



COMPANY: adidas Group, Under Armour, Inc.
COUNTRY: Vietnam
ASSESSMENT DATE: 10/13/15
MONITOR: Global Standards (Vietnam)
PRODUCTS: Apparel
PROCESSES: Full [= full package]
NUMBER OF WORKERS: 4310
NUMBER OF WORKERS INTERVIEWED: 100
ASSESSMENT NUMBER: AA0000001904

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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.

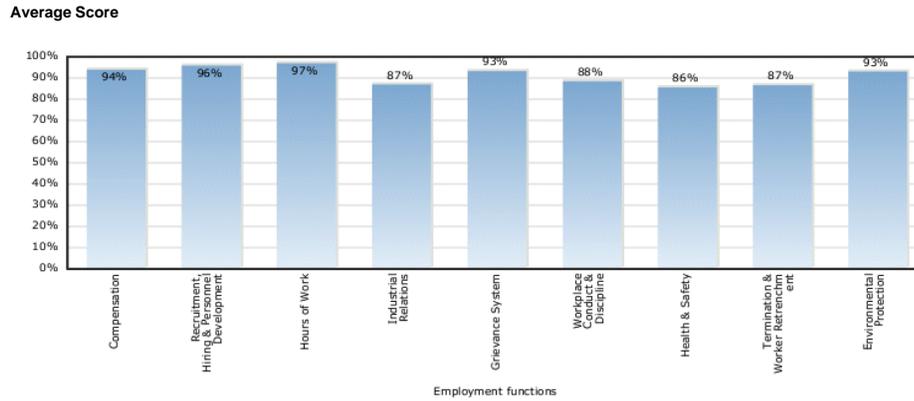
Root causes: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that 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

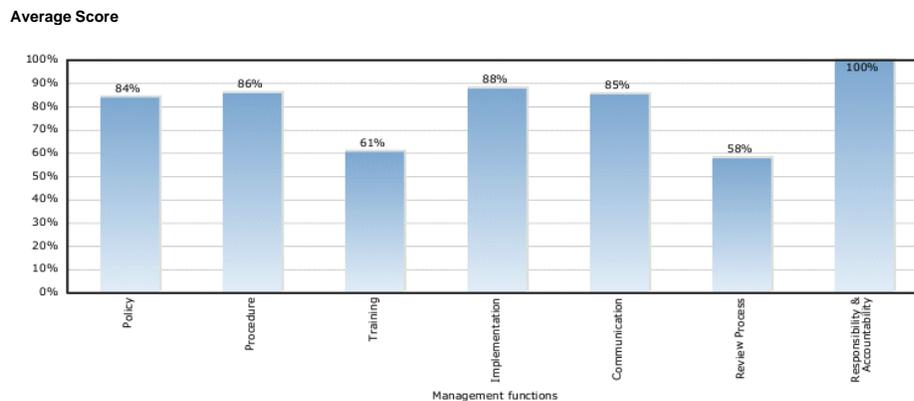
Score by Employment Function

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	100%	100%	100%	75%	80%	80%	80%	100%	100%
Procedure	100%	100%	100%	0%	100%	66.67%	37.5%	88.46%	100%
Responsibility & Accountability	100%	100%	100%	100%	100%	100%	100%	100%	100%
Review Process	100%	100%	100%	0%	0%	0%	0%	66.67%	100%
Training	73.08%	33.33%	33.33%	0%	75%	25%	33.33%	83.33%	66.67%
Implementation	97.03%	93.62%	98%	82.14%	93.75%	100%	100%	79.72%	80%
Communication	100%	100%	100%	100%	100%	83.33%	50%	83.33%	50%

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	1	Voluntary Wage Deductions
Employment Relationship	10	General/Human Resource Management Systems Terms and Conditions/New Employee Orientation Terms and Conditions/Communication Terms and Conditions/Supervisor Training Administration of Compensation/Termination Payouts General/Documentation and Inspection Industrial Relations Work Rules and Discipline Health, Safety, and Environmental Management System/Policies and Procedures Termination and Retrenchment/General Policies and Procedures
Freedom of Association and Collective Bargaining	3	Facilities for Worker Representatives Right to Collective Bargaining/Unorganized Workers Right to Freely Associate
Health, Safety and Environment	7	General Compliance Health, Safety, and Environment Material Safety Data Sheets/Workers Access and Awareness Protection Reproductive Health Machinery Safety, Maintenance and Workers Training Sanitation in Workplace Facilities Evacuation Requirements and Procedure Chemical Management and Training
Non-Discrimination	1	Protection and Accommodation of Pregnant Workers and New Mothers

Findings and Action Plans

FINDING NO.1

POLICIES & PROCEDURES (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory does not have written policies for the following employment functions: Termination & Retrenchment, Workplace Conduct & Discipline, Grievance System, and Industrial Relations.

COMPANY ACTION PLANS

1. Sustainable Improvement Required:

1. Management to assign someone for the development of policies and procedures related to Termination & Retrenchment, Workplace Conduct & Discipline, Grievance System and Industrial Relations consistent with FLA benchmarks and local regulations.
2. Management to establish a regular policy and procedures review, update and approval process according to changes/updates in local regulations; including adidas group/Under Armour/FLA Codes and compliance benchmark most current requirements. Initially, start the review process for the following Employment Functions: Termination & Retrenchment, Workplace Conduct & Discipline, Grievance System, and Industrial Relations.
3. Management to designate a management and HR management members to be responsible for the regular review process. Designated staff member (the process owner) is to document the process, track changes, collect feedback, and create workflows in collaboration with all persons involved.
4. Maintain documentation on any review/update of the factory's policies and procedures.
5. Management to develop a comprehensive training program of the factory's policies and procedures for workers, supervisors and other managerial positions, including HR staff. Training records should be kept with at least training topic, date/time, trainer's name, trainee attendance records, training material.

Please send to us newly created policies and procedures and any other relevant supporting documentation.

Action plan status: Completed

Planned completion date: 09/09/15

Progress update: 05/08/17 : 1. Factory management developed the following policy/procedures: Termination & Retrenchment (Factory separated termination procedure & retrenchment policy), Workplace Conduct & Discipline (Factory separated workplace conduct policy & Disciplinary Procedure), Grievance System (it is part of worker hotline and grievance procedure) and Industrial Relations (Industrial Relations is part of the Factory's Dialogue at Workplace Procedure). The policies were established by the Factory's Document Controller & approved by the Factory Manager. 2 & 4. It was verified that the Regulation and Procedure of Labor Document Control (Doc No.: CP-HRCM-001, ver:00) was established & took effect on 27th June 2016. The Procedure includes all factory personnel responsible for preparing, reviewing & approving all factory documents, including: - Human Resources Manager: responsible for compiling/updating all labor related documents - Human Resources & Compliance Manager: Responsible for reviewing and updating documents - Viet Nam Country Manager: Responsible for advising and approving documents All labor related documents are reviewed every 6 months (June & Dec), or as needed based on legal changes. This practice was implemented as of June 2016. 3. Additionally, Factory Management has designated Document Controller to be responsible for tracking changes, collecting feedback, and creating workflows in collaboration with all persons involved. 5. Factory has developed training plan for 2016 & 2017 (Prepared: Nov'2016, Modified: Mar'2017) which includes refresher courses of Workplace standards, Customers' COC, company policies, legal updates, HSE, waste management for all workers, supervisors and other managerial positions. Training records include training topics, date/time, trainer's name, trainee attendance records and training materials were available and kept for up to 3 years as defined by Control of Documents Procedure (CP-EHS-PR-005) Based on random checks, the Factory conducted employment function & workplace training courses for 18 HR staffs on 20th Aug 2016 from 13:00- 14:30 by Compliance Supervisor. It also conducted training for 19 supervisors on 20th Aug 2016 from 9:00- 12:00, the training records were available during visit.

Completion date: 05/07/17

FINDING NO.2

WORKER INTEGRATION (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. 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. Sustainable Improvement Required:

1. Management to establish a formal written process that would result in workers being consulted during the creation, review and update of policies and procedures at the factory. Furthermore, management to ensure workers, supervisors, and managers are aware of the workers' integration process.

2. Factory should be able to provide evidence of the Policies, procedures review and workers feedbacks.

Action plan status: Completed

Planned completion date: 10/08/16

Progress update: 05/08/17 : 1. It was verified that the Dialogue at the Workplace Cooperate Policy (Doc No.: CP-HRCM-028, ver:00) was established & took effect on 27th Jul 2016. This policy hopes to improve & develop the industrial relations at the Factory. Representatives from the following areas received training: Factory Manager, Human Resource s& Compliance Managers, Trade Union Chairman, the factory's assistant manager, supervisors, line leaders and workers. Training on this policy was included as part of an overall review of the labor and HSE policies & procedures provided on 4th Jul 2016 from 14:30 - 15:30 PM & on 15th Dec 2016 from 15:00 - 16:00 PM. 2. Factory has applied & encouraged workers to review and provide feedback on factory policies and procedures as defined by Dialogue at the Workplace Cooperate Policy. Additionally, PC verified a few suggestion forms that were recently completed by workers in finished good, HR and A1 Departments. The feedback form allows workers to provide any concerns/questions related to workers' labor rights, company regulations & policies, production, health and safety, unusual cases, etc.

Completion date: 05/07/17

FINDING NO.3

TRAINING (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory does not provide specific training for relevant supervisors on the following Employment Functions: Recruitment, Hiring, & Personnel Development, Wages & Benefits, Hours of Work, Termination & Retrenchment, Industrial Relations & Freedom of Association, and Workplace Conduct & Discipline.

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 Health & Safety.

The factory does not provide training on workplace conduct for relevant HR staff.

The factory communicates all Employment Functions and its hiring policy to employees during the orientation training, but does not include its policy on Personnel Development during the orientation training to new workers.

Local Law or Code Requirement

COMPANY ACTION PLANS

1. Sustainable Improvement Required:

The factory management must identify to us the manager(s) that will:

1. Create and implement an ongoing comprehensive training program based on the key Employment Functions (as identified in the finding above). Provide ongoing training on all policies and procedures for Industrial Relations, Workplace Conduct and Discipline, Health & Safety and Environmental Protection (see FLA Benchmarks).
2. Establish mandatory training for all employees within the factory, including administrative staff, supervisors, and managers. More specifically, ensure HR personnel and administrative staff are trained on the factory's workplace conduct and discipline.
3. Designate properly credentialed/experienced/knowledgeable compliance staff (or engage 3rd party expert/firm) responsible for the implementation of the training program.
4. Enhance new worker orientation briefings by including more information about adidas group/Under Armour, and FLA Codes and benchmarks and more specific information about factory's working hours, personnel development, industrial relations, including a commitment to respect workers' associational rights and collective bargaining, terms and conditions; including wages and benefits, health and safety policy and procedures, an overview of employee handbook and other factory policies.
5. Factory should be able to provide evidence of the training records includes training topic, date/time, trainer's name, trainee attendance records, training material.

Action plan status: Completed

Planned completion date: 10/07/16

Progress update: 05/08/17 : 1. It was verified that factory management has developed & implemented a training plan for 2016/ 2017 for all workers, managers, and supervisors. The training program includes the following information: Customers' COCs, company policies, legal updates, wages & benefits, hours of work, termination & retrenchment, industrial relations & freedom of association; Workplace Conduct & Discipline; HSE; Chemical Handling; waste/energy/water management. 2 & 3. It was verified that the Factory conducted employment function & workplace training courses for 18 HR staffs on 20th Aug 2016 from 13:00- 14:30 by the Compliance Supervisor & for 19 supervisors on 20th Aug 2016 from 9:00- 12:00 & workers as well. 4. It was verified that the training materials contained all previously required information made by the adidas group/Under Armour, as well as topics/information included in the FLA Code of Conduct and benchmarks. Trainings also provided more specific information on the factory's working hours, personnel development, industrial relations (including a commitment to respect workers' associational rights and collective bargaining), terms and conditions such as wages and benefits, health and safety policy and procedures, an overview of employee handbook and other factory policies. 5. Training records include training topic, date/time of training, trainer's name, trainee attendance records. Training materials were available and are being kept for up to 3 years as defined by the Control of Documents Procedure (CP-EHS-PR-005).

Completion date: 05/08/17

FINDING NO.4

REVIEW PROCESS (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

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

Local Law or Code Requirement

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

COMPANY ACTION PLANS

1. Sustainable Improvement Required: 1 Management to establish a regular policy and procedures review, update and approval process according to changes/updates in local regulations; including adidas group/Under Armour/FLA Codes and compliance benchmark most current requirements. Initially, start the review process for the following Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Workplace Conduct & Discipline, and Grievance System. 2. Management to designate a management and HR management members to be responsible for the regular review process. Designated staff member (the process owner) is to document the process, track changes, collect feedback, and create workflows in collaboration with all persons involved. 3. Maintain documentation on any review/update of the factory's policies and procedures. 4. Management to designate a manager and/or HR management members to schedule and conduct verbal training to entire workforce on new policies. Training on new policies should be included in the factory's induction training (for new workers), and in the factory's refresher training (for current workers). In addition, designated manager/HR staff must post the following policies and procedures along with all other factory policies/procedures: Termination & retrenchment, workplace conduct & discipline, grievance system, and health & safety; all policies should be posted in a public area that is accessible to workers.

Action plan status: Completed

Planned completion date: 08/24/16

Progress update: 05/08/17 : 1, 2 & 3. It was verified that the Regulation and Procedure of Labor Document Control (Doc No.: CP-HRCM-001, ver:00) was established & took effect on 27th June 2016. It includes all responsible parties in charge of preparing, reviewing & approving document as follows: - Human Resources Manager: responsible for compiling/updating all labor related documents - Human Resources & Compliance Manager: Responsible for reviewing and updating documents - Viet Nam Country Manager: Responsible for advising and approving documents All labor related documents are reviewed every 6 months (June & Dec), or as needed based on legal changes. This practice was implemented as of June 2016. - Employment contract termination procedure: taking effect on 24th Dec 2016, - Retrenchment policy: taking effect on 27th Jul 2016. - Discipline policy: taking effect on 25th May 2016. - Grievance System policy: taking effect on 20th Dec 2016 - Recruitment: taking effect on 27th Jul 2016 - Hiring & Personnel Development: taking effect on 27th Jul 2016 - Compensation: taking effect on 27th Jul 2016 - Hours of Work : taking effect on 27th Jul 2016 4. Additionally, we verified the training plan that was established & approved in 2017 included Workplace standards training courses (Customers COC, company policy, Internal communication channels, 6S, security/CTPAT) and refresher courses. Finally, it was also verified that new policies and procedures were posted on bulletin board at production public area. Training Supervisor will responsible for following & coordinating with relevant PIC to implement training as approved Training Plan 2017

Completion date: 05/08/17

FINDING NO.5

ENVIRONMENTAL PROTECTION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory does not effectively segregate waste streams, as legally required: Recycled and other wastes are mixed at first in bins and then separated later at a waste area.
2. There is some exhaust vented from the laser cutting and web cutting operations into the air without filtering or testing.

Local Law or Code Requirement

Decree No. 38/2015/ND-CP of the Government Guiding on Waste Management; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.9)

COMPANY ACTION PLANS

1. Sustainable Improvement Required: Management must identify by name and title, and clearly define, the specific managers responsible/accountable to ensure: 1) Hazardous waste must always be segregated from non-hazardous waste. If the generation of

hazardous waste cannot be prevented, then management should focus on the prevention of harm to health, safety and the environment, according to the following principles: a) Understanding potential impacts and risks associated with the hazardous waste over its complete life cycle b) ensuring that contractors handling, treating, and disposing of hazardous waste are reputable and legitimate enterprises, licensed by the relevant regulatory agencies and following good international industry practice for the waste being handled and c) ensuring that must compliance with applicable local and international regulation; 2) Evaluation of waste production processes and identification of potentially recyclable materials by; a) Separation and identification recycling of products that can be reintroduced into the manufacturing process; b) Investigation of external markets for recycling by other industrial processing operations; c) Establishing recycling objectives and formal tracking of waste generation and recycling rates and) providing training and incentives to employees in order to meet objectives. 3) Ensuring the local exhaust ventilation system for: a) Laser cutting and b) web cutting operations section are effectively installed with carbon activated filters; "Management must identify by name and title, and clearly define, the specific managers responsible/accountable for engaging a qualified 3rd party to create and help the factory to effectively implement, a formal written Waste Management Program that the factory management and workers will be trained to follow the below guidelines: A) Hazardous waste must always be segregated from non-hazardous waste. If the generation of hazardous waste cannot be prevented, then management should focus on the prevention of harm to health, safety and the environment, according to the following principles: a) Understanding potential impacts and risks associated with the hazardous waste over its complete life cycle b) ensuring that contractors handling, treating, and disposing of hazardous waste are reputable and legitimate enterprises, licensed by the relevant regulatory agencies and following good international industry practice for the waste being handled and c) ensuring that must compliance with applicable local and international regulation; B) Evaluation of waste production processes and identification of potentially recyclable materials by; a) Separation and identification recycling of products that can be reintroduced into the manufacturing process; b) Investigation of external markets for recycling by other industrial processing operations; c) Establishing recycling objectives and formal tracking of waste generation and recycling rates and) providing training and incentives to employees in order to meet objectives. 2. Ensuring the local exhaust ventilation system for: a) Laser cutting and b) web cutting operations section are effectively installed with carbon activated filters; 3. Management is to assign top manager to set up maintenance regime and ensuring there is an appointed person accountable for monitoring and regular maintaining the exhaust ventilation system.

Action plan status: Completed

Planned completion date: 08/10/16

Progress update: 05/08/17 : 1 & 4. Factory has assigned Environmental Auditor and HSE officer to be responsible for monitoring the implementation of the waste management program since 2017. Additionally, the Factory has established Garbage Segregation and Management Procedure (Document No.: CP-EHS-PR-024, version: 00) which was approved by the Factory Manager & took effect on 16th Aug 2016. The procedure includes waste segregation & management flowchart. a, Factory equipped waste bins for segregating waste streams & conducted training for 25 workers b, The current sub-contractor handling, treating, and disposing of hazardous waste [Company X] has been authorized by the Government. Their license was issued on 27th Dec 2014 by the Minister of Resources & Environment/ Viet Nam Environment Administration, code: 5-6-7-8.016.VX c, Environmental Auditor and HSE officer have responsibility to update & apply local and international regulation 2. In order to comply with the waste management system, Factory has implemented: a, b & d , Waste bins that are equipped & identified by clear labels and are segregated in specific areas. Additionally, the Factory has trained 25 workers to comply with the Garbage Segregation and Management Procedure (Document No.: CP-EHS-PR-024, version: 00) issued on 23rd Apr 2016. Leaflet has been delivered to workers to raise / enhance their awareness c. Factory has established Environmental Objective 2017 3. The ventilation for Laser cutting and web cutting is planned to be tested quarterly by 3rd party. The latest testing report is completed on 05th Oct 2016 by Consultancy Center of O.H.S & Environment Technology , based on the report, all emission results were acceptable as per standards

Completion date: 05/08/17

FINDING NO.6

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Some policy and procedures exist to protect the reproductive health of employees through minimizing exposure to workplace hazards, but they are not well implemented since the factory does not reassign pregnant women to other jobs, as legally

- required.
2. The factory does not communicate its Health & Safety procedures to the general workforce.
 3. Workers do not use needle guards and eye shields on the sewing machines in the sewing department, although snapping machines pose a significant risk for accidents.
 4. Many machines and workstations do not have safety standard operating procedures (SOP) posted.
 5. The factory bathrooms are not kept clean, since cleaning personnel do not track and record the cleaning and maintenance. In addition, the factory does not equip the bathrooms with legally required signs restricting smoking in bathrooms. During the assessment, there were used cigarettes/cigarette butts found in the toilets. Nor are the bathrooms provided with soap.
 6. The factory conducts accident reports according to local law, however, tracking, analysis, and review of accidents is deficient. The factory does not conduct an accident analysis for proper injury management and did not track days lost due to accidents in 2015.
 7. There are no safety policies and procedures for work at heights and loading of racks.
 8. Some shelves and racks in the warehouse were over stacked, without proper clearance from the ceiling. Racks in the material warehouse do not have posted load limits.
 9. The factory does not provide the proper Protective Equipment (PPE) for glues and solvents. About 50 workers applying glues or solvents used regular masks in place of carbon masks, although carbon masks are required in the Material Safety Data Sheets (MSDS).
 10. The laser-cutting department in the bonding section regularly operates laser cutting and welding machines with covers fully or partially open.
 11. The elevator gates to the elevator shaft were left open in several places/instances. The elevator gate at the canteen, although it was on the ground floor. In addition, the elevator gate by the laser-cutting department was left open during repairs, although some tape was put up as a warning.
 12. The drinking water filter station appears well maintained and tests are done periodically as required; however, the factory does not keep and track any logs or maintenance records.
 13. The factory does not provide proper PPE for the canteen. Canteen staff does not have or use boots and masks, and do not use gloves or hats/hair nets.
 14. The elevator repair team was welding without using masks, goggles and following proper welding/tank safety practices, e.g. the tank was not chained.
 15. MSDS were available for all chemicals, but not always posted in the correct area of use. Chemical containers were not labeled with their contents and main hazards.
 16. Not all employees who work with chemicals know how to safely work with chemicals.

Local Law or Code Requirement

Circular No. 27/2013/TT-BLDTBXH of the MOLISA on Safety Training; FLA Workplace Code (Employment Relationship Benchmarks ER.1.2 and ER.16.1; Health, Safety & Environment Benchmarks HSE.1, HSE.7, HSE.9.1, HSE.9.2, HSE.10.1, HSE.10.2, HSE.12.1 HSE.14, HSE.16, HSE.19, HSE.20, and HSE.22.1; Nondiscrimination Benchmark ND.8)

Recommendations for Immediate Action

1. Ensure that all machines have appropriate machine guards. Regularly train and communicate to workers on the importance of using machine guards.
2. Ensure that bathrooms are clean at all times. Establish an effective maintenance and cleaning system to track proper cleaning of bathrooms, including records. Regularly train and communicate cleaning and maintenance staff on proper hygiene standards. Provide all bathrooms with soap and signs on smoking restrictions.
3. Provide workers with the appropriate PPE, and ensure that all workers use this equipment correctly. Regularly train and communicate to workers on the importance of using PPE.
4. Ensure that all machines operating in the laser-cutting department have covers that are completely closed at all times. Regularly train and communicate workers on the importance of keeping the machine covers closed at all times.
5. Ensure that elevator gates are closed at all times, including in the canteen and laser cutting department. Regularly train and communicate to the workers on the importance of closing the elevator gates.
6. Ensure that all contractors, including canteen staff and repair workers, wear all required PPE during food preparation and welding. Provide guidelines and safety practices for the contractors.
7. Ensure that all chemical containers are appropriately labeled, and MSDS are available at the production areas where workers use chemicals. Ensure that all MSDS are provided in local language and specify the chemicals' content and hazards.
8. Regularly train and communicate to workers on the safe use of chemicals.

COMPANY ACTION PLANS

1. 1. To review and ensure to include in the Health & Safety procedures, measures and steps to: A) Protect employees' reproductive health by minimizing exposure to workplace hazards; a specific section or procedure should be created to ensure that the health and safety of pregnant workers and their baby are not affected by their job schedule, job position, etc. Procedure should identify work areas/positions that would present danger to a pregnant worker in order to ensure pregnant workers in these areas are reassigned to a non-hazardous area. B) Protect all personnel, visitors, contractors, service providers to ensure they can safely evacuate during an emergency; C) Protect all special categories of workers and children in childcare facilities so that they are safely evacuated during an emergency; and E) Provide a list of equipment and/or machines that require lockout/tag out in the event of

being: i) serviced; ii) under maintenance and iii) repair work. 2) The weekly and monthly factory safety talks are conducted to communicate health and safety procedure to the general workforce. Workers are provided with factory health and safety handbook written in a local language understood by the workers 3) At all times, ensure that workers operating: a) Sewing machines, use needle guards and eye shields; b) snapping machines, use appropriate machine guarding; and c) use the appropriate Personal Protective Equipment (PPE). Assign someone responsible for ensuring that all machines are retrofitted with proper safety devices, e.g. needle guards, acrylic shields, conveyor belts, etc. Factory management is to ensure, and implement, a documented written PPE use positive incentive/reward/award system so workers: i) Use PPE at all times, throughout all departments; ii) conduct mandatory documented training sessions for all workers and managerial position related to the risks and harms of failing to wear/properly use, PPE and iii) post posters, written in the language(s) understood by its workers and managers, in each workplace showing the necessary and proper use of PPE for each worker. 4) All machines and workstations in production areas are posted with safety standard operating procedures (SOP) in local language or language understood by workers throughout the production departments. 5) Bathrooms are clean at all times. Establish an effective and regular maintenance and cleaning system to track proper cleaning of bathrooms (cleaning records should be maintained). Regularly train and communicate cleaning and maintenance staff on proper hygiene standards. Provide all bathrooms with soap and signs on smoking restrictions. 6) To set up a system to ensure all accident records and reports are regularly: A) tracked; B) analyzed; C) reviewed; D) conduct tracking or analysis of days lost due to accidents in 2015 and G) create a follow up action plan to prevent recurrence. 7) To develop and implement safety policies and procedures for: a) working at heights and b) loading materials on racks. Documented training materials and record for workers perform work at heights and loading materials on racks. 8) To post "load limits" in racks and shelves at the material warehouse. Goods and materials must: a) be stacked with the heavier items on bottom shelves and b) not exceed the specified load capacity of the shelves or racks. 9) At all areas in which glue is applied, workers must at all times be provided with proper PPE that is based upon MSDS such as NIOSH approved standard carbon activated masks and chemical gloves; 10) Workers in the laser cutting section are operating the laser machines : A) with appropriate and full enclosures/covers with safety interlocks and B) posted with standard operating procedures with specific requirements for closing the lids during operation;

Action plan status: Completed

Planned completion date: 08/10/16

Progress update: 05/08/17 : 1.a. The Factory has established their Women's Rights Policy (Doc No.: CP-HRCM 013, Ver: 01). In 2017, all pregnant workers (after their 7th month of pregnancy) will be transferred to the pre-assembly area where the work areas present less risks to their pregnancy. In the case of an emergency, the pregnant women and workers with disabilities will be assisted by HSE network. b, Visitors, contractors, service providers will have a brief HSE training (how to response in case of emergencies, exit way, assembly area, etc.) & HSE training related to their working purpose by factory PIC; c) Fire Safety plan has defined the PIC to protect all special categories of workers (pregnant workers, visitors, etc.) so that they are safely evacuated during an emergency. 2. It was verified that HSE officer is announcing 6S & HSE reminders daily to all workers via loudspeaker since 12th Dec 2016. The topics will be changed from 6S, SMS (Short Message Service), PPE, HSE policies, Fire Safety, Fire Responsiveness on a rotational basis. The Factory provided to the PC internal audit team documentation illustrating weekly meetings with middle management to review their HSE performance. 3 & 9. Factory has planned maintenance of all factory machinery to ensure the equipment is retrofitted with safety guards including, i) PPE use at all times, throughout all departments ii, Training for 425 workers from 18th Aug 2016 to 30th Aug 2016 on PPE use (~ 1 hour/ class/ day). The training was provided by the HSE Officer . iii. The Factory also runs HSE & 6S videos on SCI TV in the canteens & delivered Employee's Handbook to all workers 4. It was verified that related SOPs are bilingual and posted in production area for reference 5. It was verified that Factory has established cleaning procedures: - Bathrooms will be cleaned twice by the assigned cleaner (once in the morning and once in the afternoon). - Additionally, the Factory has provided soap and posted smoking restrictions 6. It was verified that Factory had a total of 29 accidents in 2016. Their root causes were analyzed, & preventative corrective actions were created. A) Factory kept track of all 29 accidents in 2016 B) Factory conducted analysis to find the root causes of accidents. C) After 2 months since corrective action completion, Factory has reviewed the effectiveness of corrective action D) Total days lost due to accidents at Factory in 2016 were 108 days 7 & 14. a. Factory has established regulation for working in heights that requires that all certified suppliers/subcontractors receive "permit to work" from authorized person. It also requires they follow all HSE requirements when they work in factory. It was verified that the Factory has implemented training & working at height permit requirement for sub-contractor that conducts camera system maintenance at the factory on 23rd Dec 2016. b, For loading materials on racks, the Factory has worked with supplier to receive loading & limit capacity information to display in the racks area. Factory management also worked with warehouse dept. to ensure that all materials put on racks is under limit capacity. 8. Factory posted "load limit" into racking required information: - Loading capacity: <600 kg/m2 - Limit capacity < 108.000 kg 9. Workers are provided proper PPE based on MSDS such as NIOSH approved standard carbon activated masks and chemical gloves; 10. It was verified that the Factory has installed safety guard for cutting machine & set formula that the machine can't be operated if the cover is open. Additionally, the Factory posted work instruction in local language & caution board in cutting machine; only workers who are trained on how to operate laser cutting machine are allowed to use it.

Completion date: 05/08/17

2. 11) All elevator gates in the factory are: a) to be installed with automatic sensors and ensuring gates must be closed to allow normal operation of elevator and b) posted with standard operating procedures to mention the requirement to close all the gates at every floor to operate elevator. Ensure proper safety practices when elevators are being maintained; 12 There is system to: a) Document log records; b) keep track and c) proper maintenance of all the drinking water filter station in the factory; 13) To conduct Job Hazard Assessment on appropriate Personal Protective Equipment (PPE) being used by canteen workers and ensure that: A) Workers are provided with: 1) Anti-slippery boots; 2) hairnet; 3) appropriate masks and 4) gloves; B) receive refresher training on the use PPE; C) they are communicated the use of appropriate Personal Protective Equipment (PPE) by posting safety poster in the canteen; 14) To set up work permit system in the factory and appoint accountable person ensuring to effectively implement: a) To Control hazardous work being carried out in the factory; b) to track all maintenance work including assurance that the elevator repair team must follow standard operation procedures; c) to monitor and enforce the safety requirements of welding work which requires the following: must: 1) Welders be provided with appropriate masks and ii) welding goggles; iii) follow proper welding/tank safety practices and iv) the gas cylinder/tank must be properly chained. 15) Workers have unrestricted access (at all times) to all Material Safety Data Sheets in the storage and production areas. Label all chemical containers appropriately as such with their contents and main hazards. 16) Ensure that all workers working with chemicals are trained on chemical usage and chemical safety.

Action plan status: Completed

Planned completion date: 08/10/16

Progress update: 05/08/17 : 11. It was verified that the Factory has installed Interlock between elevator door & the wall to ensure that the elevator doors are closed during operations. Additionally, the Factory posted caution board " Do not stand on when elevator is opening" as a preventive measure. 12. It was verified that the Factory has established & conducted monitoring of its filter stations that includes a review of the water pressure, , waste water, fresh water, conductive indicator, pH indicator and salt indicator for all the drinking water filter stations in the factory in Nov'2016 a) Document log records are available for recording & monitoring; b) Documents are available for tracking c) Factory has a planned maintenance schedule of all the drinking water filter station in the factory to ensure that they are safe and adequate. 13. It was verified that the canteen provides proper PPE for the canteen staff, and they receive the HSE training once a year which is part of the 2017 training plan approved by Management. A) Workers are provided with: 1) Anti-slippery boots; 2) hairnet; 3) appropriate masks and 4) gloves; B) The Factory conducts refresher training on the use PPE for all canteen staff C) They are communicated the use of appropriate Personal Protective Equipment (PPE) through the HSE & 6S video on SCI TV at canteen, & HSE daily broadcast 15. It was verified that MSDS in local language including all required information are posted in the workplace, easy for workers' access when necessary 16. Factory provided chemical safety training to 22 workers who work with chemicals on 12th Aug 2016.

Completion date: 05/08/17

FINDING NO.7

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory has not conducted an external third party fire risk assessment.
2. On Aug 4th, 2015, the fire pump #1 was reported to be in need of repair and a new battery was needed; however, the factory did not repair it until 24-Sept-2015.
3. There was no emergency light on the stairs at the light location C2-14. A log shows that it was removed for repair/new battery on Oct 1st, 2015. It had not been repaired by the time of the audit on October 14, 2015.
4. The fire inspection by the local fire department in May 17th, 2015 required the legally mandated installation of sprinkler systems in the factory but the factory is still considering how to comply

Local Law or Code Requirement

TCVN 3890:2009; FLA Workplace Code (Health, Safety, and Environment Benchmarks HSE.5.1, HSE.5.3, HSE.6.1, HSE.14.1, and HSE.14.3)

Recommendations for Immediate Action

1. Ensure the timely repair of fire equipment.
2. Immediately repair the emergency light on the stairs (C2-14).
3. Follow the requirements of the fire inspection and install an appropriate sprinkler system within the factory.

COMPANY ACTION PLANS

1. "Immediate Action Required: The Factory must identify the manager and team who will ensure that: 1) A third party expert is retained to conduct fire risk assessment and address any issues found. 2) There the timely repair of fire equipment such as the serving of fire pump that required replacement of new battery. 3) There is proper maintenance regime in place: a) Document maintenance logs and keeping records of service of all fire safety equipment such as: i) Emergency Lights; ii) exit signs and iii) fire detection/prevention/protection devices; b) Conduct ongoing checks to ensure there is tracking system for all removed fire safety equipment after serviced and or repaired must be replaced at the original location; d) Immediately repair the emergency light on the stairs (C2-14). 4) Comply with applicable local fire regulations and inspections by completing the installation of an automatic fire pump and sprinkler systems in factory buildings as requested by the local fire department. 5) Documentation must be provided when fire risk assessment and inspections have been completed."

Action plan status: Completed

Planned completion date: 08/24/16

Progress update: 05/08/17 : 1 & 5. It was verified that the Factory has worked with 3rd party expert - [Company Y] to conduct fire safety assessment on 7 June 2016. The factory received a score of 68 - Medium risk. Factory has analyzed root causes of issues found & taken corrective action to eliminate/ minimize the risks. 2. The fire pump battery has been replaced. Additionally, the Factory has established water pump and fire hose checklist to monitor & track system, as well as assigned safety officer who will be responsible for following up & tracking. 3. The Factory has established their 2017 maintenance plan for all equipment including fire safety equipment at factory. a) Maintenance logs and records of service of all fire safety equipment such as i) Emergency lights; ii) exit signs and iii) fire detection/prevention/protection devices are available for review b) Factory assigned PICs for each area to ensure there is a tracking system for all removed fire safety equipment after they are serviced and/or repaired so they are replaced in the original location; c. The Factory already installed emergency lights on the stairs at the light location C2-14. Factory has established a checklist for checking & tracking fire safety equipment. 4. According to the audit finding, that Factory has installed sprinkler system in factory buildings as requested by the local fire department. Fire pump already installed at the audit time.

Completion date: 05/08/17

FINDING NO.8

COMPENSATION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory does not settle medical insurance claims within three days of approval of the from the social insurance authority, as required by Social Insurance Law. Procedures require that the insured employees send the claim and relevant valid documents to the factory while the factory sends submits the documents to the social insurance organization on a monthly basis for approval. As the last step, the social insurance authority approves the claim within 10 days from the date of receiving the documents from the factory. As per local requirements, thereafter the factory has to pay the insured employees within three days from the date of approval.

Local Law or Code Requirement

Recommendations for Immediate Action

1. Ensure that all medical insurance claims are settled within three days of approval from the social insurance authority, as per legal requirements.

COMPANY ACTION PLANS

1. "Immediate Action Required: 1) The factory is to ensure that all medical claims are settled within three days of approval from social insurance authority, as per legal requirements. 2) Management to develop a process to ensure all medical claims are paid within 3 days after submission. 3) Factory to maintain all payment records evidence. 4) Factory must ensure that: a) The relevant management is trained on: i) The awareness of the legal requirements and ii) the process of settling medical claims; b) workers are aware (through training and documentation) of their legal rights regarding medical claims settlement."

Action plan status: Completed

Planned completion date: 07/27/16

Progress update: 05/08/17 : 1 & 2. Based on verification, factory has established Sickness & Maternity Payment Procedure (Document No.: CP-ACCT-002, version: 01) which took effect on 01st Jan 2017. Procedure mentions that all medical claims are settled within three days of approval from social insurance authority. 3. PC verified 01 set of social insurance for medical claim on 1st Dec 2016 which showed that the factory settled medical claim payment within 03 days of approval from social insurance authority as legal requirements - Social insurance authority approval date: 15th Dec 2016 - Payment date: 17th Dec 2016 4. It was verified that training on legal requirements re; medical claims is included in the 2017 training program for workers and management.

Completion date: 05/08/17

FINDING NO.9

TERMINATION & RETRENCHMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The written procedure on Termination does not comply with local laws. The procedure only covers case where an employee unilaterally terminates labor contract, contract expiration, and dismissal due to violation of the factory's regulations. In the case of contract expiration, the procedure does not require the factory to inform employees 15 days in advance before termination. In the case of dismissal, a dismissal decision is issued right after the violation is recorded, but the factory does not conduct a verification meeting.
2. The written procedure on Termination does not provide guidance on methods for calculating termination payouts.
3. The factory does not communicate its retrenchment policy and procedures to the general workforce.
4. The factory does not arrange consultation meetings with workers or with worker/union representatives before the management reaches any final decisions on layoffs.

Local Law or Code Requirement

The Vietnam Labor Code, Article 36; FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.16.1, ER.19.1, ER.32.1, and ER.32.3)

COMPANY ACTION PLANS

1. "Immediate Action Required: The factory management must ensure with immediate effect to review the existing written Termination procedure which should: 1) Comply with local laws; 2) Covers all cases of termination such as: i) Retrenchment and layoff; ii) Employee unilaterally terminates labor contract; iii) Contract expiration and iv) Dismissal due to violation of the factory's regulations; 3) Ensure that in the case of contract expiration, the factory must inform employees 15 days in advance before

termination; all records of informing and payment should be kept accordingly 4) Ensure that in the case of dismissal, the factory follow disciplinary procedures according to Decree 05/2015/N_-CP, all supported documents including Violation notes, Disciplinary meeting record and Disciplinary Decision should be kept for tracking. The disciplinary meeting and dismissal decision need to have consensus and signature of Trade Union, according to Vietnam law. 5) Provide guidance on methods for calculating termination payouts; 6) Communicate its retrenchment policy and procedures to the general workforce; 7) Arrange consultation meetings with workers or with worker/union representatives before the management reaches any final decisions on layoffs. Factory should be able to provide evidence and all supported documents. 8) Ensure that the relevant management is trained on and aware of the laws and the revised Termination procedure. "

Action plan status: Completed

Planned completion date: 08/10/16

Progress update: 05/08/17 : 1, 2 & 3. Factory revised its Contract Termination Procedures (Doc. No: CP-HRCM- 011, ver: 01) to comply with local law. All required points included in the "Corrective action plan" are included in the revised document. Also, as a preventive measure, the Factory had developed The Regulation and Procedure for Labor Document Control (Doc No.: CP-HRCM-001, ver:00) which took effect on 27th June 2016. The policy requires all labor related documents to be reviewed every 6 months (June & Dec) , or as needed based on legal change. Procedures for employee contract termination includes the following scenarios: i) Retrenchment and layoff; ii) Employee unilaterally terminates labor contract; iii) Contract expiration and iv) Dismissal due to violation of the factory's regulations; 4. The factory complies with disciplinary policy which was established on 25th May 2016. All supported documents including, disciplinary memo and Disciplinary Decision with consent of management and signature of Trade Union will be kept. 5. It was verified that the calculation of termination payouts is included in the Contract Termination Procedures (Doc. No: CP-HRCM- 011, ver: 01) and it complies with clause 1, article 43 of labor law. 4) Factory established disciplinary procedures which includes steps on how to handle dismissals and disciplinary actions based on Decree 05/2015/N_-CP requirements. It's been verified that: - The Factory has not experienced any cases of dismissal. - For disciplinary cases, all supported documents including violation notes, disciplinary meeting records and Disciplinary Decision with related person's signature were available for review. 6 & 8. The Factory has established training plan in 2017 including required training courses for new / current employees (workers & management). Additionally, the new policies and procedures were posted on bulletin board in public areas for workers' review. 7. Factory has not conducted any massive lay offs/retrenchment. If they do at a later point, the Factory will comply with all legal requirements.

Completion date: 05/08/17

FINDING NO.10

INDUSTRIAL RELATIONS

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory has a trade union under the Vietnam General Confederation of Labor (VGCL) that was established in 2006. The current Union chairman was elected for the term of 3 years (2014 – 2017). Workers do not sign an application to join the Union, but they automatically become Union members upon signing labor contract. The factory deducts a union fee from the workers' monthly salary without the workers' written consent.
2. Workers elected the representatives of their department. These representatives then elected the Executive Committee comprised of 15 people. The Board then elected the chairman, who is a staff member of the Purchasing department.
3. 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 and for the union representatives to perform their functions.
4. Workers are not provided with a copy of the Collective Bargaining Agreement (CBA) and about 90% of the interviewed workers were completely uninformed about the contents of the CBA, although there is a signed list of 98% workers who reportedly agreed with the contents of the CBA.
5. According to Article 77.2 of the Vietnamese Labor Code, when the laws concerning CBA provisions change and are no longer applicable, both parties (Factory and Union) must revise the CBA within 15 days from the effective date of the new laws. The CBA was signed in December 1st, 2013 for a term of two years. There are many new laws and regulations that went into effect since then, but the factory has not updated or revised the CBA accordingly.

6. There are no written dialogue procedures. According to Article 10.2 of Decree No. 60/2013/ND-CP, the employer has responsibility to issue the regulation on periodical discussion at the working places after consulting the organizations representing labor collectives at grassroots and publicize to each employee in enterprises for implementation.
7. Dialogue meetings were only organized by management twice in 2014 (April and July 2014) and no meeting was organized in 2015. According to Article 65.1 of the Vietnamese Labor Code, dialogue meeting should be organized every 3 months or based on requirement of either employer or employees.
8. 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 63.3, 65.1, and Article 77.2; Decree No. 60/2013/ND-CP; FLA Workplace Code (Employment Relationship Benchmarks ER.16.2, ER.25.2, and ER.26.2; Freedom of Association Benchmarks FOA.2, FOA.15, and FOA.24)

Recommendations for Immediate Action

1. Ensure that workers voluntarily agree to the monthly deduction of the union fee. Require a written consent form signed by each worker and keep records of their written consent regarding the monthly deduction of union fees.

COMPANY ACTION PLANS

1. "Immediate Action Required: The Factory must identify the Top management and team who will ensure: 1. Management will seek and maintain written consent for the deduction of union dues from workers: a) Create a process to ensure written consent is requested at the time of hiring; b) The deduction for union member dues is reflected on workers' pay slip; 2. The Union and Worker Representatives have the facilities necessary for the proper exercise of their functions, including access to workplaces and designated union office/equipment to carry out their union meetings and legally mandated functions. 3. Workers are provided with copies of the Collective Bargaining Agreement (CBA), consistent with FLA benchmarks; 4. Both parties (factory and Union) must revise the CBA within 15 days from the effective date of any new laws in order to immediately update and revise the CBA in accordance to Article 77.2 of the Vietnamese Labor Code. 5. To develop a written dialogue procedure according to Article 10.2 of Decree No. 60/2013/ND-CP: a) The factory must be responsible to implement policy/procedure for periodical discussion at the working place after consulting the organizations representing labor collectives at grassroots and b) publicize to each employee in the factory as part of the implementation. 6. The Management must organize the dialogue meetings every 3 months or based on requirement of either employer or employees in accordance to Article 65.1 of the Vietnamese Labor Code. 7. That laborer conference is to be held once every 12 months in accordance with article 14 and 16 of Decree No. 60/ND-CP for all employees in the company. 8. The development/creation and implementation of Industrial Relations and Freedom of Association procedures that would enable workers to consult with and provide input to management through appropriate structures to be developed for this purpose; 9. Workers and Management representatives should be trained on new procedures; including non-discrimination and freedom of association standards for personnel in charge of policy/procedure development as well as implementation; 10. Assign someone responsible for policy and procedure enforcement/implementation. 11. Workers are specifically and regularly trained on their legal right to collectively bargain and the content of their CBA as part of their training on Industrial Relations."

Action plan status: Completed

Planned completion date: 08/10/16

Progress update: 05/08/17 : 1. The Factory has defined requirements to join trade union in the Collective Labor Agreement which was signed on 5th Jan 2016. Additionally, per documentation review, i.e. trade union application form was reviewed in worker's file. a, The policy mentions clearly that workers have the right to join or not join the trade union It also includes information on union dues (20.000 VNĐ) for union members. All workers have signed consent form at time of hiring. b, Trade union fee is deducted & reflected on worker's pay slip monthly 2. Factory has designed a place for trade union meeting office, all activities related to trade union will be conducted there. 3. Factory has posted Collective Labor Agreement on the Bulletin Board for workers' reference. 4. The latest CBA was revised on Apr' 2016 by for updating new laws. 5. Factory has established Dialogue at the Workplace procedure to comply with Article 10.2 of Decree No. 60/2013/ND-CP: a) In order to improve & develop union-management relationship, the Factory has defined & assigned to the trade union chairman to be responsible for working with management team after getting feedback/ ideas from workers. b) Trade union will conduct quarterly meetings with representatives from management, trade union & workers in order to publicize company information to each employee in the factory as defined

in the Dialogue at workplace procedure. 6, 7. The Factory has established Dialogue at workplace procedure (Doc No.: CP-HRCM028, take effects on 27th Jul 2016)) which indicates that the dialogue will be conducted quarterly & include representative from management, trade union & workers. PC verified 02 dialogue at workplace meeting minutes that were conducted on 13th Aug 2016 with 71 participants from Head of Departments, Trade union chairman and trade union members & and 9th Dec 2016 with 50 participants from Head of Departments, Trade union chairman and trade union members. Laborer conference was conducted on 21st May 2016 with participation of 71 employees & 02 Head of departments & 3 persons from the trade union. 8. Workers' suggestions/ ideas were raised & recorded through dialogue at workplace meetings. 9. Factory has established training for 2017 including required training courses for new / current employees. Additionally, the new policies and procedures were posted on bulletin board in production area for workers' reference. 10. On each policy & procedures, factory has defined the scope & administration for policy/procedure administration. 11. Factory has planned to conduct CBA & Industrial Relations (as part of Dialogue at workplace procedure) for their employee

Completion date: 05/08/17

FINDING NO.11

WORKPLACE CONDUCT & DISCIPLINE

FINDING TYPE: Immediate Action Required

Finding Explanation

1. There are no procedures for workers to appeal disciplinary actions against them.
2. The factory does not communicate its disciplinary procedures to the general workforce.
3. The factory does not inform workers when a disciplinary procedure has been initiated against them.
4. The factory does not comply with local law in terms of disciplinary decision rights. The HR Manager, 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 requirements are set out in Article 30.4 of the Decree 05/2015/ND-CP guiding the implementation of some Articles of the Labor Code, which only allows the Employer or company's legal representative to apply serious disciplines to employees.
5. The factory's disciplinary practice does not comply with local laws. The factory did not hold a meeting to verify violations as required by law. There are no authorized signatures and stamps on the warning letters. The warning letters were not sent to the violators. In one case, the factory disciplined a breastfeeding worker, contrary to local law, According to Article 155.4 of the Labor Code, the Employer is not allowed to discipline workers for any reason during their pregnancy, maternity leave and breastfeeding period.

Local Law or Code Requirement

The Vietnam Labor Code on Discipline and Material Responsibility, Chapter VIII, Article 123 and Article 155.4; Decree No. 05/2015/ND-CP; FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.16.1, ER.25.1, and ER.27.3)

Recommendations for Immediate Action

1. Refrain from imposing disciplinary actions on special categories of workers protected by law, such as pregnant workers, lactating women, and women on maternity leave.

COMPANY ACTION PLANS

1. Immediate Action Required:

The factory must identify the Top management and/or team who will ensure:

- 1) Factory management is to enhance and/or add its Workplace Conduct & Discipline written policy and procedures to include: a/ disciplinary rules, b/prohibited behaviors; b) an appeal procedure; c) a 3rd party witness during imposition; and c/ a process to inform workers when a disciplinary process has been initiated against them, workers' right to participate and be heard in any disciplinary process against them and a require to maintain disciplinary records in workers' personal files.
- 2) To provide every worker with a copy of the workplace rules during orientation;
- 3) To communicate its disciplinary procedures to the general workforce.
- 4) To comply with the specific requirements are set out in Article 30.4 of the Decree 05/2015/ND-CP guiding the implementation of some Articles of the Labor Code, which only allows the Employer or company's legal representative to apply serious disciplines to

employees. In terms of disciplinary decision rights to taken by the HR Manager, who is duly authorized by the employer: a) Can only issue discipline warnings: b) not to impose either dismissal c) and or a delay in wage increase as a form of disciplinary action which the law only allows the Employer to impose.

5) The factory's disciplinary practice must comply with local laws and such that: a) Factory must hold a meeting to verify all violations as required by law; b) documented authorized signatures and stamps on the warning letters and c) the warning letters must be sent to the violators;

6) The disciplinary meeting and dismissal decision need to have consensus and signature of Trade Union, according to Vietnam law. Factory management who sign off Disciplinary meeting records and Disciplinary Decision should be legal representative of factory authorized by law, according to Decree 05/2015/NĐ-CP.

7) To refrain from imposing disciplinary actions on special categories of workers protected by law, such as pregnant workers, lactating women, and women on maternity leave.

Action plan status: Completed

Planned completion date: 08/10/16

Progress update: 05/08/17 : Factory has issued Authorization Letter for HRCM (Human Resources & Compliance Manager) 1 & 3. It was verified that the Factory has established the disciplinary procedure (Doc No. : CP-HRCM-027, ver: 00), taking effect on 25th May 2016. The Factory trained 18 HR staffs on 20th Aug 2016 from 13:00- 14:30. Additionally, Training plan which established in 2017 mentioned that they will conduct these training for all worker on Apr & Aug'2017, including the following training topics: a/ disciplinary rules, b/prohibited behaviors; b) appeal procedure; c) 3rd party witness during sanctions; and d/ a process to inform workers when a disciplinary process has been initiated against them, e) workers' right to participate and be heard in any disciplinary process against them and a require to maintain disciplinary records in workers' personal files. 2. Factory has delivered copy of workplace rules/ employment handbook after completing orientation training to participants. Additionally, the Factory has posted workplace rules on the bulletin boards for reference. 4 It was verified that the Factory has issued Authorization Letter for HRCM Manager who has authorization to sign on labor contract, resignation, accident investigation reports, disciplinary memos documents. Letter has been approved by Director & became effective on 3rd Oct 2016. The Authorization Letter spells out the HRCM Manager's roles & responsibility as per law: a) May issue disciplinary warning letters, b) But cannot handle dismissals, c) and or a delay in wage increase as a form of disciplinary action which the law only allows the Employer to impose. 5 & 6. There has not been any dismissal cases at factory until now. Also, the Factory has established & applied the disciplinary procedure (Doc No. : CP-HRCM-027, ver: 00), taking effect on 25th May 2016.). The policy was mentioned the role & responsibility of employee, representative of employee and trade union as per law (Decree 05/2015/NĐ-CP). a) Factory will hold meeting with employee, HR, representative of employee and trade union to verify all violations as required b) Meeting minutes & documented authorized signatures and stamps on the warning letters are available for review c) The warning letters are sent to the sanctioned worker for their awareness & 1 copy is kept by the HR Dept. 7. Factory has established in the disciplinary procedure (Doc No. : CP-HRCM-027, ver: 00, page 2) that procedure won't apply to protected workers (ex: pregnant workers, lactating workers, workers on maternity leave, and disabled workers).

Completion date: 05/08/17