



COMPANY: **Kathmandu**
COUNTRY: **Vietnam**
ASSESSMENT DATE: **11/25/15**
MONITOR: **Global Standards (Vietnam)**
PRODUCTS: **Equipment**
PROCESSES: **Full [= full package]**
NUMBER OF WORKERS: **1800**
NUMBER OF WORKERS INTERVIEWED: **50**
ASSESSMENT NUMBER: **AA0000001973**

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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.

Glossary

De minimis: A de minimis factory is a factory (1) with which the Company contracts for production for six months or less in any 24-month period; or (2) in which the Company accounts for 10% or less of the annual production of such facility. The FLA Charter states that in no event shall de minimis facilities constitute more than 15% of the total of all facilities of a Company, and the list of facilities designated as de minimis by a Company is subject to the approval of the FLA. Please note that collegiate-producing factories cannot count as de minimis.

Facility performance: how a facility rates in terms of a particular employment or management function, with 100% being the best possible score.

Fair labor standards: the minimum requirement for how workers should be treated in a workplace, as outlined in the [FLA Workplace Code of Conduct](#).

Employment life cycle: all aspects of an employee's relationship with the employer, from date of hire to termination or end of employment.

Code violation: failure to meet standards outlined in the FLA Workplace Code of Conduct in the workplace implementation of employment or management functions.

Employment Functions: The different components of the relationship between management and employees in a factory. An employment function is a process regulating an aspect of the employment relationship, such as the recruitment of workers. All employment functions together constitute the employment relationship between an employer and an employee.

1. Recruitment, Hiring & Personnel Development (e.g., performance reviews)
2. Compensation (e.g., wages, health care)
3. Hours of Work (e.g., overtime, documentation of working hours)
4. Industrial Relations (e.g., collective bargaining agreements)
5. Grievance System (e.g., worker communication with management)
6. Workplace Conduct & Discipline (e.g., discrimination, harassment)
7. Termination & Worker Retrenchment (e.g., downsizing, resignation)
8. Health & Safety (e.g., exposure to chemicals)
9. Environmental Protection (e.g., energy saving)

Management functions: violations or risks related to an employment function could be caused by the absence – or a problem in the operation – of any one of the management functions or in more than one.

1. Policy
2. Procedure
3. Responsibility & Accountability
4. Review Process
5. Training
6. Implementation
7. Communication & Worker Involvement
8. Support & Resources (only for the in-depth level)

Finding: indicators of potential gaps between desired and actual performance of the workplace on different employment functions.

Finding type

- **Immediate action required:** discoveries or findings at the workplace that need immediate action because they not only constitute

an imminent danger, risk the workers' basic rights, threaten their safety and well-being or pose a clear hazard to the environment, but also are clear non-compliances with the FLA Workplace Code of Conduct and local laws. Examples include a finding by the assessor that crucial fire safety elements are not in place or that there is underpayment of wages and/or worker entitlements or that there is direct discharge of waste water, etc.

- *Sustainable improvement required*: findings that require sustainable and systematic actions. The factory will be asked to tackle the underlying root causes and to do so in a long-term and systematic manner to bridge the gap between actual and desired performance. Examples include a finding by the assessor that there is lack of termination policies and procedures in the workplace, lack of grievance system, etc.
- *Notable feature*: indicates a remarkable feature or best practice at a workplace. Examples might include workers' wages and benefits that are significantly above the industry average, or community benefits such as free daycare.

Local law or Code Requirement: applicable regulations and standards in a workplace, which serve as the basis for an assessment, as per local law or FLA Workplace Code of Conduct. When these two do not concur, the stricter of the two standards applies.

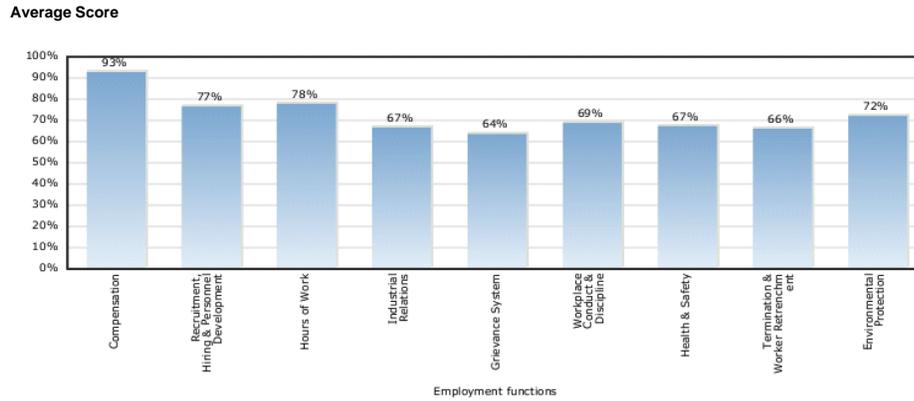
Root causes: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that the worker did not use the hearing protection equipment because such equipment was not provided by management. However, upon a more thorough evaluation of available information, the assessor might find that the worker was indeed supplied with hearing protection equipment and with written information about the importance of wearing hearing protection, but was not trained on how to use the equipment and that use of the equipment was not enforced in a consistent manner by management.

Company action plan: a detailed set of activities outlined by the sourcing company and/or direct employer to address FLA findings.

Factory Profile

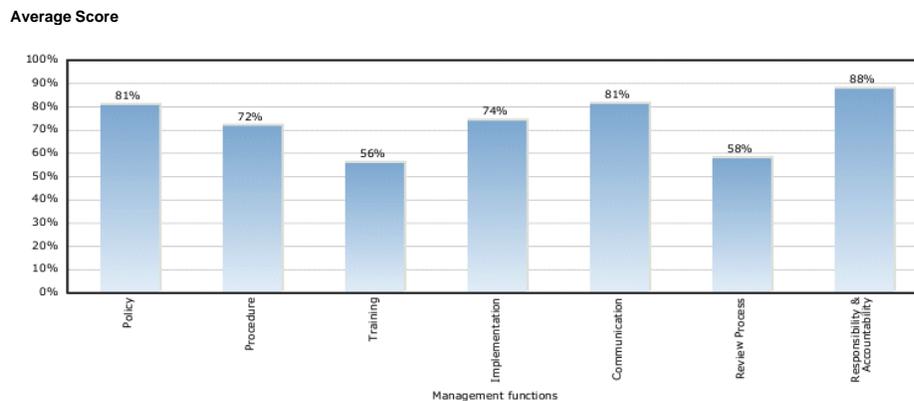
Score by Employment Function

Scores indicate a factory's performance related to a specific employment function based on an FLA assessment. A score of 100 percent indicates flawless operation of an employment function. A score of less than 100 percent indicates need for improvement.



Score by Management Function

Scores indicate a factory's performance related to a specific management function based on an assessment conducted for FLA by independent, accredited assessors. A score of 100 percent indicates flawless operation of a management function. A score of less than 100 percent indicates need for improvement.



Score Summary

Scores indicate the strength of management functions as they relate to different elements of the employment relationship (employment functions). For example (reading left to right), a score of 100 percent in the cell on the top left corner would indicate the existence of appropriate policies related to recruitment, hiring and personnel development.

Management Functions	Recruitment, Hiring & Personnel Development	Compensation	Hours of Work	Industrial Relations	Grievance System	Workplace Conduct & Discipline	Termination & Worker Retrenchment	Health & Safety	Environmental Protection
Policy	73.4%	100%	75%	50%	37.5%	50%	33.33%	66.67%	75%
Procedure	89%	77.67%	75%	0%	60%	83.33%	75%	73.08%	60%
Responsibility & Accountability	100%	100%	100%	77.67%	100%	83.25%	83.25%	89%	100%
Review Process	100%	100%	100%	0%	0%	0%	0%	66.67%	100%
Training	69.23%	33.33%	33.33%	0%	33.33%	25%	33.33%	88.89%	66.67%
Implementation	77.94%	93.18%	82.26%	75.86%	75%	78.57%	83.33%	62.52%	69.09%
Communication	83.33%	100%	100%	0%	50%	83.33%	66.67%	100%	100%

Summary of Code Violations

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

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

FLA Code Element	Number of Violations	Violations
Compensation	2	General Compliance Compensation Voluntary Wage Deductions
Child Labor	3	Employment of Young Workers Hazardous Work for Young Workers Young Workers Identification System
Employment Relationship	11	General/Human Resource Management Systems Terms and Conditions/New Employee Orientation Terms and Conditions/Communication Terms and Conditions/Supervisor Training General/Documentation and Inspection Industrial Relations Industrial Relations/Right to Organize, Bargain and Participate in Legal Strikes Work Rules and Discipline Skills Development/Management of Performance Reviews Health, Safety, and Environmental Management System/Policies and Procedures Termination and Retrenchment/General Policies and Procedures
Forced Labor	1	Forced Overtime
Freedom of Association and Collective Bargaining	4	Facilities for Worker Representatives Right to Collective Bargaining/Unorganized Workers Right to Freely Associate Deduction of Union Dues and Other Fees
Harassment and Abuse	2	General Compliance Harassment or Abuse Discipline/Monetary Fines and Penalties
Hours of Work	3	General Compliance Hours of Work Protected Workers (Women and Young Workers)/Record Keeping Forced Overtime/Exceptional Circumstances
Health, Safety and Environment	11	General Compliance Health, Safety, and Environment Material Safety Data Sheets/Workers Access and Awareness Protection Reproductive Health Machinery Safety, Maintenance and Workers Training Ergonomics Sanitation in Workplace Facilities Notification and Record Maintenance Evacuation Requirements and Procedure Safety Equipment and First Aid Training Personal Protective Equipment Chemical Management and Training
Non-Discrimination	4	Pregnancy Testing Marriage or Pregnancy Discrimination Pregnancy and Employment Status Protection and Accommodation of Pregnant Workers and New Mothers

Findings and Action Plans

FINDING NO.1

INDUSTRIAL RELATIONS

FINDING TYPE: Immediate Action Required

Finding Explanation

1. There is written policy on Industrial Relations & Freedom of Association included in the Social Accountability SA8000 Policy Manual; however, there are no written procedures.
2. The factory does not communicate the Industrial Relations & Freedom of Association policy and procedures to the general workforce.
3. The factory does not periodically review or update its Industrial Relations & Freedom of Association policy and procedures according to local law and FLA benchmarks.
4. The factory has a trade union under the Vietnam General Confederation of Labor (VGCL) that was established in 2008. The current union chairwoman was elected for the term of 5 years (2014 – 2019). Workers elected the representatives of their department with no interference from factory management. These representatives then elected the Executive Committee comprised of 11 persons, including management and worker representatives. The Executive Committee then elected the chairwoman, who is the HR executive. The interviewed committee members were aware of their membership in the committee.
5. 90% of workers are union members. They do not sign any application to join the union, but all of them are automatically enrolled as Union members upon signing labor contract. The factory deducts a union fee (10,000VND/month) from workers' monthly salary without the written consent of workers, though all interviewed workers are aware of this deduction.
6. The factory provides 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 and for the union representatives to perform their functions.
7. The Collective Bargaining Agreement (CBA) was signed on August 3rd, 2015 for a term of three years. The factory does not provide workers with a copy of the CBA. All interviewed workers were completely uninformed about the content of the CBA, though there is a written record claiming that 100% workers agreed with the contents of the CBA.
8. There is no dialogue mechanism in the factory as required by local law.
9. 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

Vietnam Labor Law, Article 63, Clause 3; Decree No. 60/2013/ND-CP; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16.2, ER.17, ER.25, and ER.26; Freedom of Association Benchmarks FOA.2, FOA.15, FOA.19, and FOA.24)

Recommendations for Immediate Action

1. Cease the practice of deducting union fees from workers' salary without workers' written consent.

COMPANY ACTION PLANS

1. Factory to include written policy on Industrial Relations & Freedom of Association included in the Social Accountability SA8000 Policy Manual
2. Communicate the Industrial Relations & Freedom of Association policy and procedures to the general workforce by making information accessible to workers and provide training to all workers e.g. notice/bulletin boards; regular meetings; announcements.
3. Periodically review and update Industrial Relations & Freedom of Association policy and procedures according to local law and FLA benchmarks. Recommend review every 6 months or 12 months as maximum. Facility to confirm name and position title of person who will be responsible ensuring person is capable to perform the task.
4. No action required / Information Only
5. Factory must cease to deduct union fees where workers have not understood and signed to join the union. Factory must seek written consent from all workers that they wish to join or remain in the union before fees are deducted. Factory and union should negotiate with workers who believe these deductions were unfairly taken and wish fees to be paid back.

6. Factory should identify a permanent solution to offer office space and equipment to enable the union to conduct daily meetings and for the union representatives to perform their functions.
7. All workers to be informed of the existence of The Collective Bargaining Agreement (CBA). A copy of the CBA to be posted in appropriate public areas (e.g. notice boards). Workers to sign a register that they understand and agree to the content of the CBA and if requested by the worker, they are given a copy of the CBA.
8. (Also refer to Finding 11 for action) A dialogue mechanism is to be put in place within the factory to enable workers to raise issues or grievances. Suggest referencing "Grievance Toolkit" provided by KMD.
8. No action required / Information Only

Action plan status:	In Progress
Planned completion date:	06/01/16
Progress update:	02/22/17 : AUG 2016: Evidence submitted. Issues 1,2,5,7 require translation to validate. Issue 3 is in progress. Issue 6 evidence accepted. Issues 4, 9 require no action. Issue 8 will to be addressed within Finding 11.
	08/02/16 : In Progress

FINDING NO.2

WORKPLACE CONDUCT & DISCIPLINE

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory does not periodically review or update its Workplace Conduct & Discipline policy and procedures according to local law/FLA code.
2. There are written disciplinary procedures dated back to September 1, 2015; however, this procedure is not in compliance with the legal procedures described in Article 30 of the Decree No. 05/2015/ND-CP: There is no requirement to issue a written announcement to grassroots trade union executive committee and employees about participating in meetings on labor discipline at least 5 working days prior to the meeting; there is no requirement to issue written disciplinary decisions and send them to the relevant persons; there is no requirement on who decides which form of discipline.
3. There are no procedures for workers to appeal disciplinary actions taken against them.
4. The factory does not inform workers when disciplinary procedures have been initiated against them.
5. There is no system to discipline supervisors, managers, and workers who engage in any form of harassment or abuse.
6. The factory deducts from the Responsibility Allowance as a form of discipline. The Responsibility Allowance ranges from 300,000 VND per month to 1,650,000 VND per month depending on skills, work duties, job title and department. The factory deducts between 50-100% of the Responsibility Allowance from workers for being absent without permission or for making defective products.

Local Law or Code Requirement

The Labor Code on Discipline and Material Responsibility, Articles 125 and 128; Decree No. 05/2015/ND-CP; FLA Workplace Code (Employment Relationship Benchmarks ER.1,ER.15, ER.27.2, and ER.27.3; Compensation Benchmark C.11; Harassment or Abuse Benchmarks H/A.1, H/A.2, and H/A.10)

Recommendations for Immediate Action

1. Immediately cease the practice of posing monetary penalties as a disciplinary measure. Instead use positive incentives.

COMPANY ACTION PLANS

1. 1. The factory should periodically review or update its Workplace Conduct & Discipline policy and procedures according to local law/FLA code. Recommend every 6 months however within 12 months as maximum period.
2. Review written disciplinary procedures to include: a) issuing a written announcement to grassroots trade union executive committee and employees about participating in meetings on labor discipline at least 5 working days prior to the meeting b) issue written disciplinary decisions and send them to the relevant persons within 5 working days c) discuss and agree with union & workers who is responsible to make decision on form of discipline.

3. Establish policy and process to ensure there are procedures for workers to appeal disciplinary actions taken against them.
4. Establish policy and process to ensure workers are informed immediately when disciplinary procedures have been initiated against them.
5. Establish policy and process to ensure supervisors, managers, and workers who engage in any form of harassment or abuse are disciplined.
6. Responsibility Allowance program to be reviewed as wage deductions as a form of discipline must cease. Responsibility allowance should be considered a positive incentive bonus for the worker not a negative deduction.
7. a) Facility to confirm name and position title of person who will be responsible for all points 1-6 ensuring person is capable to perform the task.
- b) Recommendation that policy / process review takes place annually i.e. once per year.

Action plan status: In Progress

Planned completion date: 06/01/16

Progress update: 02/22/17 : AUG 2016: Evidence submitted. Issues 1,6 written confirmation accepted. Issues,2,3,5 require translation to validate. Issues 4,7 are in progress.

08/02/16 : 6. Effective Nov 2015 the practice of making deductions from responsibility allowance has ceased. Written confirmation receive Jan 2016.

FINDING NO.3

TERMINATION & RETRENCHMENT

FINDING TYPE: Immediate Action Required

Finding Explanation

1. There is no written policy and procedure on Termination & Retrenchment.
2. The factory pays the salary for resigned workers on the 12th of every month, which is not in compliance with Article 47.2 of the Labor Law that requires all termination payouts should be made within 7 days after the termination of the labor contract.
3. The factory never arranges consultation meetings with worker/union representatives before management reaches any final decisions on layoffs.
4. The factory does not periodically review or update its Termination & Retrenchment policy and procedures according to local law/FLA code.

Local Law or Code Requirement

The Vietnamese Labor Code on Termination and Retrenchment, Articles 36-49; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2, and ER.32)

Recommendations for Immediate Action

Ensure that all termination payouts are paid within seven days after the termination of the labor contract, as legally required.

COMPANY ACTION PLANS

1. 1&4. Factory to create written policy and procedure on Termination & Retrenchment and ensure it is reviewed or updated periodically (recommend every 6 months or within 12 month maximum period).
2. Factory to pay the salary for resigned workers within 7 days after the termination of the labor contract.
3. Factory to ensure consultation takes place at meetings with worker/union representatives before management reaches any final decisions on layoffs.

Action plan status: In Progress

Planned completion date: 06/01/16

Progress update: 02/22/17 : AUG 2016 Evidence submitted Issues 1,2,4 require translation to validate. Issue 3 written confirmation has been accepted.

FINDING NO.4

ENVIRONMENTAL PROTECTION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory's procedures on Environmental Procedures do not cover the following topics: how workers can raise environmental concerns and protection for workers who raise such concerns.
2. The factory has an ISO14001 Environmental Management System EMS system, but the environment risk assessment misses some issues: The factory has a commitment to conservation, but in practice, it does not have a plan to correct or control in case it exceeds targets for energy, water, and waste.
3. The factory improperly stores chemicals without secondary containment. The drums of diesel oil for the generator lack containment. There is no proper chemical storage with secondary containment for chemicals either in the production section or outside.
4. Wastewater from air compressors is discharged without collection or treatment. There were signs of machine oil on the ground at machine shop area.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety, & Environment Benchmarks HSE.1 and HSE.9)

Recommendations for Immediate Action

1. Ensure that all chemicals are stored with a secondary containment in case of leakage.
2. Ensure that wastewater from air compressors is discharged, as per legal requirements, such as collected by a third party waste collector.

COMPANY ACTION PLANS

1. 1. Factory procedures on Environmental Procedures to include a) how workers can raise environmental concerns, b) protection for workers who raise such concerns.
2. Factory environment risk assessment to include a plan to correct or control in case it exceeds targets for energy, water, and waste.
3. Factory to properly stores chemicals with secondary containment in appropriate areas including the production section and outside.
4. Factory to review processes for discharges affecting the environment including: a) collect or treat discharged wastewater from air compressors, b) prevention/cleaning of machine oil on the ground at machine shop area.

Action plan status: In Progress

Planned completion date: 06/01/16

Progress update: 02/22/17 : AUG 2016: Evidence submitted. Issues 1, 4 require translation to validate. Issue 3 is in progress and Issue 4 evidence is accepted / action taken.

FINDING NO.5

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory's procedures on Health & Safety do not cover the following topics: measures to protect the reproductive health of employees through minimizing exposure to workplace hazards and protection for workers who raise health and safety concerns.
2. The Safety (Health, Safety, and Environment) committee does not include worker participation and engagement as required by FLA benchmarks.

3. The factory does not provide detailed trainings for managers, supervisors and staff with special responsibilities on safety procedures for lifting/loading, work at heights, lock-out/tag-out (LOTO), and confined spaces.
4. The factory does not have procedures and training for safe lifting. The factory has not posted loading limits for forklifts and storage racks in the materials warehouse. Additionally, the factory does not provide lifting belts to workers.
5. The factory has not posted safety standard operating procedures (SOP) for each machine in the local language in the laser cutting section. The factory has not posted requirements for Personal Protective Equipment (PPE).
6. The factory does not have adequate machine guards. Most needle guards and eye shields are not used on sewing lines in the sewing department.
7. Almost all machines and workstations do not have Standard Operating Procedures.
8. Personal Protective Equipment (PPE) use is inconsistent. In many cases, workers do not wear masks or wear them incorrectly. Workers who handle glues and solvents use regular masks instead of proper carbon masks in the production section.
9. The factory does not store chemicals properly. The factory lacks a proper chemical storeroom with security and safety provisions, such as an automatic fire system.
10. The factory does not handle and manage chemicals properly. Acetone and thinner (sang thom) are used as spot cleaning products without proper labels or storage. The factory does not post any Material Safety Data Sheets (MSDS) and requirements for Personal Protective Equipment (PPE) in the chemical inventory and spot cleaning stations. Additionally, the factory does not regularly train workers on PPE usage.
11. High voltage electric panels are left open for cooling.
12. The factory does not have a procedure to inform third party contractors about the FLA code and Health & Safety procedures.
13. In the canteen, some workers prepared food while working without masks, shoes/boots, or hats/hair nets.
14. The clinic does not meet legal requirements. It has only one nurse and no doctor. It does not have a breastfeeding policy or breastfeeding room, as per local regulations. Additionally, there are no emergency contacts posted.
15. The factory did not have any health checks in 2015. These are required twice a year for all workers classified as hard/hazardous employment. Factory management stated that the factory plans to conduct health checks in December 2015 and twice in 2016].
16. The factory conducts accident reports according to local law, but lacks tracking, analysis, and review of accidents. The factory currently has no tracking or analysis of days lost due to accidents in 2015.
17. The factory is not taking proactive steps to reduce repetitive-motion stress/injuries.
18. The factory does not periodically update according to local law/FLA code its Health & Safety policy and procedures.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.31; Health, Safety, & Environment Benchmarks HSE.1, HSE.3, HSE.7, HSE.9, HSE.10, HSE.12, HSE.14, and HSE.17; Nondiscrimination Benchmark ND.8)

Recommendations for Immediate Action

1. Post loading limits for forklifts and storage racks in the materials warehouse. Provide eligible workers with lifting belts.
2. Ensure that all machine are properly equipped with needle guards and eye shields.
3. Ensure that all workers are trained and regularly communicated on PPE usage at the workplace. Ensure that all workers use PPE.
4. Ensure that all chemicals are properly stored. Designate a room for proper chemical storage with security and safety provisions, including an automatic fire system.
5. Ensure that all chemicals are properly labeled and properly stored. Establish adequate chemical inventory storage and spot cleaning stations with Material Safety Data Sheets (MSDS) and Personal Protective Equipment PPE requirements posted.
6. Ensure that electrical panels are kept closed and secured, with adequate cooling to allow them to be kept closed.
7. Ensure that all canteen staff uses proper Personal Protective Equipment PPE and are regularly trained on PPE usage requirements.
8. Conduct legally required health checks for eligible workers.
9. Ensure that the clinic meets all legal requirements, including having a doctor in the clinic. Establish a breastfeeding policy and breastfeeding room for nursing women, as per local regulations. Post emergency contacts in the clinic.

COMPANY ACTION PLANS

1. 1&18. Factory to revise Health & Safety procedures to include a) measures to protect the reproductive health of employees through minimizing exposure to workplace hazards b) protection for workers who raise health and safety concerns. Factory to ensure Health and Safety policy and procedure is reviewed regularly (recommend every 6 months or within 12 months as maximum period)
2. Factory to improve safety committee process to include worker participation and engagement
3. Factory to provide posted instructions and detailed trainings for safety procedures for lifting/loading, load weight limits, use of lifting belts, work at heights, lock-out/tag-out (LOTO), and confined spaces. Training schedule/plan to be created and training to be given to the workers performing the job and also the managers/supervisors/other staff responsible for the worker and safety in the area.
4. Factory to establish procedures and training for safe lifting including a) posting loading limits for forklifts and storage racks in the materials warehouse, b) provide lifting belts to workers.
5. Factory to post instructions nearby for a) safety standard operating procedures (SOP) for each machine in the local language in the laser cutting section, b) requirements for Personal Protective Equipment (PPE).

6. Factory to install and uphold use of adequate machine guards including needle guards and eye shields. Workers are to be informed of hazard of not using PPE to enable understanding of enforcement, regular reminders given by supervisors and inclusion in regular worker training.
7. Factory to create standard operating procedures (SOP) for all machines and workstations on the premises.
- 8 (&10). Factory to ensure appropriate Personal Protective Equipment (PPE) is available and are aware that it is management responsibility to uphold correct use of PPE. Workers to be re-trained on use of all PPE on premises to understand why it is to be used to appreciate the risks of not using. Factory to provide proper carbon masks for workers who handle glues and solvents.
- 9 (&10). Factory to ensure all chemicals are labelled / handled / managed / stored properly with security and safe provisions, such as an automatic fire system e.g. acetone and thinner (sang thom).
10. Factory to ensure appropriate signage and instructions are post in the chemical storage and spot cleaning areas including: a) Material Safety Data Sheets (MSDS) b) use of Personal Protective Equipment (PPE)
11. Factory to identify solution to address the problem of high voltage electric panels are not left open for cooling.
12. Factory to create procedure to inform third party contractors about Health & Safety procedures (FLA code and local law). This should include written (signed) acknowledgement that they have understood (either the contract company or the individual contract employee as appropriate)
13. Factory to ensure policy exists and process for canteen health and safety is upheld including workers preparing food wearing masks, correct shoes/boots worn, or hats/hair nets.
14. Factory to improve clinic to meet legal requirements including a) correct number of nurses / doctors, b) a breastfeeding policy or breastfeeding room per local regulation, c) emergency contacts posted.
15. Factory to perform annual health checks that include twice a year for all workers classified as hard/hazardous employment.
16. Factory to improve accident reporting with regard to tracking, analysis, and review of accidents. To ensure that repetitive accidents are investigated for cause enabling reduced/zero future incidence.
17. Factory to investigate repetitive-motion stress/injuries to identify steps to reduce harmful health issues.

Action plan status:	In Progress
Planned completion date:	06/01/16
Progress update:	02/22/17 : AUG 2016: Evidence provided supports issues at various stages per list below. KMD to engage translator to validate evidence for issues: 1,2,4,5,8,12,14,15,16,18 Issues in progress: 3,6,7,9,10,11,13,17 08/02/16 : Factory has been undergoing SA8000 accreditation at same time as this SCI therefore action on these findings are being incorporated at same time. Follow up continues to ensure all points are captured.

FINDING NO.6

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The fire police mandated that the factory install automatic fire fighting systems (e.g. sprinklers) throughout the factory. Despite some reminders, the factory has failed to develop a plan to comply.
2. The fire police mandated that the factory install covered lighting in warehouses, but the factory has not yet complied.
3. There is only one exit staircase leading to the 2nd floor to the office and sample room with over 30 people. (TCVN 2622 requires there must be 2 exit stairs for an area with over 15 people.) The factory plans to complete a fire escape for the office in December 2015. In addition, there are no emergency lights on the staircase leading to the office, and there are flammable products stored on the upper stairs to the 3rd floor.
4. The factory fails to keep updated records of the testing and maintenance of the fire alarm and fire pump. There are no records of third party services or repairs to the fire alarm from the supplier. Maintenance and service logs also lack information on pumps, air compressors, and generators.
5. There is central control for smoke detectors and alarms in warehouses 1 and 2, but there are only two alarm call buttons for the main production area (which are not labeled properly). There is no alarm system for risk areas including: chemicals, maintenance, canteen, and waste area.
6. The factory has not posted or effectively enforced a smoking policy, which poses a potential fire risk.
7. The factory does not have a fire assessment conducted by a third party expert.
8. The factory's evacuation plans lack several key elements and need updating: most fire alarm buttons were not properly marked

- or labeled. The evacuation maps did not have “you-are-here” symbols. Assembly areas were not marked on the fire plan.
- 9. There are a few fire extinguishers that are blocked/obstructed in the embroidery section and warehouses.
- 10. Not all of the markings indicating exit routes along floors and walls are clear.

Local Law or Code Requirement

Vietnam National Standard, Decree TCVN 2622; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.5 and HSE.6)

Recommendations for Immediate Action

1. Comply with all applicable local fire regulations and inspections: complete the installation of adequate fire systems and develop plans to comply with fire inspections for all the factory’s older buildings.
2. Install covered lighting within all warehouses, as mandated by the fire police.
3. Ensure that the second floor has an additional fire escape or exit staircase, as legally required. Install emergency lights on all stairs. Remove all flammable products stored on upper stairs.
4. Review the fire alarm plan, and ensure that the alarm system covers all high risk areas. Ensure that the fire alarm is fully centralized with a backup battery, and check the alarm regularly. Have the alarm serviced and certified by a qualified supplier. Conduct a third party expert fire risk assessment as per FLA benchmarks. Establish a system to track maintenance of the fire alarm system and fire pump.
5. Ensure that all fire alarm buttons are properly marked and labeled. Ensure that evacuation maps have “you-are-here” symbols on the location of the viewer. Ensure that the fire plan has markings of all assembly areas.
6. Remove any obstructions that block fire extinguishers in the embroidery section and warehouses.
7. Ensure that all exit routes are clearly marked along floors and walls.

COMPANY ACTION PLANS

1. 1&2. Factory to comply with all applicable local fire regulations and inspections including but not limited to : a) complete the installation of adequate fire systems, b) develop plans to comply with fire inspections for all the factory’s older buildings, c) install covered lighting in warehouses.
3. Factory to comply with legal requirement with regard to fire safety including, a) there must be 2 exit stairs for an area with over 15 people, b) emergency lights are required on the staircase leading to the office, c) flammable products cannot be stored on the upper stairs to the 3rd floor.
4. Factory to keep updated records of the testing and maintenance (service logs) for all equipment including: fire alarm; fire pump; air compressors; generators.
5. Review the fire alarm plan, and ensure that the alarm system covers all high risk areas. Ensure that the fire alarm is fully centralized with a backup battery, and check the alarm regularly. Have the alarm serviced and certified by a qualified supplier. Conduct a third party expert fire risk assessment (per FLA benchmarks / please request if not held). Establish a system to track maintenance of the fire alarm system and fire pump. Ensure plan includes: a) the main production area and b) for risk areas including: chemicals, maintenance, canteen, and waste area.
6. Factory to post and effectively enforce a non-smoking policy on the premises ensuring appropriate smoking areas do not present a fire risk.
7. Factory to implement a fire assessment conducted by a third party expert.
8. Factory’s evacuation plans are to be reviewed for improvement and to include: fire alarm buttons properly marked or labeled; evacuation maps have “you-are-here” symbols; assembly areas marked on the fire plan.
9. Factory to ensure all fire extinguishers are fully accessible on the premises including the embroidery section and warehouses.
10. Factory to ensure markings indicating exit routes along floors and walls are kept clear to ensure visible during any evacuation.

Action plan status: In Progress

Planned completion date: 06/01/16

Progress update: 02/22/17 : Aug 2016: Evidence submitted: Issues 1, 2 require translation, Issue 3 is in progress and issue 4 evidence is accepted.

08/02/16 : Written confirmation per below from factory / follow up required and evidence yet to be submitted for all points. 1&2: a) we will install automatic fire fighting system within 29th of Feb 2016 c) we will install covered lighting in warehouse within 31st of Jan 2016 3. a) we will finish the set up for fire escape stair access for sample room within 31st of Jan 2016 5. a) locations of smoke detectors have been approved by local fire police b) alarm buttons are marked and labelled c) fire buttons that are not connected to the central alarm control systems have been approved by local fire police d) records of testing and repairs of all fire equipment are being maintained e) fire alarm system has been approved by local fire police f) fire alarm system is being checked regularly and maintained. 8. alarm button are now properly marked and labelled

FINDING NO.7

TRAINING (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory does not provide ongoing training for employees on the following Employment Functions: Recruitment, Hiring & Personnel Development, Wages & Benefits, Hours of Work, Termination & Retrenchment, Industrial Relations & Freedom of Association, Workplace Conduct & Discipline, and Grievance System.
2. The factory does not provide any specific training for relevant supervisors on the following Employment Functions: Recruitment, Hiring & Personnel Development, Wages & Benefits, Hours of Work, and Termination & Retrenchment, Industrial Relations & Freedom of Association, Workplace Conduct & Discipline, Grievance System, and Environmental Protection.
3. The factory does not provide training on Workplace Conduct & Discipline for the relevant HR staff.
4. Workers receive written documentation that substantiates issues covered in orientation, but this written documentation does not cover all issues covered.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, ER.17, ER.26, and ER.27)

COMPANY ACTION PLANS

1. 1&2: Factory to create a training schedule and implement employee training programs with a schedule (timeline plan) that includes the following employment functions: Recruitment, Hiring & Personnel Development, Wages & Benefits, Hours of Work, Termination & Retrenchment, Industrial Relations & Freedom of Association, Workplace Conduct & Discipline, and Grievance System. In addition, relevant supervisors should be trained on Environmental Protection
3. Factory to provide training on Workplace Conduct & Discipline for the relevant HR staff.
4. Factory to ensure workers receive written documentation that substantiates (covers) all issues covered in orientation.

Action plan status: In Progress

Planned completion date: 06/01/16

Progress update: 02/22/17 : Aug 2016: Evidence provided however all issues are still in progress.

FINDING NO.8

RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

FINDING TYPE: Immediate Action Required

Finding Explanation

1. There are no written policies and procedures on Personnel Development.
2. According to information from the workers' personnel documents, in at least 5 cases, workers are under 18 years old (i.e. born in 1997), but the factory does not provide them with special protections as per local law. These young workers work in the sewing section and work 48 hours/week and overtime. The factory should follow legal requirement to provide special protection to juvenile workers, e.g. only 40 hours of work a week, no overtime, no heavy or toxic or dangerous jobs.
3. The factory does not have a proper system for tracking the location of juvenile workers within the factory.
4. The factory does not exempt juvenile workers from hazardous work, and management does not comply with all relevant laws pertaining to juvenile workers.
5. The factory has written job descriptions for office positions but not for all positions when personnel need to be hired.
6. A review of the apprentice agreement shows that female workers are required to commit to not getting pregnant during the 1st year of employment.
7. The labor contract does not comply with Decree No. 05/2015/ND-CP to include detailed information, e.g. start and end times of every day, allowances and bonus, and Personal Protective Equipment PPE.

- The factory applies a 30-day-probation to unskilled workers (cleaners, helpers, thread cutters) instead of 6 days as required by local law.

Local Law or Code Requirement

Labor Code, Articles 27 and Article 163; Vietnam National Standard, Decree No.05/2015/ND-CP, Article 4; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.28, ER.29, and ER.30; Child Labor Benchmarks CL.4, CL.5, and CL.6; Nondiscrimination Benchmarks ND.5, ND.6, and ND.7)

Recommendations for Immediate Action

- Establish a system to identify young workers and ensure that they receive the legally required protection. Ensure that all young workers do not work overtime and are not exposed to any hazardous jobs.
- Ensure that all young workers receive health checks every six months.
- Revise the policy of requiring workers not becoming pregnant during the first year of employment.
- Revise the 30-day probation period for unskilled workers to legally required six days.

COMPANY ACTION PLANS

1. Factory to create written policies and procedures on Personnel Development.
2&4 Factory to follow legal requirement to provide special protection to juvenile workers including special protections, the type of work and hours of work.
 - To include health checks for juvenile workers every 6 months.
 - Recommendation to include the following condition within labor contracts for juvenile workers: for juvenile workers, an orientation training will take place separate from other workers to ensure their rights and special protections are discussed more in-detail.
 - For supervisors, periodic reminders will be scheduled to ensure understanding on special protections for juvenile workers (at least every 6 months).
- Factory to implement a system (suggest a list) to track juvenile workers within the factory. A good practice could be to implement a special / colour coded ID tag to assist with identification.
- Factory to create written job descriptions for all positions when personnel need to be hired.
- Factory to remove discrimination section from the apprentice agreement with regard to female workers committing to not getting pregnant during the 1st year of employment.
- Factory to amend the labor contract according to legal requirement to include detailed information, e.g. start and end times of every day, allowances and bonus, and Personal Protective Equipment PPE.
- Factory to amend probation period for unskilled workers (cleaners, helpers, thread cutters) to be 6 days as required by local law.

Action plan status: In Progress

Planned completion date: 06/01/16

Progress update: 02/22/17 : AUG 2016: Evidence provided and status: * translation required for issues 1,6,7,8, * 2,3,4,5 are in progress

FINDING NO.9

HOURS OF WORK

FINDING TYPE: Immediate Action Required

Finding Explanation

- The factory does not have a written procedure for managing working hours.
- Workers' overtime exceeded weekly overtime limits according to FLA benchmarks (12 hours/week) and the monthly legal limits (over 30 hours/month) in November and December 2014, ranging from 31.5 to a maximum of 51.5 hours per month.
- A review of 45 monthly cases from November 2014 to October 2015 shows that: - 9% of workers worked excessive overtime ranging from 13 hours to a maximum of 17 hours per week for 3 weeks in November 2014; and 4% of workers worked excessive overtime in two weeks of December 2014 ranging from 13hours per week to a maximum of 20 hours per week.- 38% of workers' overtime exceeded the legal limits ranging from 31 hours per month to a maximum of 55.5 hours per month in November 2014. 36% of workers' overtime exceed the legal limits ranging from 31 hours per month to a maximum of 54.5 hours per month in December 2015.
- The factory does not have a system enabling workers to refuse to work overtime. A document review and worker interview

revealed that workers must obtain written permits (gate pass permit) signed by the manager when they cannot or are not willing to work overtime.

5. The factory does not have a system to identify workers under the age of 18. There are at least 5 workers who are under the age 18 who worked 48 hours per week for regular working hours and worked overtime, contrary to local law.

Local Law or Code Requirement

Labor Code, Article 163; FLA Workplace Code (Hours of Work Benchmarks HOW.1, HOW.5, and HOW.8; Forced Labor Benchmark F.8)

Recommendations for Immediate Action

1. Ensure that workers do not work more than the legal overtime limit of 30 hours per month.
2. Ensure that workers are able to reject overtime without retaliation and without obtaining written permits.
3. Ensure that regular production plans do not include overtime on a regular basis. FLA affiliate Company's Sourcing and Social Compliance teams should: a) implement FLA Principles of Fair Labor and Responsible Sourcing and b) accordingly coordinate on the topics mentioned below to help the factory address its excessive hours issue:
 - a. How to provide better order forecasts to the factories;
 - b. Possible workshops/consultancy for the factory on how to improve productivity/quality;
 - c. Clear guidelines on how to extend shipment deadlines in case of contingencies;
 - d. Steps that factory management must follow if overtime is inevitable (steps for how to communicate with the 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 subcontractors and/or temporary workers to avoid excessive overtime.
4. Establish a system to identify young workers and ensure that all young workers do not work overtime and the legally required protection.

COMPANY ACTION PLANS

1. Factory to create written procedure for managing working hours. Recommend during review process that factory plan to capture the reason for excessive working hours per week in order to better understand the root cause e.g. power outage; disruption to production schedule; customer making changes that production/leadtime.
- 2&3. Factory to improve production scheduling to ensure working hours comply with country law including that monthly overtime is limited to 30hrs per month. Factory to consider the following priority steps when reviewing working hours. Priority 1: 1 day off in seven is upheld / Priority 2: No working day shall exceed 8hrs (regular work) + 3hrs (overtime work) = 11hrs per day / Priority 3: No working week shall exceed 60hrs / Priority 4: country law is upheld. Factory to complete KMD working hour template for 2016 for typical worker to describe future plan and enable further discussion on how working hour requirement will be met.
4. Factory to propose a system that better enables workers to leave the premises (who are not willing to work overtime) without having to obtain written permit of any kind. Recommend engaging the workers to establish best process for all.
5. (Also refer to action for Finding 8.2 & 8.4). Factory to ensure young (juvenile) workers under the age of 18 do not work overtime.

Action plan status: In Progress

Planned completion date: 06/01/16

Progress update: 02/22/17 : AUG 2016: Evidence provided: Issue 1,4 requires translation Issues 2,3,are in progress Issue 5: refer to Finding 8 / in progress

FINDING NO.10

COMPENSATION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory does not settle medical insurance claims within three days as required by Social Insurance Law.
2. Although the factory pays severance allowance, the severance allowance does not cover all time worked. According to local law, severance pay should cover all time employed at the factory, even for working periods when employees did not pay unemployment insurance contributions, such as probation periods, apprenticeships periods, and maternity leave.

3. The factory employs a high number of female workers (86% of the workforce); however, it does not have a policy to assist the organization of a childcare center and a kindergarten or to assist with a portion of the female employees' costs for children of nursing or kindergarten age, as legally required.
4. The factory employs 6 Korean migrant workers who have not joined the national health insurance, as required by health insurance law.

Local Law or Code Requirement

Labor Code, Article 154.4; Health Insurance Law, Article 12; Decree No.05/2015/ND-CP, Article 14; Law on Social Insurance, Article 117-1 and Decision No. 919/QĐ-BHXH; FLA Workplace Code (Compensation Benchmarks C.1 and C.11)

Recommendations for Immediate Action

1. Ensure that all medical insurance claims are settled within three days, as legally required.
2. Ensure that severance pay covers all the time employed, including time without unemployment insurance, as legally required. Retroactively pay employees that received severance pay and have left over the last 12 months.
3. Ensure that all employees participate in the national health insurance, including migrant workers.

COMPANY ACTION PLANS

1. 1. Factory to ensure medical insurance claims are settled within three days as required by Social Insurance Law. Factory to propose timeline for action to take place that is reasonable.
2. Factory to ensure correct severance allowance is paid covering all the time worked including periods when employees did not pay unemployment insurance contributions, such as probation periods, apprenticeships periods, and maternity leave. Factory to take action to retroactively pay employees who have left over the last 12 months. Factory to propose timeline for action to take place that is reasonable.
3. Factory to create and implement policy to assist the organization of a childcare center, a kindergarten or to assist with a portion of the female employees' costs for children of nursing or kindergarten age, as legally required. Factory to propose timeline for action to take place that is reasonable.
4. Factory to ensure all applicable employees, including migrant workers, join the national health insurance, as required by health insurance law. Factory to propose timeline for action to take place that is reasonable.

Action plan status:	In Progress
Planned completion date:	06/01/16
Progress update:	02/22/17 : AUG 2016: Evidence submitted for all issues. 1,2,4 are in progress and 3 is awaiting translation.

FINDING NO.11

GRIEVANCE SYSTEM

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory does not have a policy on Grievance System. In addition, the factory only has written procedures for Grievance System dated back to August 1, 2015 but no actual implementation in practice. Thus, the factory does not have a system for handling complaints and grievances.
2. The factory does not communicate the policy and procedures and their updates of the Grievance System to the general workforce.
3. The factory does not conduct a periodic review and update according to changes in local law/FLA Code of its policy and procedures on Grievance System.
4. The factory's procedures on Grievance System do not cover the following topics: direct settlement of the grievance by the worker and the immediate supervisor and options for senior management review if direct settlement with the supervisor is inappropriate or has failed.
5. The factory does not maintain any documentation in relation to grievance processes.

COMPANY ACTION PLANS

1. 1-5. Factory to create and implement a robust policy on Grievance System. Recommend referencing the "Grievance Toolkit" provided by KMD to ensure best practice is implemented and all findings are addressed. Policy and process to be regularly reviewed.

Action plan status: In Progress

Planned completion date: 06/01/16

Progress update: 02/22/17 : AUG 2016: Written confirmation of progress provided / requested evidence.