



COMPANY: Pou Chen
COUNTRY: Vietnam
ASSESSMENT DATE: 10/12/15
MONITOR: FLA Assessor Team (Turkey)
PRODUCTS: Footwear
PROCESSES: Full [= full package]
NUMBER OF WORKERS: 21614
NUMBER OF WORKERS INTERVIEWED: 235
ASSESSMENT NUMBER: AA0000001899

What's Included in this Report

- Understanding this Assessment Report
- Glossary
- Score by Employment Function
- Score By Management Function
- Score Summary
- Summary of Code Violations Table
- Findings and Action Plans

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.

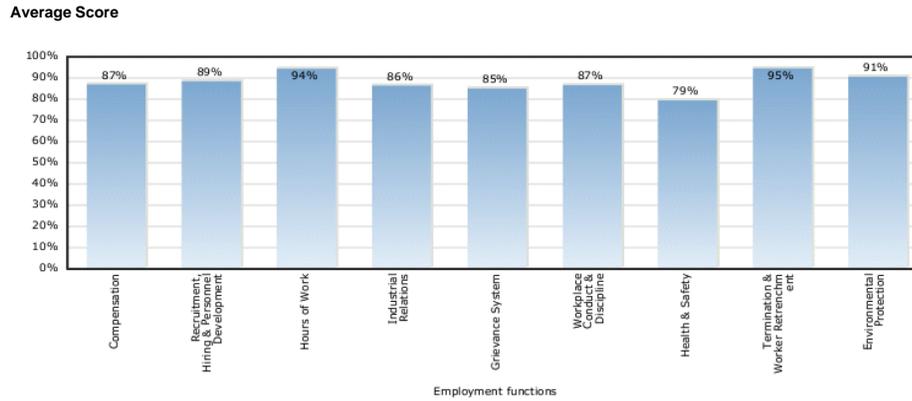
Root causes: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that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

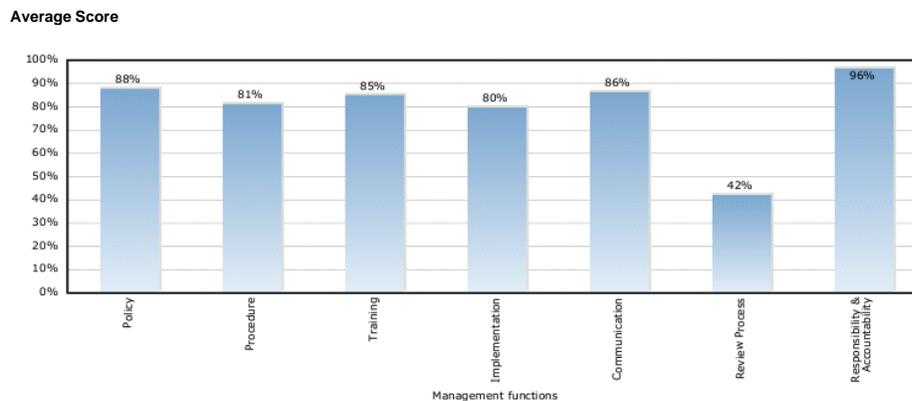
Score by Employment Function

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	91.67%	66.63%	100%	87.5%	81.82%	85.71%	100%	90%	100%
Procedure	87.5%	87.5%	94.44%	64.71%	72.22%	88.89%	85.71%	75%	100%
Responsibility & Accountability	100%	83.25%	100%	100%	100%	100%	100%	100%	100%
Review Process	50%	0%	50%	0%	0%	50%	50%	66.67%	66.67%
Training	92.86%	100%	100%	50%	75%	100%	83.33%	76.04%	80%
Implementation	78%	88.84%	88.24%	85.29%	63.64%	56.82%	100%	76.72%	80.89%
Communication	66.67%	87.5%	85%	100%	75%	91.67%	87.5%	90%	75%

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	3	General Compliance Compensation Voluntary Wage Deductions Workers Awareness and Understanding of Compensation
Employment Relationship	11	General/Human Resource Management Systems Terms and Conditions/Communication General/Documentation and Inspection Administration of Compensation/Wage Advances Industrial Relations Industrial Relations/Right to Organize, Bargain and Participate in Legal Strikes Work Rules and Discipline Recruitment and Hiring/Employment Decisions Skills Development/Promotion, Demotion and Job Reassignment Health, Safety, and Environmental Management System/Policies and Procedures Termination and Retrenchment/General Policies and Procedures
Freedom of Association and Collective Bargaining	2	General Compliance Freedom of Association Right to Collective Bargaining/Validity of Collective Bargaining Agreement
Harassment and Abuse	6	General Compliance Harassment or Abuse Punishment of Abusive Supervisors/Managers/Workers Discipline/Monetary Fines and Penalties Discipline/Physical Abuse Discipline/Verbal Abuse Discipline/Psychological Abuse
Hours of Work	1	General Compliance Hours of Work
Health, Safety and Environment	9	General Compliance Health, Safety, and Environment Ventilation/Electrical/Facility Installation and Maintenance Machinery Safety, Maintenance and Workers Training Ergonomics Document Maintenance/Workers Accessibility and Awareness Food Preparation Notification and Record Maintenance Evacuation Requirements and Procedure Chemical Management and Training
Non-Discrimination	3	General Compliance Nondiscrimination Reasonable Accommodation for Health Reasons Recruitment and Employment Practices/Job Advertisements, Job Descriptions and Evaluation Policies

Findings and Action Plans

RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The employment contracts do not include information on working hours (time in and time out), weekly rest day, and annual leave details.
2. The factory does not have written job descriptions for all positions.
3. Factory management signed one to two month probation contracts with administrative staff and technical staff who have college education; however, the social security, health insurance, and annual leave benefits are not included in the wages for college graduates, as legally required.
4. It was observed that the duration of the probation period for different positions is not linked to the type and complexity of the job, as required by the local law. Instead it is based on the prior education/experience of the individuals.
5. Although none of the written documentation related to Recruitment & Hiring includes any discriminatory information, there are some discriminatory criteria followed by managerial staff involved in the recruitment process. Some staff mentioned that age, gender, having a tattoo, weight, and height are important factors for them on decision making on recruitment. Male and female candidates with a height and weight less than 1.58m/48kg (male) or 1.48m/38kg (female) respectively are rejected for recruitment.
6. There are no documented guidelines and procedures in place for workers that transfer to different positions. In addition, there is no documentation showing the consent of the worker transferring, resulting in the system being vulnerable for abuse by supervisors as a form of disciplinary action/punishment.
7. During the records review, a list of employee names were provided to the factory, and requested for the employee's personal files. These employee files were not provided timely, as the factory spent significant time finding these personal files. As per FLA requirements, Employers shall maintain on file all documentation needed to demonstrate compliance with the FLA Workplace Code and required laws.
8. There is no ongoing training provided to workers on Recruitment, Hiring, & Personnel Development policies and procedures.

Local Law or Code Requirement

Decree 05/2015/ ND-CP, Article 3.7, Vietnam Labor Code 2013, Article 186.3. Vietnam Labor Code 2013, Article 27. According to the Vietnam Labor Code 2013, Article 8.1, According to the Decree 05/2015/ND-CP, Article 8.(3) and 8(3)., Circular No.23/2014/TT-BLĐTBXH, Art.7, FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.2; Nondiscrimination Benchmark ND.1)

Root Causes

1. Management has misinterpreted local law requirements during the development of all procedures. Factory management has only taken into consideration the directly translated procedures from the parent company in China rather than taking into account Vietnamese law requirements. In addition, translation issues from the procedures at the parent company in China contribute to misunderstandings and misinterpretation of procedures at the factory in Vietnam.
2. The factory's Human Resource HR Department's capacity is insufficient regarding manpower. Additionally, factory management is not trained on local law requirements.
3. There is no effective internal monitoring system, both at the factory and Headquarter HQ levels.
4. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
5. These issues have not been identified during the previous internal and external audits.

Recommendations for Immediate Action

1. Ensure that social insurance, health insurance, and annual leave is provided to workers during their probationary period, as per legal requirements for workers with college degrees. Revise the contract and wage slips for workers with college degrees to include a clause addressing the provision of social insurance, health insurance and annual leave during probationary period.

COMPANY ACTION PLANS

1. There are all function department and key feature process job description in place.

Action plan status: Completed

Planned completion date: 12/31/15

Progress update: 09/30/16 : Complete

Completion date: 12/31/15

2. Follow the suggestion of FLA, new comer probation duration has linked to the type and complexity for different positions.

Action plan status: Completed

Planned completion date: 06/01/16

Progress update: 09/30/16 : Completed

Completion date: 06/01/16

3. Anti-discrimination requirements have already been added to recruitment, hiring and personnel development policies and procedures. HR recruiting and training staff have been trained about this requirements.

Action plan status: Completed

Planned completion date: 05/31/16

Progress update: 09/30/16 : Completed

Completion date: 05/31/16

4. 1. The procedure for position reassignment has been finalized. Before workers transfer to another department/position, supervisors need to communicate to them 3 days ahead of the reassignment. Workers shall sign their name in the transfer sheets base on workers' own voluntary. 2. Workers may feedback question to HR/SD/TU if they have any concerns.

Action plan status: Completed

Planned completion date: 01/31/16

Progress update: 09/30/16 : Completed

Completion date: 01/31/16

5. Based on the Circular No.23/2014/TT-BLDTBXH, Art.7 which mentioned that " Employers must be responsible to manage and use the employment logbook for the right purpose and make it available whenever it is requested by the Division of Labor, War Invalids and Social Affairs; the Department of Labour, War Invalids and Social Affairs at an area where the employer's main office, branches and representative offices are located; inspectorate of the Ministry of Labor, War Invalids and Social Affairs, and relevant regulatory agencies." It also regulated the employment logbooks shall enclose basic information about employees. Factory has followed the local law requirement to formulate and manage the employees' personal files, and the factory is trying to improve the efficiency of finding files. Factory will consider to reorganize the employees' personal files based on workers' names instead of recruitment date. Firstly, factory will try to come up with an IT system to match this practice. Secondly, this practice will be applied to newly recruited workers for a start, and it will be applied to all of employees step by step.

Action plan status: Planned

Planned completion date: 10/31/16

6. HR will conduct annual training plan that aim at increasing HR members' professional capability. After HR staff being trained, HR staff shall cultivate multi-functional workers' on recruitment, hiring, and personnel development policies.

Action plan status: Planned

Planned completion date: 12/31/16

7. Have internal discussion with cross function team on this requirement to include information of working hours, weekly rest day, and annual leave in employment contracts. Firstly, factory will try to communicate with workers about this policy and then try to add this information to all of workers' contracts. After that, factory would have workers to sign the revised contracts.

Action plan status: Planned

Planned completion date: 12/31/16

8. Include the require benefits (health insurance, social security, annual leave) and probation period in the employee probation contract.

Action plan status:	Completed
Planned completion date:	12/31/15
Progress update:	09/30/16 : Complete
Completion date:	12/31/15

FINDING NO.2

COMPENSATION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. When workers come in 5 to 30 minutes late for work, 30 minutes is deducted from personal leave, while 30-60 minutes of tardiness will have a 60 minutes deduction from personal leave, posing an issue because these minutes do not actually reflect the actual time of missed work and workers loose out on minutes with this practice.
2. New salaries, when increased annually, are not reflected in the appendix attached to the labor contracts. The salary offered to workers in the labor contract is not reflected in the new wage shown on the registered wage scale, when the salary increase did not occure at the same time as the contract renewal.
3. Revised wages due to performance related increases for 30% of the production workers are not attached to the employment contracts, as per legal requirements.
4. The probation wages of those working in hazardous or hard conditions is the same as those workers performing work under regular conditions, which is the minimum wage, instead of 5% higher for work under hazardous or hard conditions, as per legal requirements.
5. The current performance evaluation system heavily relies on supervisors, who are able to decide bonus payments or relocate workers in different positions. Performance reviews are not conducted for all workers, but only for those nominated for promotion. Those performance reviews that are conducted depend entirely on supervisor evaluation, these reviews are not transparent for all employees. Factory management stated that they will establish/ apply the performance review by 2017.
6. Insufficient annual leave is provided to workers who have less than one year of service, as the factory rounds down in annual leave calculation. For example, if a worker has four months of service is given four days of annual leave instead of five days days, as legally required ($14 \times 4 / 12 = 4.6\bar{6}$ should be rounded up to 5).
7. The legally required non-monetary allowance is not provided to workers exposed to poor working conditions, such as high noise levels (there are 16 areas in the production area with excessive noise). This allowance is non-monetary and can include benefits, such as nutritional provision of milk. Factory management is legally mandated to provide the non-monetary allowance listed in the appendix one of the Circular No. 25/2013.
8. The legally required hard and hazardous allowance (a monetary allowance for work performed in hard or hazardous conditions) is not provided to cleaning workers in the office, who are exposed to the cleaning/sanitation chemicals. Also, the hard and hazardous allowance as outlined in the labor contracts is not permanently provided to laboratory operators and security guards; factory management only provides it to those workers when they work night shifts.
9. A copy of the ultra sound report is not kept to cross check pregnancy dates for the pregnancy benefit calculations and protection (shortened working hours and prenatal check up).

Local Law or Code Requirement

Vietnam Labor Code 2013, Article 101.1, Vietnam Labor Code 2013, Article 24, Decree 49/2013/NDCP dated May 14, 2013, Article 7, point 3.c., Decree 45/2013/NDCP on May 10, 2013, Article 7., Circular No. 25/2013/TT-BLĐTBXH, Art. 2.1, Decision 1152/2003/QĐ-BLĐTBXH on September 18, 2003., Vietnam Labor Code 2013, Article 155., FLA Workplace Code (Employment Relationship Benchmark ER.20; Hours of Work Benchmarks HOW.18 and HOW.11; Compensation Benchmark C.1)

Root Causes

1. Management has misinterpreted local law requirements.
2. There is insufficient HR capacity.
3. There is no effective internal monitoring system, both at the factory and HQ levels.
4. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
5. These issues had not been identified during the previous internal and external audits.

Recommendations for Immediate Action

1. Ensure that probation wages for workers in hazardous or hard conditions are in line with legal requirements.
2. Ensure that the annual leave provided to workers with less than one year of service is not rounded down. For workers with less than one year of service, ensure that annual leave is calculated in proportion to the duration of employment and rounded up (0.5 and up is rounded up to 1.0).
3. Provide the hazardous and hard working condition allowance to office-cleaning workers. Additionally, provide this allowance to workers at Canteen, Quality management (QM), and security departments.

COMPANY ACTION PLANS

1. Policy and IT system have been revised. If worker comes to work for 6 minutes late, the deduction will not be 30 minutes but base on the actual late time.

Action plan status: Completed
Planned completion date: 05/31/16
Progress update: 09/30/16 : Complete
Completion date: 05/31/16

2. The new salaries, when increase annually, have already reflected in the appendix attached to the labor contracts. Factory has already revised the procedure. When salary increases annually, it will be reflected in the appendix.

Action plan status: Completed
Planned completion date: 12/31/15
Progress update: 09/30/16 : Complete
Completion date: 12/31/15

3. About the performance bonus policy in factory, the line supervisor will evaluate line workers based on performance score-card SOP. And the revised wage due to performance would not attached in the employment contract. The performance bonus is separate from the base wage, and it doesn't include in the employment contract. Based on legal requirement, revision of basic salary should be attached to the employment contract; as for bonus, it has no need to be attached to contract according to legal requirement. Factory will add a section that includes performance bonus on the contract.

Action plan status: Completed
Planned completion date: 06/30/16
Progress update: 09/30/16 : Complete
Completion date: 06/30/16

4. The policy of probation has been modified, and probation wage for those working in hard conditions has been 5% higher than regular position. "he policy of employee probabtion wage complies with local Vietnam labor regulation article 28, which means these probation employees who didn't have hazardous allowance still received the wage in compliance with local law. (Article 28. Wage during the probation period. The wage for an employee during the probation period must be agreed upon by the two parties but must be at least equal to 85% of the wage for the job.) However, from December of 2015 onwards, the factory has already changed the probation wage policy which the salary during probation is as same as official salary.

Action plan status: Completed
Planned completion date: 06/01/16
Progress update: 09/30/16 : Complete
Completion date: 06/01/16

5. 1. The line supervisors are responsible for deciding bonus score according to daily efficiency of productivity. 2. Daily bonus scores have been post on bulletin board of shop floor, and this shows the transparency and two way communication. Workers would feedback question to manager if there's any concern. 3. HR/SD/Costing departments would check the processes routinely to help workers to solve problems. Performance bonus review includes staff of Quality, Output, Efficiency and SD/HR. These show that the performace review doesn't only rely on supervisor's evaluation but on various aspects of performance. The factory will provide trainings for supervisors and strengthen on communicating the content of performance reiview with workers.

Action plan status: Completed

Planned completion date: 06/30/16

Progress update: 09/30/16 : Complete

Completion date: 06/30/16

6. The factory has already rounded up the annual leave for those workers who have less than one year of service, but it's still count on manual calculation so far. The factory will modify the system for calculation. Further, the factory will communicate this change with all workers and train HR on this revised procedure in order to ensure all of the workers know this policy.

Action plan status: Planned

Planned completion date: 11/30/16

7. 1. The factory conducted the re-inspection on 12th of April in 2016, and the inspection results of 16 production areas with excessive noise showed that the problem of noise had been solved, the 16 areas are in compliance with inspection standards now. 2. After the inspection in 2016, there are still 8 areas in F9 and F10 not meet with the standards that either the temperature or the wind velocity is below the hygiene standards. (6 temperature parameter and 2 wind parameter in RS) 3. Since 3rd of May in 2016, the factory started providing the non-monetary allowance with 1 bottle of milk and 1 bottle of soy milk. Every on-duty workers in F9 and F10 shall receive the non-monetary allowance, and the daily quantity of workers depends on the attendance situation, which are approximately 600 people.

Action plan status: Completed

Planned completion date: 06/15/16

Progress update: 09/30/16 : Complete

Completion date: 06/15/16

8. A copy of the ultra sound report of pregnant workers has kept in personal files in HR department file system.

Action plan status: Completed

Planned completion date: 05/31/16

Progress update: 09/30/16 : Complete

Completion date: 05/31/16

9. Here are clarifications for the finding: 1. According to the work description a. Cleaning workers in the office do the clean-up works, such as mop the floor, take out the garbage, or clean the toilet. b. Laboratory operators in the factory conduct the quality test for shoe materials or shoes tension test. c. The duties of security guards in factory are patrolling and safeguarding factory's security. All those workers shall not contact to the chemicals or other dangerous substance, and it means these three positions are inapplicable to the legally requirement of hard and hazardous allowance. 2. With the reason of security, there are three shifts in QM laboratory. When operators or security guards are in the night shift, the factory would provide the allowance rather than a hard and hazardous allowance for those workers spontaneously, and this way is superior to legal regulation. The contract which agree by both factory and workers of the lab staff and security guard has also showed that factory shall provide allowance when workers are in the third shift. "1. Factory follows local law No.: 1152/2003/QD-BLDTBXH to provide hazardous allowance, but these 3 positions are not on the list which means those positions are either toxic or dangerous. 2. Lab workers do not contact glues or dyes; the guards work in areas with no chemicals-exposure; the cleaning workers in the office do not touch bleach and ammonia. They use only water and mops to clean the toilet. "

Action plan status: Completed

Planned completion date: 06/30/16

Progress update: 09/30/16 : Complete

Completion date: 06/30/16

FINDING NO.3

HOURS OF WORK

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The working time recording procedures do not include procedures to record overtime during the lunch break. This overtime is not recorded on the time record system with a time in and out, but manually updated for compensation. This issue affects only wastewater treatment operators, electricians, and mechanics, as they have repaired some machines during lunch breaks.
2. Factory has a buffer of 15 minutes for punch in-punch outs. However, some supervisors/line leaders are using this time to assign cleaning/preparatory work to the workers in their sections. This work is not considered as working time and compensated. In addition, this issue has been reported by workers through the grievance system.
3. The time recording system does not automatically recognize the in and out time. In case a worker changes shift, the shift schedule is manually updated in the system by HR.

Local Law or Code Requirement

FLA Workplace Code (Hours of Work Benchmarks HOW.1, HOW.3, and HOW.8; Employment Relationship Benchmark ER.23)

Root Causes

1. Limitations of existing working hours recording system prevent accurate time management.
2. There is insufficient HR capacity.
3. There is no effective internal monitoring system, both at the factory and HQ levels.
4. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
5. These issues had not been identified during the previous internal and external audits.

Recommendations for Immediate Action

1. Ensure that supervisors/line leaders are not asking workers to perform preparatory or cleaning work during the 15 minute buffer time before and after clocking in/out.

COMPANY ACTION PLANS

1. For employees who need to repair machines or conduct any issue during lunch breaks, workers have to apply OT for approval firstly, then HR staff will adjust the working time and break time for them. The factory will reinforce the communication with supervisors and interview workers about this policy implementation. Finally, the factory will constantly audit and monitor the practices to make sure it meets the regulation.

Action plan status: Completed

Planned completion date: 03/31/16

Progress update: 09/30/16 : Complete

Completion date: 03/31/16

2. Provide the training for line supervisors, managerial staff, and workers on revising working hours procedure, and make sure that no one works during the buffer time before clock in or after clock out. Factory commits to strengthen the policy by re-educating the line supervisor not to assign work during the buffer time. Communicate with workers to ensure they know their benefits and rights. Besides, the factory will regularly audit and monitor to prevent this issue from happening.

Action plan status: Completed

Planned completion date: 01/31/16

Progress update: 09/30/16 : Complete

Completion date: 01/31/16

3. Currently Pouchen HR sytem has been used since 1999, therefore there is a plan to roll out the new HR system to increase the efficiency and accuracy by 2017. Before implementing the new system, factory will communicate with labor union, supervisors and workers. Then trainings shall be arranged for all of the workers.

Action plan status: Planned

Planned completion date: 05/31/17

FINDING NO.4

INDUSTRIAL RELATIONS

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. **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 "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.
2. The latest election of labor union representatives was held in 2012. While there were documentations presented on the union election process, it was insufficient and does not capture the details of the whole election process. Furthermore, 80% of the interviewed workers were unaware of the union representative election, and the current labor union representatives were previously labor union representatives.
3. The legally required annual labor conference has not been conducted.
4. Although the legally required dialog meetings are conducted on a monthly basis, it not in line with local law requirements on the election of the workers ' representatives and the content of these meetings.

Local Law or Code Requirement

1. Vietnam Labor Code 2013, Article 189; Decree No. 60/2013/NĐ-CP, Article 14; Vietnam Labor Code 2013, Article 63, 64, and 65; Decree No 60/2013/NĐ-CP; FLA Workplace Code (Freedom of Association Benchmarks FOA.1, FOA.2, and FOA.11)

Root Causes

1. There is insufficient HR capacity.
2. There is no effective internal monitoring system, both at the factory and HQ levels.
3. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
4. These issues had not been identified during the previous internal and external audits.
5. Implementation of the new worker dialogue regulation and election of union/worker representatives are common issues at factories in Vietnam.
6. Management finds the election process time consuming and burdensome.
7. There is not an effective review process for Freedom of Association.
8. Management is not aware of potential benefits of having strong worker representation in the factory.

COMPANY ACTION PLANS

1. The latest election of labor union representatives that the term of service is 5 years was held in 2012. There are information included meeting announcement, election regulation and procedure, and election records with the candidates and votes. Those records of election procedure shall be improved by adding more detail.
2. The election of labor union representatives was held by the labor union which is an autonomous group that the factory can't be involved. Further, labor union representatives were fairly elected by employees without any intervention by the factory. When it comes to the situation of mostly the same representatives in previous and current labor union, there were no way and must not for the factory to control the results. But the factory shall make efforts to make workers aware of the union election.

Action plan status: Planned

Planned completion date: 10/01/17

2. An annual labor conference has been held in January 2016, and it will continuously be conducted annually.

Action plan status: Completed

Planned completion date: 01/31/16

Progress update: 09/30/16 : Complete

Completion date: 01/31/16

3. The dialog meeting is being conducted in weekly basis now to communicate with employees, and this enables factory to broadly communicate with more employees.
This is a bi-way communication meeting to listen to and solve the problems from workers. And factory shall elect the workers' representatives in line with the local law.

Action plan status: Planned

Planned completion date: 12/31/16

FINDING NO.5

WORKPLACE CONDUCT & DISCIPLINE

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory charges workers 45,000 VND (2 USD) for an employee card used for identification and for time tracking purposes for signing in and out, while the cost for this card is 31,000 VND (1.38 USD). The cost breakdown for this card is 21,000 VND (0.94 USD) for the card and 10,000 VND (0.31 USD) for the printing machine and the ink cost. The factory management claimed that the difference is to cover personnel cost born by the factory when the card re-printed and thereby replaced.
2. Some line leaders use off the clock overtime as a form of disciplinary penalty. Workers in the production building F13 filed a complaint, and reported that their line leader had collected their swipe cards and swiped them out, but they were required to stay and perform overtime work 30 minutes to 1 hours without being compensated at all for the work done as a disciplinary penalty. At the time of assessment, these workers had not been reimbursed.
3. Disciplinary records revealed that there have been 5 wage raise suspension cases as a means of disciplinary penalty within the last 3 months. The Factory's disciplinary procedure of wage raise suspension of up to 6 months is permitted by local law. However, this practice is not acceptable as the FLA Code forbids withholding any regularly scheduled pay increases as a form of workplace discipline.
4. There is a routine daily body search/physical pat down for male workers violating FLA benchmarks that state that there should only be security searches if there is a valid reason for it.

Local Law or Code Requirement

Vietnam Labor Code 2013, Article 101.1; FLA Workplace Code (Harassment or Abuse Benchmarks H/A.2 and H/A.10)

Root Causes

1. There is insufficient HR capacity.
2. There is no effective internal monitoring system, both at the factory and HQ levels.
3. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
4. These issues had not been identified during the previous internal and external audits.
5. Wage raise suspension and body search/physical pat downs are common issues at factories in Vietnam.

Recommendations for Immediate Action

1. Ensure that supervisors/line leaders are not asking workers to stay and continue work after the regular hours as a form of discipline.
2. Ensure that supervisors and line leaders are not collecting workers' swipe cards and swiping out on their behalf.
3. Cease the practice of wage raise suspension as a form of disciplinary action.
4. Immediately cease body search/physical pat downs for workers. Only carry out body searches at the behest of a duly authorized civil official, and not on an ongoing basis. Revise the policy on body searches and regularly communicate workers on the updated policy.

COMPANY ACTION PLANS

1. To investigate the case thoroughly, the survey was conducted to clarify whether line leaders have ever taken workers' swipe cards to force them to work overtime. The anonymous questionnaire survey for workers in production building F13 was conducted in 27th of June, and 40 questionnaires, which were 10% of workers in F13, were published and responded. The results showed that all workers had no experience of being swipe cards by line leaders and no situation of working after swiping cards. 2. Both the

grievances records and questionnaire survey showed no evidence of the non-compliance disciplinary penalty in F13. 3. Conduct training for supervisors to avoid the discipline of stay and continue work after the regular hours. "1. The factory sticks to and follows the policy of no swiping card by others and no illegal OT, and supervisors will be trained on this policy again. 2. Disciplinary actions will also be taken if any case is found. 3. The factory will communicate with workers about this policy and monitor to prevent this issue from happening again. (In 27th of September, the anonymous questionnaire survey has been conducted for all of 500 workers in F13 again; none of them have ever had experience of being swiped cards by line leaders and no situation of working after swiping cards.)"

Action plan status: Completed
Planned completion date: 06/30/16
Progress update: 09/30/16 : Complete
Completion date: 06/30/16

2. 1. The disciplinary procedures which a practice of deferment of wage increase is included have been discussed with labor union, and approved by the Division of Labor, War Invalids and Social Affairs. 2. As per Vietnam labor code/2013, Art. 125, forms of settlement of violations of labor disciplinary regulations include the deferment of wage increase for no more than 6 months. In that way, Vietnam's legal framework is therefore not compatible with the FLA benchmark on Harassment or Abuse and, as such, it would be a common disciplinary practice for factories in Vietnam, and difficult for factory to formulate a disciplinary system different from legal requirement as this disciplinary system is required to be reviewed and approved by the Division of Labor, War Invalids and Social Affairs. The factory shall discuss with local government. Each year there are two times of salary wage adjustment, first is annual government official minimum wage adjustment in the beginning of each year; second one is salary scale adjustment. The disciplinary procedure on wage raise suspension only applies to salary scale adjustment, and this complies to Vietnam labor code/2013. (Art. 125, forms of settlement of violations of labor disciplinary regulations include the deferment of wage increase for no more than 6 months.)

Action plan status: Planned
Planned completion date: 12/31/16

3. Adjust the charge for the employee ID card replacement fee to VND 30,500. There was no excessive amount for a replacement card as previous cost included material and general administration cost. However, the factory decided to adjust the fee to only charge for material cost of ID card from 31st of May in 2016.

Action plan status: Completed
Planned completion date: 05/31/16
Progress update: 09/30/16 : Complete
Completion date: 05/31/16

4. The purpose of body search is to avoid workers from stealing or carrying factory property outside. The training would be provided to security that the security should inform the purpose of body search and ask permission from workers who are being searched. "1. Before conducting body searches, security will express the purpose and then get permission from workers. 2. The factory will try to revise the policy to meet FLA requirements."

Action plan status: Completed
Planned completion date: 12/31/15
Progress update: 09/30/16 : Complete
Completion date: 12/31/15

FINDING NO.6

GRIEVANCE SYSTEM

FINDING TYPE: Immediate Action Required

Finding Explanation

- Workers have reported many verbal and physical harassment and mistreatment incidents to the management through the grievance channels. For example, in July 2015, there were 40 complaints of verbal and physical abuse from the middle management (Chinese supervisors) reported through the grievance system. Based on records, there is a summary generated on grievance reported to the CR team, and corresponding actions taken. However, it is not clear on what happened to the grievance reported to the union.
During the assessment, it was gathered that the Factory was investigating a harassment incident, where the middle manager had mocked the walking style of a disabled female worker many times. She felt depressed and shared this harassment with her colleague, who is also a female worker. This worker confronted the manager to stop such harassment; she was then attacked and threatened by this manager on her way to home. He used a 1.5 m stick to threaten her and damaged her motorbike while many other workers were around and witnessed the situation.
- Although written procedures refer to anonymity and safeguards against retaliation, this has not been implemented. The grievance system is neither anonymous nor protects workers from potential retaliation.
- The grievance system does not cover all the grievances collected from workers as both factory management and the labor union are assigned to handle grievances, but factory management has not been involved in any grievance investigations for grievances received by labor union. The labor union has received more than 20 grievances in the 3 months prior to the assessment, at least five of which were not deeply investigated. Additionally, management tried to identify the workers that filed those complaints but failed to do so. Grievances that were reported through the labor union were not evaluated in a comprehensive manner. Furthermore, investigations of some complaints were not performed properly due to the absence of comprehensive procedures.

Local Law or Code Requirement

Labor Code No.10/2012/QH13 (2013), Art. 8(2); FLA Workplace Code (Harassment or Abuse Benchmarks H.A.4, H.A.5, and H.A.6; Employment Relationship Benchmark ER.25)

Root Causes

- There is insufficient HR capacity.
- There is no effective internal monitoring system, both at the factory and HQ levels.
- Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
- These issues had not been identified during the previous internal and external audits.
- The grievance and disciplinary systems are not effective.

Recommendations for Immediate Action

- Ensure that supervisors/line leaders are not verbally or physically harassing the workers.
- Implement strict disciplinary procedures for harassment and abuse for supervisors and line leaders.

COMPANY ACTION PLANS

1. There were total 72 grievance cases which 9 complaints of verbal and physical abuse were found during October 2014 to September 2015. In July 2015, there were total 30 grievance cases, and among total grievance cases had only 1 complaints of verbal and physical abuse. 2. The case that the middle manager mocked and abused the disabled worker had been handled by the CR progressively. That the complaint letter was received on September 12th by the mail from the employee, and the investigation of anonymous questionnaires was conducted on September 28th. After the interview of the persons involved and the internal process, the middle manager had received the penalty of a wage raise suspension and had compensated the worker for the loss, and it was recorded in the internal investigation report. The case was closed on October 22th. "The factory commits to follow the actions to ensure the risk is minimized, and will follow up the reminder by FLA and review the all of the file. 1. Firstly, an E-grievance system will be established to well-track and record every cases. 2. Besides, trainings for supervisors on alternative dispute handling methods and the best practice of managing workers would be arranged. 3. A system will be established to prevent harrassment and abuse. " Short-term Plan 1. Establish a workforce team, SD and HR, to lead H&A project. 2. Provide trainings for supervisors and workers on Zero Tolerance policy. 3. Communicate with workers about Zero Tolerance policy. 4. Analyze current grievance and communication channels (grievance mail boxes, consulting rooms, hot line, cell phone, SMS, letter, supervisor meeting, heart to heart meeting) to maximize the efficiency. Mid-term Plan 1. Add H&A in Employee Satisfaction Survey to regularly track. 2. Mentor and coach those supervisors who have poor emotion management abuse behavior. 3. Workforce team constantly monitor to keep H&A issues from happening. 4. Provide management skill and emotion management trainings for the supervisors. Long-term Plan 1. Interview 100 workers every month to know if there is still any H&A issue. 2. Share No H&A best practice to all of the supervisors to set up a good example and build up a No H&A working environment.

Action plan status: In Progress
Planned completion date: 06/30/16
Progress update: 09/30/16 : In Progress

- Follow the FLA benchmark, employers shall not unreasonably restrain the freedom of movement of workers, including

movement in canteens, during breaks, using toilets, accessing water, or accessing necessary medical attention, as a means to maintain labor discipline. In line with the benchmark, curfew in the dormitories is not a mean to maintain labor discipline, rather it's a way to protect employees' safety, and there is no punishment measures when employees failure to comply the curfew.

Action plan status: Completed

Planned completion date: 01/01/16

Progress update: 09/30/16 : Complete

Completion date: 01/01/16

3. Discuss with labor union about mutual cooperation on grievance systems between factory and labor union. Factory and labor union shall work together to handle the grievance cases to enhance the efficiency and quality. There are various channels that workers can express their ideas or file for grievance at the factory. The factory will partner with labor union, regularly discuss with it and share the information with each other to increase the efficiency and ensure the grievance case is deeply investigated and solved.

Action plan status: Planned

Planned completion date: 11/30/16

4. Pay attention to the anonymity of worker's name during the grievance investigation. Provide protection to those workers who file for grievance from being retaliated. "1. When a worker applies for grievance, his/her name will be kept secret and won't be exposed. Only the investigator (SD department) will know the name. This investigator is not allowed to mention worker's name. 2. During the investigation, worker's name won't be exposed, except to reveal to related people or supervisor for the purpose of investigation or intervention when it is necessary. 3. After the case is closed, the worker's name would not be mentioned in any document. "

Action plan status: Planned

Planned completion date: 08/30/16

FINDING NO.7

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. There are no designated emergency assembly areas around the buildings, including the childcare building.
2. Fire alarm sirens are not audible in some sections, mainly on the second floor of the production buildings. There was no assessment to check the sound level of the sirens in noisy areas.
3. There was no assessment carried out to prove that existing battery for the fire alarm system is enough to cover 24 hours of standby and 5 minutes alarm in case of a power failure.
4. Emergency exits were locked at the locations identified as Nike ID and F22. Additionally, padlocks were found at several emergency exits indicating that locked doors are a systematic issue. In addition, fire doors are not push-bar doors that open towards the direction of evacuation throughout the whole factory.
5. There is no emergency illumination at the Nike ID building. The factory did not conduct an assessment to make sure that illumination is at least 10 lux throughout the evacuation routes in the factory.
6. One forklift has an empty fire extinguisher, posing a risk in case of a fire.
7. The factory has no emergency illumination in the fire pump station, posing a risk in case of evacuation.
8. The current pump tests are not in line with international standards.
9. There is no system in place to conduct annual sprinkler pressure tests.
10. The emergency sliding ladders in the dormitory where Chinese supervisors live and the production warehouse pose a falling risk.
11. The factory does not conduct any legally required evacuation drills for the nighttime shifts, which includes more than 1/3 of the workers.
12. One of three fire detectors tested by the assessor were not functioning.
13. The factory does not install any gas detectors in the liquid petroleum gas (LPG) use areas.
14. The main suction and discharge valves are not locked in an open position to provide water to the sprinkler system in case of a fire. The factory did not install any chains/locks to ensure that the valves are not accidentally closed in the pump room.
15. There is no written procedure to ensure all workers/visitors/subcontractors/special categories workers/children in child care facilities/dormitories are safely evacuated in case of an emergency.

16. The finished product and raw material warehouse areas of the factory have incorrect fire extinguishers for the fire risk; for example there are BC/CO2 type fire extinguishers where there is type A fire risk.
17. There are no automatic fire extinguishers provided at the temporary chemical warehouse.
18. Materials/goods stored in evacuation routes throughout the whole factory have made them too narrow to safely evacuate.
19. The factory management has not carried out the "Immediate Action Items" on fire safety that were reported by the fire department during their last inspection in September 2015.
20. The emergency evacuation floor markings in the warehouse area are not visible.
21. Several areas do not have evacuation maps through the building Nike ID and F Building, and of those that do, some of them do not have the correct "you are here" position.
22. Finished goods cartons are blocking one fire hose in the finished goods area.
23. Emergency exits in the dormitory and finished goods warehouse with sliding retractable ladders are not marked as such to identify them as emergency exits.
24. There are no fire detectors in the boiler section.
25. The illumination equipment areas where flammable chemicals are in use, do not have protective covers.
26. Materials/finished goods are stored next to columns without a safety distance.
27. Fire escape masks are not provided for the evacuation/fire fighting teams.

Local Law or Code Requirement

Decree No. 79/2014/ND-CP, Article 21; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.4, HSE.6, and HSE.25)

Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels.
2. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
3. These issues had not been identified during the previous internal and external audits.
4. Management lacks knowledge of international Health, Safety & Environmental, and fire safety standards.

Recommendations for Immediate Action

1. Ensure that all emergency exits doors are unlocked at all times, and remove padlocks from emergency exits.
2. Ensure that all emergency assembly areas, including the childcare area, are a safe distance from the buildings, and that they are properly marked.
3. Install a fire alarm that is audible in all sections of the factory.
4. Provide emergency illumination, of at least 10 Lux, throughout all evacuation routes.
5. Provide Emergency evacuation floor maps at all necessary locations.
6. Ensure that fire detectors are operational at all times.
7. Install fire detectors placed in the boiler section.
8. Keep all emergency evacuation routes clear and free from temporary product/raw material storage
9. Install automatic fire extinguishers at the temporary chemical warehouse.
10. Carry out all of the "Immediate Action Items" on fire safety that were reported by the fire department on their last inspection.
11. Replace the empty fire extinguisher on the forklift truck.
12. Place a flashlight at the entrance of the fire pump station.
13. Provide fire escape masks to the evacuation/fire fighting teams.

COMPANY ACTION PLANS

1. Ten emergency assembly areas around the buildings in the factory have been set up. In the childcare building, there is also one emergency assembly area.

Action plan status: Completed

Planned completion date: 04/30/16

Progress update: 09/30/16 : Complete

Completion date: 04/30/16

2. The volumes of fire alarm sirens have been adjusted to be audible; inaudible fire alarm sirens have been replaced. All of the them have been tested and have functioned well.

Action plan status: Completed

Planned completion date: 06/30/16

Progress update: 09/30/16 : Complete

Completion date: 06/30/16

3. Emergency exits in NiD and F22 are unlocked now. Besides, we will regularly check if there is any padlock on the exit doors to ensure the doors always remain open. Install push bar doors that open toward the direction of evacuation throughout the whole factory.

Action plan status: Completed

Planned completion date: 06/30/16

Progress update: 09/30/16 : Complete

Completion date: 06/30/16

4. Emergency illuminations have been installed in NiD. And the assessment of the illumination scale will be conducted by 8/31 to ensure the illumination is no less than 10 lux throughout the evacuation routes in the factory.

Action plan status: Planned

Planned completion date: 08/31/16

5. The extinguishers in the forklifts had been checked to make sure they are not empty and not expired. Every forklift has an extinguisher for use now.

Action plan status: Completed

Planned completion date: 03/30/16

Progress update: 09/30/16 : Complete

Completion date: 03/30/16

6. The flash light has been put in the pump station of water plant to ensure there won't be risk in the case of evacuation.

Action plan status: Completed

Planned completion date: 06/30/16

Progress update: 09/30/16 : Complete

Completion date: 06/30/16

7. Working on the schedule to test the pumps by following the international standard.

Action plan status: Planned

Planned completion date: 12/31/16

8. Working on a schedule and system to conduct annual sprinkler pressure test.

Action plan status: Planned

Planned completion date: 12/31/16

9. All of the ladders in the dorms and production warehouses has been checked to ensure there won't be any falling risk; those sliding ladders that might cause falling risk have been replaced.

Action plan status: Completed

Planned completion date: 07/31/16

Progress update: 09/30/16 : Complete

Completion date: 07/31/16

10. From this October on-wards, evacuation drill will be arranged for the workers taking night shifts.

Action plan status: Planned

Planned completion date: 12/31/16

11. Three dis-function fire detectors have been fixed, and all of the detectors in the factory would be checked again as well.

Action plan status: Completed

Planned completion date: 06/30/16

Progress update: 09/30/16 : Complete

Completion date: 06/30/16

12. Recheck the current emergency plans, and make a whole discussion to complete the emergency plan and ensure the safety evacuation in child care facilities.

Action plan status: Planned

Planned completion date: 12/16/16

13. All of the fire extinguishers in raw material and finished goods warehouses have been checked; incorrect fire extinguishers type have been identified. We will purchase correct new ones and replace the incorrect ones with new one.

Action plan status: Planned

Planned completion date: 12/31/16

14. Review our current fire extinguishers in the temporary chemical areas. After that, the evaluation would be conducted to check whether it's necessary to install automatic fire extinguishers. There are automatic fire extinguishers in the chemical warehouse. Furthermore, the third party would be contacted to conduct the fire risk review.

Action plan status: Planned

Planned completion date: 12/31/16

15. Re-layouted and re-arranged the evacuation routes to make sure evacuation routes are wide enough for safety evacuation in case any emergent situation happens. "1. Arrange training for workers on new emergency evacuation routes. 2. Manufacturing team/Material warehouse will ensure there is no material stored in the avacuation routes, and SD department will regularly audit it."

Action plan status: Completed

Planned completion date: 06/30/16

Progress update: 09/30/16 : Complete

Completion date: 06/30/16

16. The factory management already carried the "Immediate Action Items in 2015" on fire safety that were reported by the fire department on their last inspection. Fire department came to inspect this year, and they have agreed to our practice and immediate improvement.

Action plan status: Completed

Planned completion date: 06/30/16

Progress update: 09/30/16 : Complete

Completion date: 06/30/16

17. The emergency evacuation floor markings in the warehouse have been repainted to make sure they are visible.

Action plan status: Completed

Planned completion date: 06/30/16

Progress update: 09/30/16 : Complete
Completion date: 06/30/16

18. Evacuation maps are provided to all of the production buildings, and pointed out the correct "you are here" mark in the evacuation maps.

Action plan status: Completed
Planned completion date: 07/15/16
Progress update: 09/30/16 : Complete
Completion date: 07/15/16

19. Finished cartons are moved 1 meter away from fire hose in the finished goods area.

Action plan status: Completed
Planned completion date: 05/30/16
Progress update: 09/30/16 : Complete
Completion date: 05/30/16

20. Those sliding retractable ladders would be marked as emergency exits in the dorms and finished goods warehouses.

Action plan status: Planned
Planned completion date: 08/31/16

21. All of the boilers have been removed. There is no more boiler in the boiler area now.

Action plan status: Completed
Planned completion date: 05/30/16
Progress update: 09/30/16 : Complete
Completion date: 05/30/16

22. Protective covers would be installed for illumination equipment where flammable chemicals are used in order to prevent any risk from happening.

Action plan status: Planned
Planned completion date: 10/30/16

23. Re-layouted and re-arranged the space in order to keep materials/finished goods from columns for a safety distance.

Action plan status: Completed
Planned completion date: 06/30/16
Progress update: 09/30/16 : Complete
Completion date: 06/30/16

24. Purchased and provided fire escape masks for the fire fighting team.

Action plan status: Completed
Planned completion date: 06/30/16
Progress update: 09/30/16 : Complete
Completion date: 06/30/16

25. An assessment tool would be established and there shall be a schedule to test how long the existing battery for the fire system will last.

Action plan status: Planned

Planned completion date: 09/30/16

26. Gas detectors will be purchased and installed in the liquid petroleum gas use areas.

Action plan status: Planned

Planned completion date: 12/31/16

27. Locks for the main suction and discharge valves in the open position have been purchased and installed; BCT regularly checks if there is any suction and discharge valves without locks. "1. This inspection system would be added in H&S procedures, and SD department will be responsible for auditing whether this system works well. 2. This new information will be trained and communicated to the workforce."

Action plan status: Completed

Planned completion date: 07/31/16

Progress update: 09/30/16 : Complete

Completion date: 07/31/16

FINDING NO.8

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. There is not a grounding system in place that covers all electrical machinery and equipment within the factory. However, there is one system for a few specific machines that is regularly tested from the main panels. Although the results of these measurements do not show any problems, there are no attempts to measure the grounding directly on machines.
2. Several electrical wires have been fixed with tape in the dormitories, production area and waste collection areas. In addition, PFC (prospective fault current) value can pose a damage/fire risk on the electrical system if fuse/switchgear protecting values are less than the PFC value. The factory has not check and take protective measures on the the values of the fuse/switchgear.
3. Several electrical wires have been fixed with tape in the dormitories, production area and waste collection areas. In addition, PFC (prospective fault current) value can pose a damage/fire risk on the electrical system if fuse/switchgear protecting values are less than the PFC value. The factory has not check and take protective measures on the the values of the fuse/switchgear.

Local Law or Code Requirement

Decree No. 79/2014/ND-CP, Article 21; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.13 and HSE.25)

Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels.
2. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
3. These issues had not been identified during the previous internal and external audits.
4. Management lacks knowledge of international Health, Safety & Environmental, and fire safety standards.

Recommendations for Immediate Action

1. Create a grounding system that covers all electrical system in factory, childcare, dormitory, and kitchen/canteen.
2. Repair wires with heat shrink tubes instead of tape.
3. Ensure that the selection of fuses/circuit breakers is in line with the potential fault current.

COMPANY ACTION PLANS

1. When the factory was built in 1995, there were no related regulations for grounding system. But the factory has started the grounding system project and has investigated the status of grounding system in factory since the end of 2015. In 2016, the budget has been made for the grounding system project, and the schedule shows below:

1. Complete the investigation and design of the grounding system throughout whole factory before May, 2016.
2. Have the discussion with related department on 6/10 in 2016.
3. Open the project to public tender on 6/29 in 2016.
4. Plan to complete the grounding system throughout whole factory before the end of December, 2016.

Action plan status: Planned

Planned completion date: 12/31/16

2. Based on PCG's regulation, tape is able to be wrapped around the electric wires. For the safety concern, the factory would also regularly check if the tape has been peeled off from the wires and make the immediately remediation. The heat shrink tubing would be considered to be used as a replacement of tape. Firstly, the factory will make a proposal to headquarter, and the headquarter would examine and make a strategic decision.

Action plan status: Completed

Planned completion date: 01/31/16

Progress update: 09/30/16 : Complete

Completion date: 01/31/16

FINDING NO.9

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Respirators are not included in the list of Personal Protective Equipment PPE provided to the workers although there are some chemicals that require respirators, such as Loctite Bondage PC-3. In the printing section, workers were working w/o gloves and respirators. Additionally, There is no written procedure on how to select and purchase proper PPE.
2. Chemical storage containers are not labelled identifying them with their content.
3. Empty chemical cans/bottles in the production department are used for other purposes (dustpan, solid waste container, etc.).
4. PPE are changed/modified by workers, for example the finger part of gloves in the production areas are cut.
5. PPE use zones are not clearly identified and marked. Workers in these areas do not consistently use PPE; for example, some workers use earplugs while others do not.
6. The chemical safety training provided to the workers does not identify the risks/hazards associated with the chemicals, especially in case of a direct exposure. Furthermore, the training does not include the proper handling and storage procedures for these chemicals.
7. The vacuum suction points for some machines are not in the proper locations, and are blocked by machine parts.
8. The trainer for chemical safety has not received proper training on chemical safety and is therefore not certified.
9. There are bent and pierced vacuum lines on machines where chemicals are used. Some suction heads are blocked with dust/dirt, due to a lack of maintenance.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.4, HSE.5, and HSE.9)

Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels.
2. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
3. These issues had not been identified during the previous internal and external audits.
4. Management lacks knowledge of international Health, Safety & Environmental, and fire safety standards.

Recommendations for Immediate Action

1. Provide the correct PPE selection, as directed on the (Material Safety Data Sheet) MSDS forms.
2. Ensure that workers do not modify PPE, and are using them properly.
3. Properly label all chemical containers.
4. Cease the practice of using empty chemical cans/bottles for other purposes.

COMPANY ACTION PLANS

1. Working on the detailed procedures on PPE selection for all sections that a procedure on how to purchase and select proper PPE will be established. 2. All necessary PPE will be listed for all sections. The MSDS would be checked firstly, and then the factory would provide the required PPE for the workers in need.

Action plan status: Planned

Planned completion date: 10/30/16

2. Check whether all of chemical storage containers are labelled with their contents, and make the correct label.

Action plan status: Planned

Planned completion date: 09/30/16

3. 1. Those chemical cans/bottles being used as dustpans and containers have been checked and took away. 2. The training has been strengthen on forbidding to use empty chemical bottles and cans for other purposes.

Action plan status: Completed

Planned completion date: 04/30/16

Progress update: 09/30/16 : Complete

Completion date: 04/30/16

4. 1. The training was conducted to require workers not to cut and modify PPE. 2. Supervisors would also advise workers to follow the PPE rule, and SD team would constantly audit the rule to feet the needs.

Action plan status: Completed

Planned completion date: 05/31/16

Progress update: 09/30/16 : Complete

Completion date: 05/31/16

5. 1. Keep requiring and training workers to wear PPE, and cannot take it off while working.
2. Wearing PPE is listed in the daily audit check item; the shopfloor supervisor would require workers to follow the PPE rule, and SD team will constantly audit the rule.

Action plan status: Planned

Planned completion date: 09/30/16

6. Working with CED to edit the training materials and contents for the chemical safety training provided to the workers. Risks/hazards associated with the chemicals, especially in case of a direct exposure will be included and highlighted in the training materials. Besides, proper handling and storage procedures for these chemicals will also be included.

Action plan status: Planned

Planned completion date: 10/30/16

7. 1. Check all of the vacuum suction points on the machines to see if they are properly located.
2. Move the machine parts away from vacuum suction points.

Action plan status: Planned

Planned completion date: 09/30/16

8. Train a certified trainer who has chemical background and profession.

Action plan status: Planned

Planned completion date: 10/30/16

9. 1. Check all of vacuum lines on the machines to see if there is any bent and pierced and then fix them.

2. A regular maintenance plan will be required.

Action plan status: Planned

Planned completion date: 10/30/16

FINDING NO.10

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The grinding machine does not have a protective cover, and some sewing machines do not have finger guards.
2. One electrical fan in production area does not have a back cover, and is within in arm reach distance.
3. The factory does not have any Standard Operating Procedures on Laser Safety. In addition, the factory did not carry out a risk assessment on Laser Safety to identify proper Personal Protective Equipment PPE, such as protective glasses. In addition, there is not a general emergency stop button that controls all the machines in this section. The laser operation hazards were not evaluated in the working condition inspection.
4. There are no safe operation procedures for handling molds when changing the molds; there was at least one accident in 2015 when a worker was changing a mold.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmark HSE.14)

Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels.
2. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
3. These issues had not been identified during the previous internal and external audits.
4. Management lacks knowledge of international Health, Safety & Environmental, and fire safety standards.

Recommendations for Immediate Action

1. Provide protective covers for the grinding machine, and finger guards for the sewing machines.
2. Install a back cover for the electrical fan in the production area.
3. Install a general stop button for the machines in the laser section.

COMPANY ACTION PLANS

1. After going through all grinding machines and sewing machines to see if any protective parts are missed, protective covers have been installed for all grinding machines, and finger guards have been installed for all sewing machines as well. And Shopfloor, TPM and SD will constantly check it.

Action plan status: Completed

Planned completion date: 04/30/16

Progress update: 09/30/16 : Complete

Completion date: 04/30/16

2. Back cover has already been installed and the electric fan has been moved away for a safety distance.

Action plan status: Completed

Planned completion date: 05/31/16

Progress update: 09/30/16 : Complete

Completion date: 05/31/16

3. 1. Risk assessment on laser safety has been done . After that, we provided goggles for the operators. 2. General emergency stop button will be considered to install in the machines in the laser section. 3. SOP on laser safety has been established by MM and SD, and a training has already been provided for the operators.

Action plan status: Completed

Planned completion date: 06/30/16

Progress update: 09/30/16 : Complete

Completion date: 06/30/16

4. 1. Work with mold department to establish safety operation procedures on handling and changing molds.
2. Provide a training for the mold operators.

Action plan status: Planned

Planned completion date: 09/30/16

FINDING NO.11

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Food samples are not kept at 0-4C in refrigerator. While the factory meets the local legal requirements of 24 hours food sample storage, it does not meet the 72 hours international standard (World Health Organization - WHO).
2. There is no hand sanitizer or anti bacterial mats in the kitchen.
3. Cleaning chemicals are kept in the food storage area, posing a health risk.
4. Some food in the managerial dormitory is not properly stored in closed containers.
5. There is a wooden chopping board at kitchen; additionally, it does not have markings or color-coding for chopping boards different types of meat.
6. The factory has no pest or rodent prevention plan.
7. Some of the kitchen materials are not in good condition, for example there are worn out/rusted knives and spoons.
8. The factory did not conduct an assessment to identify if any of the medicines in the health unit need to be refrigerated.
9. There no system to ensure sure that each department has a sufficient number of first aid certified workers on each shift.
10. Some kitchen staff work while wearing bracelets/rings/accessories, and there is no periodic hygiene training for these workers.
11. Currently there is only 1 first aid kit for every 400 workers, posing a safety risk in case of an emergency.
12. The health check for workers working in harsh and hazardous conditions was only conducted once in 2014, instead of twice, as per legal requirements for hazardous work environments. Factory management planned to do it twice in 2015 and scheduled them May and November.
13. Some drinking water dispensers are located outside and exposed to sunlight, while others are at risk for potential chemical and dust contamination. Furthermore there is no system for sanitizing the water dispensers, and they do not have ID numbers.

Local Law or Code Requirement

Vietnam Labor Code 2013, Article 152.2; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.22, and HSE.23)

Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels.
2. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
3. These issues had not been identified during the previous internal and external audits.

4. Management lacks knowledge of international Health, Safety & Environmental, and fire safety standards.
5. There are significant differences between local law and international standards in this area.

Recommendations for Immediate Action

1. Remove cleaning chemicals stored in food storage areas.
2. Train kitchen staff on hygiene, and ensure that they are not wearing bracelets, rings, or other accessories.
3. Increase the number of first aid kits to 1 per 100 workers.
4. Assess the locations of the drinking water dispensers and provide extra protection against contamination. Create an ID number for all of the drinking water dispensers, and implement a system for regular sanitation.
5. Keep food samples at 0-4 C in the refrigerator for 72 hours.
6. Provide health checks to all workers that work in hazardous work environments twice per year, as per legal requirements.

COMPANY ACTION PLANS

1. As per Vietnam local regulation, Regulations on Food Safety Conditions for Food Services Business and Street Food Business Establishments, No.5, it regulates food samples shall storage at least 24 hours. Currently food sample has kept in the refrigerator at 0-4 degrees for 24 hours, and will take requirement of 72 hours into consideration for a future plan.

Action plan status: Planned

Planned completion date: 12/31/16

2. Hand sanitizer has already been provided in the kitchen; anti-bacteria mats are being purchased and will be put in the kitchen.

Action plan status: Planned

Planned completion date: 08/31/16

3. Clean chemicals have already been removed away from food storage area. In food storage area, there won't be clean chemicals.

Action plan status: Completed

Planned completion date: 06/30/16

Progress update: 09/30/16 : Complete

Completion date: 06/30/16

4. Improve the food storage management and make sure food is properly stored in closed containers.

Action plan status: Completed

Planned completion date: 06/30/16

Progress update: 09/30/16 : Complete

Completion date: 06/30/16

5. There will be color codings/markings for all of the wooden chopping boards used for different type of meat in the kitchen.

Action plan status: Planned

Planned completion date: 08/31/16

6. Working on the pest and rodent prevention plan.

Action plan status: Planned

Planned completion date: 09/30/16

7. 1. All of worn out and rusted knives and spoons have been already replaced. 2. Kitchen staff will regularly check the kitchen material and ensure everything is in good condition.

Action plan status: Completed
Planned completion date: 07/31/16
Progress update: 09/30/16 : Complete
Completion date: 07/31/16

8. Conduct an assessment to identify what kind of medicine should be put in the refrigerator.

Action plan status: Planned
Planned completion date: 10/30/16

9. Train more certified first aid staff and build a system to record those certified first aid staff in the departments.

Action plan status: Planned
Planned completion date: 10/30/16

10. SD will provide hygiene training to the staff working in the kitchen to make sure staff understand the health and safety concerns in kitchen. The factory will make sure kitchen is inspected on a daily basis by the kitchen staff. Besides, SD department will audit it on a random basis.

Action plan status: Planned
Planned completion date: 10/30/16

11. Planning to purchase more first aid kits; increase the number of first aid kits to 1 per 100 workers.

Action plan status: Planned
Planned completion date: 10/30/16

12. 1. Conduct health check for workers in hazardous conditions twice per year. In 2015, two health checks have already been arranged for the workers in hazardous conditions.
2. In the first half of this year, first health check has been conducted. There will be second health check for the workers in the last-half year.

Action plan status: Planned
Planned completion date: 12/30/16

13. Establish a system for sanitizing the water dispensers and create ID number for drinking water dispensers. Firstly, the factory will identify how many dispensers which are exposed to chemical contamination. Then these dispensers will be relocated to the areas that are not exposed to chemicals.

Action plan status: Planned
Planned completion date: 10/30/16

FINDING NO.12

HEALTH & SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Non-adjustable chairs and stools are provided for workers. Standing workers are not provided with anti-fatigue mats. The factory does not provide ergonomic breaks. The factory has not conducted a comprehensive ergonomic risk assessment.

2. The factory has not defined the load limit for handling heavy production goods with some workers were carrying heavy loads on carts by pushing/pulling them.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmark HSE.17)

Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels.
2. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
3. These issues had not been identified during the previous internal and external audits.
4. Management lacks knowledge of international Health, Safety & Environmental, and fire safety standards.
5. There are significant differences between local law and international standards in this area.

COMPANY ACTION PLANS

1. A comprehensive ergonomic risk assessment would be conducted first, and then a evaluation on what should be provided to the workers based on the assessment shall be completed.

Action plan status: Planned

Planned completion date: 12/31/16

2. Load limit for handling production goods will be discussed and evaluated first. After that, the load limit for handling heavy production goods and carrying heavy goods on carts would be defined.

Action plan status: Planned

Planned completion date: 09/30/16

FINDING NO.13

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. There has not been an assessment carried out to make sure that the mezzanine floor carrying capacity is in line with the current storage (some areas listed as 250-500 kg/m²).

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmark HSE.1; Employment Relationship Benchmark ER.31)

Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels.
2. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
3. These issues had not been identified during the previous internal and external audits.
4. Management lacks knowledge of international Health, Safety & Environmental, and fire safety standards.
5. There are significant differences between local law and international standards in this area.

Recommendations for Immediate Action

1. Ensure that the carrying capacity of the mezzanine floors is in line with current load distribution.

COMPANY ACTION PLANS

1. 1. Ask construction technician to evaluate the carrying capacity of mezzanine floor for factory to control the weight on it. 2.

According to TCQG 5.5.3, the safety of construction shall be assessed every 3-5 years, and the budget has been made for structural assessment throughout whole factory. A. Open the public tender on 4/13, 2016. B. Start the evaluation and measurement on 5/4, 2016. C. Complete the structural safety assessment before the end of December in 2016. The factory will work with headquarter staff to review current policy on construction and make sure regularly testing is implemented.

Action plan status: Planned

Planned completion date: 12/31/16

FINDING NO.14

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. No risk assessment or emergency response plans have been prepared for the childcare area.
2. One exit sign in the childcare area leads to an interior garden instead of a safe area.
3. Emergency planning does not include terrorist threats or public unrest.
4. One staircase in childcare area does not have a handrail.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmark HSE.1; Employment Relationship Benchmark ER.31)

Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels.
2. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
3. These issues had not been identified during the previous internal and external audits.
4. Management lacks knowledge of international Health, Safety & Environmental, and fire safety standards.
5. There are significant differences between local law and international standards in this area.

Recommendations for Immediate Action

1. Remove the exit sign at childcare area leading to the interior garden.

COMPANY ACTION PLANS

1. A risk assessment and emergency response plan for kindergarten have been made.

Action plan status: Completed

Planned completion date: 06/30/16

Progress update: 09/30/16 : Complete

Completion date: 06/30/16

2. The arrow of exit sign has been adjusted to the right exit way.

Action plan status: Completed

Planned completion date: 06/30/16

Progress update: 09/30/16 : Complete

Completion date: 06/30/16

3. Follow the suggestion of finding, the terrorist threats and public unrest would be included in the new emergency plan.

Action plan status: Planned

Planned completion date: 12/31/16

4. The handrail for the staircase in the kindergarten has been installed.

Action plan status: Completed

Planned completion date: 06/30/16

Progress update: 09/30/16 : Complete

Completion date: 06/30/16

FINDING NO.15

HEALTH & SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The manometers on the pressure vessels are not marked at all.
2. Safety vents on the pressure vessels are not manually tested on a regular basis.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.13; Employment Relationship Benchmark ER.31)

Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels.
2. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
3. These issues had not been identified during the previous internal and external audits.
4. Management lacks knowledge of international Health, Safety & Environmental, and fire safety standards.
5. There are significant differences between local law and international standards in this area.

COMPANY ACTION PLANS

1. The working pressure levels have been marked on the pressure vessel.

Action plan status: Completed

Planned completion date: 06/30/16

Progress update: 09/30/16 : Complete

Completion date: 06/30/16

2. Scheduling to test the pressure vessel safety vents. BCT will conduct the test on yearly basis.

Action plan status: Planned

Planned completion date: 09/30/16

FINDING NO.16

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory does not identify and limit the amount of chemicals to be stored in the chemical warehouse areas. Furthermore, the fire extinguisher systems in these areas were not selected with respect to the estimated fire load.
2. There is no defined height limit for storage warehouse sections.
3. Ladders in the warehouse areas are not appropriate, since some do not have handles or brakes.
4. Heavy rolls of material are stored in the upper shelves of the racks in the warehouse areas, posing a risk of falling and injury.
5. Shelves in the fabric warehouse are not labeled with their maximum carrying capacity. Some shelves are bent and may collapse.
6. A decommissioned elevator, forklift truck and mini loader do not have labels identifying them as decommissioned/out of order.
7. The elevator door in the finished goods warehouse was open during the inspection.
8. There is no system to inspect the safety conditions of the factory's contracted trucks used for the transportation of finished goods and raw material. Several trucks had broken brake lights and worn out tires.
9. Compressed air is used for cleaning activities. Most of the air guns are leaking air with one of them was not in good condition and improperly repaired.
10. There is no preventive maintenance system at the factory. Some electrical fans, and vacuum motors have high vibration and noise due to bearing or coupling issues.
11. Air pipes are marked with yellow paint, instead of blue as per international standards.
12. Accident investigations are not detailed enough to identify the root causes of work accidents.
13. There are Logout/Tagout LOTO procedures at the factory, but they have not been implemented; at least one accident happened in 2015 due to incorrect log out/tag out.
14. There is excessive noise in 16 sections of the production area; this noise varies from 87.2 to 94 dBA, exceeding legal limits of 87 dBA.
15. Legally required basic health and safety training has not been provided to the group 4 of the production workers. Factory management plans to provide this training in 2016.

Local Law or Code Requirement

Circular 27/2013/TTBLDTBXH on October 18, 2013, Article 4,5 and 6; FLA Workplace Code (Health, Safety & Environment Benchmark HSE.1; Employment Relationship Benchmark ER.31)

Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels.
2. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements. Replace fire extinguishers with respect to the fire load.
3. These issues had not been identified during the previous internal and external audits.
4. Management lacks knowledge of international Health, Safety & Environmental, and fire safety standards.
5. There are significant differences between local law and international standards in this area.
6. The ongoing production process leaves no time for training.

Recommendations for Immediate Action

1. Establish storage limits for the chemical warehouse areas and post signs for these areas. Select fire extinguishers for the chemical warehouse areas with respect to the estimated fire load.
2. Define the height limit for the storage warehouse sections.
3. Install handles and breaks for all ladders in the warehouse areas.
4. Label the maximum carrying capacities for all shelves at the warehouse area. Regularly train and communicate to workers the loading capacities.
5. Ensure that the elevator door is closed at all times. Regularly train and communicate workers the requirement to close the elevator doors.
6. Provide workers who work in the 16 sections of the production area and are exposed with excessive noise with earplugs as proper Personal Protective Equipment PPE or ensure that the noise in this area does not exceed the legal limits.
7. Provide the legally required Health & Safety training to group 4 of the production workers.

COMPANY ACTION PLANS

1. Identify and limit the amount of chemicals to be stored in the chemical warehouse. Besides, a fire extinguishing system would be built to meet the fire load requirement in these areas.

Action plan status: Planned

Planned completion date: 10/30/16

2. Check the legally required height limit first, and modify the height limit for storage warehouse.

Action plan status: Planned

Planned completion date: 09/30/16

3. Installing the handles and brakes for the ladders having none of these.

Action plan status: Planned

Planned completion date: 09/30/16

4. Rearrange the storage of materials in the warehouse area and make sure there is no risk of falling or injury.

Action plan status: Planned

Planned completion date: 09/30/16

5. Label on the shelves the maximum carrying capacity in the fabric warehouse and replace broken shelves.

Action plan status: Planned

Planned completion date: 09/30/16

6. Have the decommissioned elevator, forklift truck and mini loader be labelled as decommissioned.

Action plan status: Completed

Planned completion date: 05/31/16

Progress update: 09/30/16 : Complete

Completion date: 05/31/16

7. The Improvement has been done that elevator door has been closed all the time. Further, the workers have been trained to close the door when it is not being used.

Action plan status: Completed

Planned completion date: 03/30/16

Progress update: 09/30/16 : Complete

Completion date: 03/30/16

8. Arrange a meeting with contracted transportation company to fix this and stick to the rule. Besides, the safety condition of the contracted trucks for transportation of finished goods and materials would be constantly check.

Action plan status: Planned

Planned completion date: 09/30/16

9. Repairing the broken air guns to fix the problem of leaking or other malfunction, and conduct the regular inspection of air guns.

Action plan status: Planned

Planned completion date: 12/31/16

10. Work on the new format that detailed root cause and improvement plan are pointed out. In addition to this, weekly work injury report and follow-up would also be provided. TPM will be responsible to lead the preventive maintenance system, and SD department will regularly audit and make sure this new system works well.

Action plan status: Completed

Planned completion date: 07/15/16

Progress update: 09/30/16 : Complete

Completion date: 07/15/16

11. Reviewed LOTO policy procedure again this year, and made the training for workers. TPM and GA are required to follow LOTO policy.

Action plan status: Completed
Planned completion date: 06/30/16
Progress update: 09/30/16 : Complete
Completion date: 06/30/16

12. Excessive noise in 16 sections of production area have been Improved; all of these sections passed the environment inspection in this April.

Action plan status: Completed
Planned completion date: 05/31/16
Progress update: 09/30/16 : Complete
Completion date: 05/31/16

13. Planning to provide the health and safety training to group 4 workers this year. The factory is reviewing factory training plan and schedule to make sure all of workers from Group1 to Group4 receive proper trainings.

Action plan status: Planned
Planned completion date: 10/30/16

14. Establish a preventive maintenance system to decrease the levels of noise and vibration of electric fans and vacuum motors.

Action plan status: Planned
Planned completion date: 12/31/16

15. Change the color of air pipes to meet international standard.

Action plan status: Planned
Planned completion date: 11/30/16

FINDING NO.17

ENVIRONMENTAL PROTECTION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Chemicals in the temporary chemical warehouse are chemicals stored without clear separation by chemical characteristics, posing a fire safety risk due to possible chemical reaction. Additionally there are no spill kits or proper secondary containment. Secondary containment for chemicals is not calculated with respect to the capacity of the original chemical containers.
2. The ozone depleting refrigerant, R22 (HCFC-22) is used in the factory.
3. There are no dustpans, nylon bag, or gloves at the chemical warehouse.
4. There is leaking water and compressed air throughout the production areas. Furthermore, there is unnecessary lighting in the production areas, which is an issue for Environmental Protection and energy efficiency.
5. The wastewater tank outside the factory buildings (wastewater tanks are used to collect wastewater and is disposed by a licensed waste collector) is not isolated from the outside environment; rainwater can enter the tank or secondary containment. Furthermore, the discharge valve on secondary containment container does not have a lock.
6. There is no secondary containment for some of the cleaning chemicals in the kitchen.
7. Oil contaminated water discharged from the compressors, dryers, and air tanks is not collected, but simply discharged to the outside environment.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.2, and HSE.3; Employment Relationship Benchmark ER.31)

Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels.
2. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
3. These issues had not been identified during the previous internal and external audits.
4. Management lacks knowledge of international Health, Safety & Environmental, and fire safety standards.
5. There are significant differences between local law and international standards in this area.

Recommendations for Immediate Action

1. Organize the temporary chemical warehouse to make sure that chemicals are not stored together with consideration of their chemical characteristics and possible reaction with other chemicals. Provide spill kits and proper secondary containment in the temporary chemical warehouse.
2. Provide dust pans, nylon bags, and gloves at the chemical warehouse against chemical spills.
3. Repair leaking water and compressed in the production area.
4. Use an oil-water separator to separate oil from the water discharged by the compressors, dryers, and air tanks. Treat this oil as hazardous waste, and deliver it to a licensed service provider.
5. Calculate secondary containment for chemicals based on the capacity of the original container. Provide secondary containers for applicable chemicals.

COMPANY ACTION PLANS

1. Provide proper secondary containment in the temporary chemical warehouse. Further, calculate the capacity for the chemical containers.

Action plan status: Planned

Planned completion date: 09/30/16

2. Reducing the current usage of R-22. Besides, when purchasing new machines such as refrigerators and air conditioners, it would be required without R-22.

Action plan status: Completed

Planned completion date: 03/31/16

Progress update: 09/30/16 : Complete

Completion date: 03/31/16

3. Have provided dust pans, nylon bags, and gloves at the chemical warehouse.

Action plan status: Completed

Planned completion date: 08/15/16

Progress update: 09/30/16 : Complete

Completion date: 08/15/16

4. Checking leaking water and compressed air throughout the factories and then fix it. As for unnecessary light in the production area, it will be evaluated whether it is needed.

Action plan status: Planned

Planned completion date: 10/30/16

5. Isolate the wastewater tank outside the factory from the outside environment; prevent rainwater from leaking into tank or secondary containment. The cover and roof for the wastewater tanks will be built.

Action plan status: Planned

Planned completion date: 08/31/16

6. The secondary containment for the cleaning chemicals in the kitchen has been provided.

Action plan status: Completed

Planned completion date: 06/30/16

Progress update: 09/30/16 : Complete

Completion date: 06/30/16

7. Collect the water discharged from the compressors, dryers and air tanks, and ensure the water won't be discharged to the outside environment. "1. The italicized portion of the finding has been addressed in the Action Plan 17.1 that we will separate chemicals by characteristics in the temporary chemical warehouse. Besides, proper secondary containment will be provided in the temporary chemical warehouse. 2. There will be an inspection procedure for the chemical storage area, and it will be regularly checked and audited. "

Action plan status: Planned

Planned completion date: 11/30/16

FINDING NO.18

WORKER INTEGRATION & COMMUNICATION (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory does not regularly communicate its policies and procedures on all Employment Functions.
2. The worker integration component is missing for all Employment Functions. The factory has not established procedures for receiving worker input/feedback on the creation, implementation, and revision of its policies and procedures. Workers are neither systematically integrated nor consulted in the decision-making processes.
3. The factory does not periodically review its policies and procedures on all Employment Functions, ensuring that they are updated according to the local laws and FLA Code.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER..16, ER.25, and ER.30)

Root Causes

1. Ongoing production process and shift based work
2. There is insufficient HR capacity
3. Management has inadequate knowledge on the FLA Workplace Code and Benchmark requirements.
4. There is no effective internal monitoring system, both at the factory and HQ levels.
5. These issues had not been identified during the previous internal and external audits.
6. Implementation of the new worker dialogue regulation and election of union/worker representatives are common issues at factories in Vietnam.
7. Management finds the election process time consuming and burdensome.
8. Management is not aware of potential benefits of having strong worker representation in the factory.

COMPANY ACTION PLANS

1. The factory have regular communication meeting every week with various function team (meeting with workers: 120 workers; meeting with supervisors: 92 supervisors) to communication the policies and procedures.

Action plan status: Completed

Planned completion date: 06/16/16

Progress update: 09/30/16 : Complete

Completion date: 06/16/16

2. For the new procedure or policy, the factory would be consulted with management team to receive their input/feedback then work together. Currently, before implementing a new policy or procedure, the factory always internally discusses among departments. Then, the factory shall communicate with labor union. Step by step, the factory would also communicate with employees and listen to their ideas. Then all of the feedbacks will be integrated to reach mutual agreements. After that, the new policy shall be implemented.

Action plan status: Completed

Planned completion date: 07/16/16

Progress update: 09/30/16 : Complete

Completion date: 07/16/16

3. Periodically review factory policies and procedures with field office staff on all employment functions, and update those according to the local laws and FLA code.

Action plan status: Completed

Planned completion date: 07/16/16

Progress update: 09/30/16 : Complete

Completion date: 07/16/16

FINDING NO.19

BENEFITS

FINDING TYPE: Notable Feature

Finding Explanation

1. The factory has a designated canteen for pregnant workers where pregnant workers do not have to wait in the queue for getting their meals and can follow a special diet for their health.