures on PPE and provide training to all workers so that they understand the PPE requirements and appropriate usage of PPE. Additionally, the factory will post guidelines for PPE usage in the workstations and production areas at the workplace. The factory will also assign an individual to regularly monitor the appropriate use, distribution and receipt of PPE.

Action plan status: In progress

9. Immediate & Sustainable action: The factory will conduct a specific fire risk assessment which will aim to capture any serious risks. This will include risks posed as a result of chemical storage, waste storage, and the diesel generator. The factory will also invite a 3rd party to regularly conduct a fire risk assessment. Records of all inspections will be kept on file at the factory.

Action plan status: In progress

10. Immediate & Sustainable action: The factory's maintenance team has cleaned the ventilation systems to ensure that the temperature remains cool enough for production. Also, the factory has invited the environmental department to inspect workplace conditions every six months and ensure that all temperature readings meet legal requirements regarding temperature and exposure.

Action plan status: In progress

11. Immediate & Sustainable action: The factory will review all chemicals use and provide all MSDS accordingly. Furthermore, the factory will provide the proper PPE for each type of chemical and provide training to all workers on chemical usage. In order to ensure continued compliance, the factory will assign an individual to regularly check monitor this issue.

Action plan status: In progress

12. Sustainable Action: The factory has investigated all cases of injuries that have occurred at the factory and records are available for review. The factory will continue this practice to ensure compliance.

Action plan status: In progress

13. Immediate Action: All relevant workers were equipped with the proper PPE. Additionally, all relevant workers are provided periodic health examinations for workers as prescribed by law.

Action plan status: In progress

14. Immediate & Sustainable action: The factory will create a procedure and schedule to clean the toilets. Furthermore, the factory will implement the use of a tracking form to ensure that the toilets are routinely cleaned. Additionally, the factory will assign an individual to regularly monitor the cleaning of the toilets to ensure compliance.

Action plan status: In progress