



COMPANY: **Maxport Asset Limited**  
COUNTRY: **Vietnam**  
ASSESSMENT DATE: **10/22/15**  
MONITOR: **FLA Assessor Team (Turkey)**  
PRODUCTS: **Apparel**  
PROCESSES: **Cut, Sew, Embroidery, Packing, Inspection/QC**  
NUMBER OF WORKERS: **730**  
NUMBER OF WORKERS INTERVIEWED:  
ASSESSMENT NUMBER: **AA0000001901**

## FLA Comments

This report was submitted with a corresponding corrective action plan to the FLA and was reviewed by FLA staff. In an effort to improve the effectiveness of remediation, the FLA has provided feedback and recommendations to the company, however the recommendations regarding break times, tool/uniform deductions, fire alarm tests, and LPG detectors have not been agreed or incorporated by the company. The report is posted in its current state and is considered finalized. Updates on the progress of the corrective action will be posted when received by the company.

## What's Included in this Report

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# Understanding this Assessment Report

This is a report of a workplace assessment conducted by Fair Labor Association assessors following FLA's Sustainable Compliance methodology (SCI), which evaluates a facility's performance in upholding fair labor standards through effective management practices throughout the entire employment life cycle.

This report identifies violations and risks of noncompliance with the Fair Labor Association Workplace Code of Conduct in its assessment of the employment functions, and includes a description of the root causes of violations, recommendations for sustainable and immediate improvement, and the corrective action plan for each risk or violation as submitted by the company. This document is not a static report; rather, it reflects the most recent progress updates on remediation in the "Progress Update" section for each finding.

## Glossary

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

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

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

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

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

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

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

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

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

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

**Finding type**

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

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

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

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

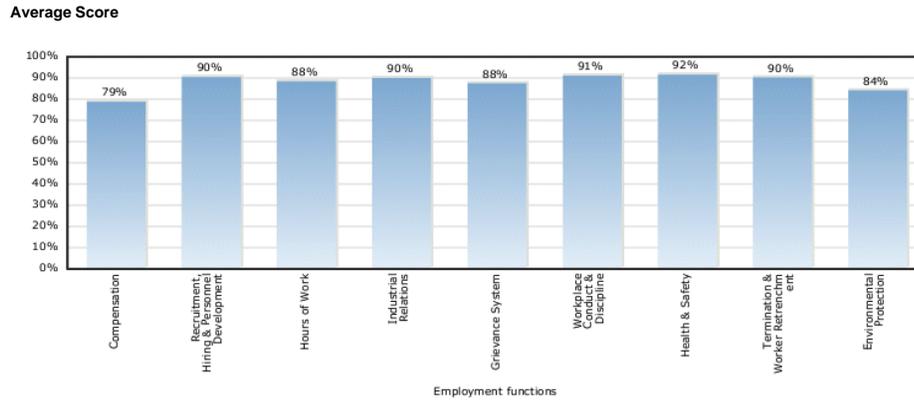
Root causes: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that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

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

# Factory Profile

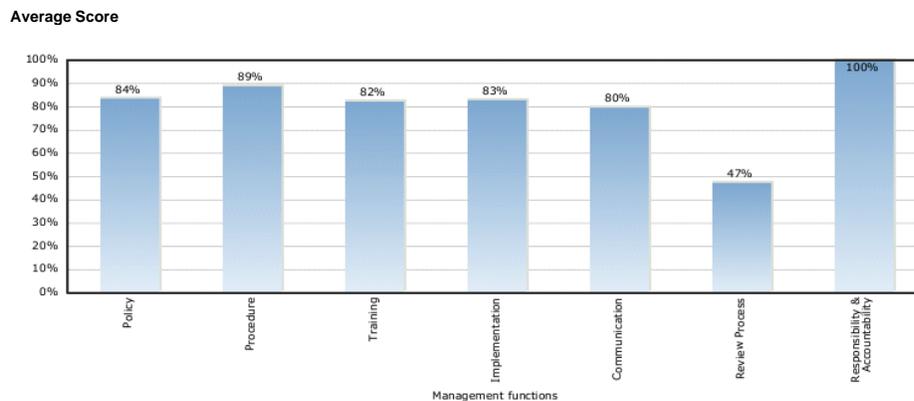
## Score by Employment Function

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



## Score by Management Function

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



## Score Summary

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

Management Functions	Recruitment, Hiring & Personnel Development	Compensation	Hours of Work	Industrial Relations	Grievance System	Workplace Conduct & Discipline	Termination & Worker Retrenchment	Health & Safety	Environmental Protection
Policy	83.33%	87.5%	93.33%	100%	72.73%	78.57%	100%	100%	66.67%
Procedure	70.88%	87.5%	91.18%	79.41%	83.33%	94.44%	73.81%	94.93%	100%
Responsibility & Accountability	100%	100%	100%	100%	100%	100%	100%	100%	100%
Review Process	50%	0%	50%	0%	50%	50%	50%	66.67%	66.67%
Training	100%	100%	66.67%	100%	75%	90%	66.67%	77.09%	37.5%
Implementation	83.24%	70.95%	80%	84.38%	72.73%	82.14%	88.89%	89.75%	76.36%
Communication	100%	75%	70%	50%	75%	91.67%	87.5%	84.38%	50%

## Summary of Code Violations

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

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

FLA Code Element	Number of Violations	Violations
Compensation	6	General Compliance Compensation Voluntary Wage Deductions Compensation Receipt Workers Awareness and Understanding of Compensation Calculation Basis for Overtime Payments Overtime Wage Awareness
Employment Relationship	12	General/Human Resource Management Systems Terms and Conditions/Communication Terms and Conditions/Supervisor Training Administration of Compensation/Termination Payouts General/Documentation and Inspection Administration of Fringe Benefits/Holidays, Leave, Legal Social Benefits and Bonuses Industrial Relations Work Rules and Discipline Skills Development/Management of Performance Reviews Recruitment and Hiring/Employment Decisions Skills Development/Promotion, Demotion and Job Reassignment Health, Safety, and Environmental Management System/Policies and Procedures
Freedom of Association and Collective Bargaining	2	Employer Interference/Constitution, Elections, Administration, Activities and Programs Employer Interference/Registration
Harassment and Abuse	2	General Compliance Harassment or Abuse Discipline/Monetary Fines and Penalties
Hours of Work	7	General Compliance Hours of Work Annual Leave Annual Leave/Wage Payments Sick Leave Rest Day Meal and Rest Breaks Forced Overtime/Exceptional Circumstances
Health, Safety and Environment	6	General Compliance Health, Safety, and Environment Machinery Safety, Maintenance and Workers Training Proper Use of Machinery Drinking Water Evacuation Requirements and Procedure Chemical Management and Training
Non-Discrimination	5	General Compliance Nondiscrimination Recruitment and Employment Practices/Job Advertisements, Job Descriptions and Evaluation Policies Pregnancy Testing Marriage or Pregnancy Discrimination Pregnancy and Employment Status

# Findings and Action Plans

## FINDING NO.1

### RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. Although local law defines different probation durations –from 6 to 60 days- for different positions in accordance with nature and the relative difficulty of the work, factory management has implemented a one-month probation for all workers without considering the nature and complication of the work. (100% sampled workers affected)
2. The factory signs the probation contract of one month with all workers separately from the official labor contract. During this period the factory does not provide, the social insurance, health insurance, unemployment insurance and annual leave benefits.
3. The factory does not employ any disabled workers in the factory, as legally required. In addition, the factory does not pay any contributions into the Disability Fund in lieu of hiring disabled workers.
4. The employment contracts do not include the following legally required details:
  - a. Information on working hours (time in and time out)
  - b. Annual leave days and holidays
  - c. DOB –date of birth-of the employee
  - d. ID number of the employer representative who sign the labor contract with the employee
5. Two out of 25 interviewed female workers stated that they were required to undergo a pregnancy test during their recruitment process by Maxport 6 clinic staff. As part of the pregnancy test, the two workers had to deliver urine samples and clinic staff applied quick over-the-counter pregnancy tests. Furthermore, all interviewed female workers stated that it is a requirement to pass pregnancy test and pregnant candidates are not hired by factory management. The assessment team interviewed the clinic staff and checked for supporting documentation/material during the assessment but could not reach any conclusion, furthermore, a number of pregnant workers were actively working at the factory by the time of the visit.

##### Local Law or Code Requirement

Vietnam Labor Code 2012, Art.27; Labor Code of VN 2012, Art 186.3 and Document No.3945 (2015)/LĐTBXH-LĐTL; Decree No. 81/CP, Art 14 &15; Decree No.05/2015; Labor Code of Vietnam, Art. 154; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2, ER.3 and ER.22; Compensation Benchmark C.1; Non-Discrimination Benchmarks ND.1, ND.2, ND.5, ND.6 and ND.7)

##### Root Causes

1. There are different interpretations on disabled workers quota in Vietnam. The law is not strictly followed and enforced by local authorities in most of the country. Furthermore, factory management declared that this requirement is not in place anymore but could not provide any decree/circular to prove this claim.
2. Implementation of one month probation is a common practice in Vietnam as most of the factories do not want to have different probation durations for different tasks for the sake of consistency and easy follow-up.
3. Insufficient training provided to Human Resource/Compliance teams, especially on local law requirements.
4. Although there is an internal monitoring system in place, it is ineffective, both at the factory and Headquarter HQ levels.
5. Factory management declared that asking for pregnancy test is a quite common practice in Vietnam and most of the factories in textile industry require pregnancy test.
6. Although there is a compliance staff in place, he has only received local law update and H&S trainings so far. There was no training needs assessment carried out to identify some other important trainings like auditing skills, communication skills, international standards, and environmental protection.
7. The factory plans and conducts internal audits once per year and all related documentation/records maintained. However, there is not a detailed internal audit procedure established yet and internal audits are limited with a checklist control that is prepared by compliance staff.
8. There is not an effective system in place for reviewing policies and procedures on a periodical basis; instead, factory management reviews them whenever they become aware of any changes on local law/regulations.
9. Many labor/EHS law related issues in Vietnam are solved/clarified with decrees/circulars as labor law and secondary regulation is not clear on many important topics. It's hard to track Having a lot of decrees and circulars makes it hard track for management.
10. Although there is a procedure for following updates on local law, this procedure doesn't include any guidelines reflection of these updates into implementation and monitoring activities.
11. Although the factory is a part of a big group, benchmarking and collective learning opportunities are very limited for CSR staff.

##### Recommendations for Immediate Action

1. Ensure that social, health, unemployment insurance and annual leaves are added into monthly wages of the workers that working on probation contracts during their probationary period.
2. Ensure that female candidates are not asked to deliver urine samples for potential pregnancy test during the recruitment process.

## COMPANY ACTION PLANS

1. The factory reviews and updates the labour contract management procedure and ensures that probation periods are linked to nature and the relative difficulty of the work as defined in local law.

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	09/01/16
<b>Progress update:</b>	02/21/17 : The factory reviewed and updated the labour contract management procedure in August 2016 and ensures that probation periods are linked to nature and the relative difficulty of the work as defined in local law.
<b>Completion date:</b>	09/01/16

2. Factory respects FLA and auditor's Vietnam labor code interpretation. beside article 186 of the labor code, Factory also studies article 22\_Kind of labor contracts, clause 1 of article 26\_Probation, article 48\_Severance pay, 49\_Redundancy pay, 111\_Annual leave... and sees that 1. Law does not require that probation must be in official labor contract ; 2. Law uses term "Probation contract" Not "probational labor contract" so law limits what is called a "labor contract" and what's not called a labor contract; 3. Annual leave untaken pay, severance pay, redundancy pay for a worker that terminate his labor contract are counted from the beginning time of probation. 4. A letter from MOLISA/other government service to a specific company can not be considered a legal requirement to all companies. So we believe that we understand laws correctly, any way, we will ask the board of manager to consider more benefits to workers and will update for FLA when there is a decision.

<b>Action plan status:</b>	In Progress
<b>Planned completion date:</b>	12/31/17
<b>Progress update:</b>	02/21/17 : Factory is working on policies for 2017.

3. This requirement was invalid since Jul 1, 2016:  
The labor code 1994 was invalid and replaced by the Labor code 2012 in May 1st, 2013; - The Decree 81/CP/1995 and other amended decree which regulate some articles of the labor code 1994 about disability workers were invalid from Jul 1st 2016 by the clause 4 – “Cases which a legal documents invalid” of article 154 of the Law on Promulgation of Legal Documents No 80/2015/QH13 which were issued in June 2015.

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	07/01/16
<b>Progress update:</b>	02/21/17 : In compliance with local laws
<b>Completion date:</b>	07/01/16

4. Factory revises the labor contract forms to include these contents.

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	06/01/16
<b>Progress update:</b>	02/21/17 : Factory revised the labor contract forms since 1/1/2016 which included these contents.
<b>Completion date:</b>	06/01/16

5. The factory ensures that female candidates are not asked to undergo a pregnancy test during their recruitment process: According to Item 2.1; company recruitment, training and personnel development policy: During recruitment and hiring process, no

person shall be subject to any discrimination in employment on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, social group, ethnic origin or union status.

Item 3.2, company female employee policy: Female employees are not subjected to undergo pregnancy tests (onsite/ offsite) during recruitment, hiring and personnel development unless required by laws and customers requirement.

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	12/25/15
<b>Progress update:</b>	02/21/17 : Factory talked again with all employees about the policy and procedure in the refresh training on 25 Dec 2015.
<b>Completion date:</b>	12/25/15

## FINDING NO.2

### COMPENSATION

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. The wage scale is not posted on the work floor or communicated to workers.
2. Payment for sick leave/ prenatal check is not processed within 3 working days after receiving the receipts for payment, as required by law. The accounting department sets the payment schedule as on every Tuesday and Friday after the completion of payment documentation; however, the internal process to prepare documentation for payment takes more than 3 days. Thus, the actual payment does not meet the payment schedule of the accounting department and leading to delays of about a week for payment.
3. The factory does not declare the correct compensation amount for social insurance; they do not include wage allowances.
4. The wage level increment as per the legal wage scale is not correct for workers. All workers have been aligned at wage level 1, regardless of their seniority.
5. Non-production working time (short downtime/ menstruation leave/ break time) compensation for piece rate workers (532 workers) is less than legal rate for each piece. Factory management uses the standard piece rate instead of their hourly rate, which is higher than the standard piece rate (4.3VND/second = 0.0002 USD). A total of 81 workers out of 532 piece rate workers are affected.
6. There is no policy on performance reviews that includes steps and processes, demonstrates linkages to job grading, prohibits discrimination, provides written feedback, and complies with legal requirements.
7. The factory does have any procedures on personnel development, including managing performance review procedures.

##### Local Law or Code Requirement

Labor Code of Vietnam, Art. 93.2; Insurance law No. 71/2006/QH 11, Art.117; Decree. 05/2015, Art.21; Decree No.49/2013, Art.7; Decree No.05/2015. Art.24.1; Employment Relationship Benchmark ER.16, ER.18 and ER.29; Compensation Benchmark C.1, C.5, C.14 and C.17; Hours of Work Benchmark HOW.16; on-Discrimination Benchmarks ND.1, ND.2, ND.5, ND.6, and ND.7)

##### Root Causes

1. Insufficient training provided to Human Resource/Compliance teams, especially on local law requirements.
2. Although there is an internal monitoring system in place, it's not effective, both at the factory and Headquarter HQ levels.
3. Although there is a compliance staff in place, it was observed that he has only received local law update and H&S trainings so far. There wasn't a training needs assessment carried out to identify some other important trainings like auditing skills, communication skills, international standards, and environmental protection.
4. Internal audits planned and conducted as once per year and all related documentation/records maintained. However, there is not a detailed internal audit procedure established yet and internal audits are limited with a checklist control that is prepared by compliance staff.
5. There is not an effective system in place for reviewing policies and procedures on a periodical basis; instead, factory management reviews them whenever they become aware of any changes on local law/regulations.
6. Misinterpretation of some local law requirements.
7. Many labor/EHS law related issues in Vietnam are solved/clarified with decrees/circulars as labor law and secondary regulation is not clear on many important topics. It's hard to track Having a lot of decrees and circulars makes it hard track for management.
8. Although there is a procedure for following updates on local law, this procedure doesn't include any guidelines reflection of these updates into implementation and monitoring activities.
9. Although the factory is a part of a big group, benchmarking and collective learning opportunities are very limited for CSR staff.

## Recommendations for Immediate Action

1. Ensure that the non-production working time (short downtime/break time/menstruation leave) of the piece rate workers is calculated on an hourly rate rather than standard piece rate.
2. Stop using one wage level for all workers. Prepare a wage scale with different wage levels with respect to seniority level of the workers as required by law and implement it.
3. Ensure that payment for sick leave/prenatal checks processed within 3 working days after receiving the documentation.

## COMPANY ACTION PLANS

1. The wage scale shall be posted on the announcement boards at the work floor.
2. The requirement that factory has to pay in advance social insurance for workers within 3 working days after receiving the receipts for payment is invalid since 1/1/2016 according to new law on social insurance, article 102.
3. Factory is going to apply contribution for social insurance base on wage and detailed allowance by circular No. 23/2015/TT-BLĐTBXH.
4.
  - In fact, employees' wage are increased annually and amount contribute for social security is higher than previous years.Detail:  
From 2013-2014, worker income raise 8% while contribution for social insurance raise 16%;  
From 2014-2015, worker income raise 25% while social insurance raise 31%.
  - We will ask the board of manager to review again and decide in 2017.
5. Factory pays for Non-production working time for workers on base of wage & allowance written in the labor contract (hourly rate)
6. Factory revises the employee assessment procedure which included these contents.
7. Factory revises the employee assessment procedure which included these contents.

**Action plan status:** In Progress

**Planned completion date:** 01/30/17

**Progress update:** 02/21/17 : 1. The wage scale has been posted since 04/01/2016 (Completed) 2. Factory currently follows the article 102 of the law on Social Insurance 2014 (No.58/2014/QH13) since 01/01/2016 (Completed) 3.Since 1/1/2016, factory applied contribution for social insurance base on wage and detailed allowance by circular No. 23/2015/TT-BLĐTBXH (Completed) 4. Policy is under review. (In Progress) 5. Since 1/1/2016, factory paid for Non-production working time for workers on base of wage & allowance written in the labor contract (hourly rate). (Completed) 6. Factory revised the employee assessment procedure which included these contents (HR.03.02) (Completed) 7. Factory revised the managing performance review procedure which included these contents (HR.03.02) (Completed)

## FINDING NO.3

### HOURS OF WORK

#### FINDING TYPE: Immediate Action Required

#### Finding Explanation

1. Workers in all departments worked exceeded the 30 hours/month overtime limit in May, June, July, and Aug 2015 due to urgent orders. Monthly overtime reached up to 40.5 hours in these months.
2. Four workers in the sewing and finishing departments worked excessive weekly overtime (15.5 hours) in one week in April, and 68 workers worked excessive weekly overtime (17 hours) one week in July.
3. The factory does not include the 30 minutes break time of the workers into their working hours as required by law. As a result, their daily working hours recorded as 8 hours instead of 8.5 hours and they worked 51 hours/week instead of 48 hours/week.

4. The existing annual leave policy and related procedures are not in line with local law requirements on how to proceed with if workers can not provide proper documentation on their sick leaves. Although it is not legally possible to make any deductions from workers' annual leaves, current procedure follows such a deduction of two days of annual leave in case of workers not being able to provide proper documentation for their sick leaves.
5. The factory did not provide 24 consecutive hours of rest in every seven-day period to some workers in the sewing and finishing departments in April (Mar 29 to April 5) and July 2015 (June 29 to July 5) for 4 and 68 workers respectively. Workers were informed about overtime work on their rest day only two days in advance. They worked 13 and 10 days consecutively in these periods and were provided with the compensatory leave after these periods.
6. The factory does not provide any legally required overtime break to all workers who work 2 hours or more overtime in a day. The factory is paying an additional compensation in lieu of this 30 minute break. (100% of the workers effected)
7. Annual leave provided to five workers working heavy, hazardous and toxic jobs (cleaning workers and gardeners working with chemicals and pesticides) is less than local law requirement of 14 days. They receive the same 12 days of annual leave like other workers that are not working hazardous work.
8. The factory does not provide any ongoing training to employees on the working hours policies and procedures. During the assessment, the ongoing training policies and procedures was not conducted fully as per the management and workers testimonials and also from document review. There was training record showed that the factory provides the training on the laws update, Code of Conduct and CTPAT, to the workers.

#### Local Law or Code Requirement

Labor Code of Vietnam 2012, Art. 106; Circular No.15/2003, Art 2.1.2.c; Vietnam Labor Code, Art 108, Decree No.45/2013/ND-CP, art.5 (1); Vietnam Labor Code, Art 111; Labor Code of Vietnam, Art. 110; Decree No.45/2013, art 5.2; Labor Code of Vietnam 2012, Art. 111; FLA Workplace Code (Employment Relationship Benchmark ER.22; Hours of Work Benchmarks HOW.1, HOW.2, HOW.3, HOW.8, HOW.11, and HOW.14)

#### Root Causes

1. Factory management claimed that they are not working on shifts so their break hours should not be counted as working hours. Management provided latest company regulation on Hours of Work that was approved by the Labor Department on February 26, 2014. Factory management also provided the letter No. 12904/LDTBXH-LDTL to explain that they do not arrange shift working, so they can be exempted from the Decree No 45 and they can exclude the break time from their working hours through this waiver.
2. Factory management declared, in contradiction of local law, that cleaning workers and gardeners do not fall under heavy, hazardous, and toxic jobs, resulting in them not being provided 14 days of paid annual leave.
3. Factory management thought that deducting improperly documented sick leaves from annual leave instead of deducting it as absence is in favor of workers.
4. There is not an effective system in place for dealing with urgent orders that caused overtime limit exceedings in the past. Not all brands sourcing from this factory is FLA affiliated and responsible sourcing is not an obligation for them.
5. Although there is a compliance staff in place, it was observed that he has only received local law update and H&S trainings so far. There wasn't a training needs assessment carried out to identify some other important trainings like auditing skills, communication skills, international standards, and environmental protection.
6. Internal audits planned and conducted as once per year and all related documentation/records maintained. However, there is not a detailed internal audit procedure established yet and internal audits are limited with a checklist control that is prepared by compliance staff.
7. There is not an effective system in place for reviewing policies and procedures on a periodical basis; instead, factory management reviews them whenever they become aware of any changes on local law/regulations.
8. Misinterpretation of some local law requirements.
9. Many labor/EHS law related issues in Vietnam are solved/clarified with decrees/circulars as labor law and secondary regulation is not clear on many important topics. It's hard to track Having a lot of decrees and circulars makes it hard track for management.
10. Although there is a procedure for following updates on local law, this procedure doesn't include any guidelines reflection of these updates into implementation and monitoring activities.
11. Although the factory is a part of a big group, benchmarking and collective learning opportunities are very limited for CSR staff.

#### Recommendations for Immediate Action

1. Cease the practice of making deductions from workers' annual leaves in case of delivery of incomplete/inaccurate documentation for sick leaves.
2. Ensure that monthly overtime hours are in line with local law requirement of 30 hours/month.
3. Ensure that weekly total working hours is not more than 60 hours/week.
4. Ensure that all workers are provided with 24 hours consecutive hours of rest in every seven-day period.
5. Re-arrange the working hours or break time of the workers to make sure that their daily working hours is not exceeding 8 hours/day.
6. Provide 30 minutes break for workers staying overtime for 2 hours or more.
7. Re-arrange annual leaves of the five workers working on heavy, hazardous and toxic jobs (cleaning workers and gardeners working with chemicals and pesticides) as 14 days.

## COMPANY ACTION PLANS

1. 1. Factory establishes and monitors the work plan closely. 2. Factory establishes and monitors the work plan closely. 3. Working hours from 07h30 – 16h00 is normal working hours, not shift working hours. This content is included in the factory regulations on hours of work that was approved by the local labor management agency on January 15, 2016 (Factory regulation, Art. 3.1.a). Also, factory collective bargaining agreement, art 9.1 excludes 30 minutes lunch break time into working hours. In the past time (before 2011), factory gave 1 hours lunch break and however workers really want to go back earlier to take the child from the school and ask to take shorter break (30 minutes) and factory management agreed. To FLA comments, factory will consider again about lengthening the break from 30 minutes to 01 hour again like the past time. 4. The factory updates Factory regulation and the relevant procedures on hours of work by removing regulation on leave deduction. 5. Factory establishes and monitors the work plan closely. 6. The factory provides 30 minutes break before working overtime in case workers work 2 hours or more overtime in a day. 7. Factory will review policy in 2017. 8. Factory provides training about policy, procedures on hours of work for workers in orientation and refresh annual training. Factory creates a monitoring system to ensure that no workers exceed the overtime limits and that they do not work 7 days without a rest day. The system might include overtime tracking record for the whole year. Every month, responsible department has specific reports of working hours status.

**Action plan status:** In Progress

**Planned completion date:** 01/30/17

**Progress update:** 02/21/17 : 1. In 2016, factory has adjusted the work plan, no case that employee has to work overtime more than 30 hours/ month. (Completed) 2. Factory made a year working plan that align with the law and follow up it closely. No cases in which worker work more than 12 hours/ week, 30h/ month in 2016. (Completed) 3. The review is under progress. (In Progress) 4. The factory updated Factory regulation and the relevant procedures on hours of work by removing regulation on leave deduction in Jan 2016. (Completed) 5. Factory made a year working plan that align with the law and follow up it closely. No cases in which worker worked without 24 consecutive hours of rest in every 7 day period. (Completed) 6. The factory has provided 30 minutes break before working overtime for workers who work 2 hours or more overtime in a day since 1/1/2016. And in the whole year 2016, there is no case violate this CBA. (Collective Bargaining Agreement, Art. 9.2) (Completed) 7. The policy is under review. (In Progress) 8. Factory provided training about policy, procedures on hours of work for workers in orientation and refresh annual training \_ 20, 21st Jan 2015 and 12 Feb 2015 (Completed)

## 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. Legally required dialog meetings and annual labor conference were not conducted. None of the workers being interviewed were aware of such meetings. Factory management declared that they would conduct them in the 1<sup>st</sup> quarter of 2016.
3. There is no documentation/proof to show that the nominated list for Labor Union representatives is prepared without management's interference and with workers' engagement.

##### Local Law or Code Requirement

Labor Code of Vietnam, Art. 65; FLA Workplace Code (Employment Relationship Benchmarks ER.16 and ER.25; Freedom of Association Benchmarks FOA.11 and FOA.12)

##### Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels.
2. These issues had not been identified during the previous internal and external audits.
3. Implementation of the new worker dialogue regulation and election of union/worker representatives are common issues at factories in Vietnam.
4. Management finds the election process time consuming and burdensome.
5. There is not an effective review process for Freedom of Association.
6. Management is not aware of potential benefits of having strong worker representation in the factory.
7. Although there is a compliance staff in place, it was observed that he has only received local law update and H&S trainings so far. There wasn't a training needs assessment carried out to identify some other important trainings like auditing skills, communication skills, international standards, environmental protection...etc.
8. Internal audits planned and conducted as once per year and all related documentation/records maintained. However, there is not a detailed internal audit procedure established yet and internal audits are limited with a checklist control that is prepared by compliance staff.
9. There is not an effective system in place for reviewing policies and procedures on a periodical basis; instead, factory management reviews them whenever they become aware of any changes on local law/regulations.
10. Misinterpretation of some local law requirements.
11. Many labor/EHS law related issues in Vietnam are solved/clarified with decrees/circulars as labor law and secondary regulation is not clear on many important topics. It's hard to track Having a lot of decrees and circulars makes it hard track for management.
12. Although there is a procedure for following updates on local law, this procedure doesn't include any guidelines reflection of these updates into implementation and monitoring activities.
13. Although the factory is a part of a big group, benchmarking and collective learning opportunities are very limited for CSR staff.

### Recommendations for Immediate Action

1. Provide training on the FLA Workplace Code and benchmarks requirements to managerial staff and workers.
2. Improve the effectiveness of internal audits at both the local and HQ levels.
3. Increase training opportunities for both HR and Compliance departments.
4. Organize free elections for union and worker representatives, and document all steps of these elections. Keep all necessary documentation from the beginning to the end of the election process.
5. Organize annual labor conferences in line with legal requirements.
6. Ensure that dialogue meetings are in line with local law requirements, in terms of both worker representatives and content.
7. Conduct a training needs assessment for to identify other important trainings like auditing skills, communication skills, international standards, environmental protection...etc. need to be delivered to CSR/HR staff.
8. Improve existing internal audit procedure to make sure that it includes all necessary guidance on at minimum:
  - a. Root Cause Analysis of the findings –beyond checklist approach-
  - b. Necessary trainings/qualifications required for internal assessors
  - c. Frequency and type of the HQ and factory level assessments
  - d. Clear guidelines on CAP preparation and implementation
9. Implement a system to make sure that policies and procedures are reviewed on a periodical basis.
10. Provide a copy of the CBA to workers.
11. Make sure that procedure for following updates on local law includes any guidelines on reflection of these updates into implementation and monitoring activities.
12. Explore the opportunities of benchmarking and collective learning for CSR/HR staff within the group.
13. Consult FLA through regional managers/PS program manager as a member of FLA's PS program in case of confusions on interpretations of local law/FLA code requirements.

## COMPANY ACTION PLANS

1. 1. Factory has not been able to take any action as the issue is depended on local law.
2. Factory organizes collective bargaining and labor conference, periodical dialogues as required.
3. The congress of the Trade Union was organized on 6/9/2014 according to the instruction of the Trade Union law and procedure was approved by the local higher Trade Union.  
The Trade Unionists choose their representatives of each work units to participate in the congress, their representatives will continue to choose the most appropriate representatives for establishing the board of executive.

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	09/06/16
<b>Progress</b>	02/21/17 : 1. Issue stays the same. 2. Factory organized collective bargaining and labor

**update:** conference in Dec 2015; periodical dialogues were organized every quarter in 2016. (Completed)  
3. Representatives are selected as per guidance by higher level Trade Union. Records are available. (Completed)

**Completion date:** 09/06/16

## FINDING NO.5

### WORKPLACE CONDUCT & DISCIPLINE

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. Although it was not implemented within the last twelve months, current disciplinary procedures include a wage raise suspension of up to 6 months as a means to discipline.
2. Factory management is deducting the full cost of the tools and uniforms during the termination process without considering the depreciation caused by the use of uniforms/tools. Furthermore, factory management does not have any documentation that shows the actual cost of the uniforms.
3. The factory has formed the disciplinary council to handle the disciplinary cases in the factory as per policy and procedure. However, during records review the disciplinary records do not have signature of any labor union representatives. As such there is doubt if policy and procedure, union engagement in disciplinary meetings is consistently implemented.

##### Local Law or Code Requirement

Labor Code of Vietnam, art. 101/130; Labor Code of Vietnam, Art. 123. 1; FLA Workplace Code (Employment Relationship Benchmarks ER.16, ER.25, and ER.27; Harassment and Abuse Benchmark H/A.2)

##### Root Causes

1. Factory management mentioned that wage raise suspension is in line with local law requirements and approved by union and local labor office.
2. Most of the factories in Vietnam are implementing monetary fines through deduction of allowances/bonuses as they do not see allowances and bonuses as a part of salary but an extra amount paid to the workers.
3. Misinterpretation of local law requirements.
4. Although the factory is a part of a big group, benchmarking and collective learning opportunities are very limited for CSR staff.
5. Lack of knowledge on FLA code/benchmark requirements

##### Recommendations for Immediate Action

1. Cease the practice of wage raise suspension as a form of disciplinary action.

### COMPANY ACTION PLANS

1. The factory revises disciplinary procedures and make sure that wage raise suspension practice is not a means of discipline. 2. Factory issues decision for Regulation on Tool and Uniform compensation which align with requirements of FLA. The factory keeps all documentations that shows the actual cost of tools/uniforms. 3. Factory revises the procedure and forms on disciplinary and allow trade union join in any meeting relate to disciplinary actions. Cost of uniforms and tools is deducted under depreciation. The deduction is made only when employees do not return uniform or tools to the factory at termination.

**Action plan status:** Completed

**Planned completion date:** 09/01/16

**Progress update:** 02/21/17 : 1. The factory revised disciplinary procedures and make sure that wage raise suspension practice is not a means of discipline (HR.03.05, Item 5.4) Means of discipline: a. Reprimand b. Degrade c. Dismiss (Completed) 2. Factory issue decision No 496/MXP dated on 1/3/2016 - Regulation on Tool and Uniform compensation which updated requirements of FLA. The factory kept all documentations that shows the actual cost of tools/uniforms. (Completed) 3. In 2016, factory

revised the procedure and forms on disciplinary and allow trade union join in any meeting relate to disciplinary actions (HR.03.05, Item 5.1.b)(Completed)

**Completion date:** 09/01/16

## FINDING NO.6

### GRIEVANCE SYSTEM

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. Although there is a grievance policy and supporting procedures are established, they do not ensure the anonymity of the complainant. Current system requires the detailed information of the complainant in the written form. As a result, there was no complaint filed through the complaint/suggestion boxes, but only directly to the labor union. Furthermore, the verbal grievances raised through the Labor Union were not recorded or tracked by factory management. The factory does not consistently and effectively address all grievances raised through the union.

##### Local Law or Code Requirement

Vietnam Labor Code, Art 194 and 201 FLA Workplace Code (Employment Relationship Benchmarks ER.2 and ER.25)

##### Root Causes

1. Factory management thought that having non-confidential grievance/complaint information with worker identification would be useful against misuse of this system as well as speed up the investigation process.
2. There is no effective internal monitoring system, both at the factory and HQ levels.
3. These issues had not been identified during the previous internal and external audits.
4. Although there is a compliance staff in place, it was observed that he has only received local law update and H&S trainings so far. There wasn't a training needs assessment carried out to identify some other important trainings like auditing skills, communication skills, international standards, and environmental protection.
5. Internal audits planned and conducted as once per year and all related documentation/records maintained. However, there is not a detailed internal audit procedure established yet and internal audits are limited with a checklist control that is prepared by compliance staff.
6. There is not an effective system in place for reviewing policies and procedures on a periodical basis; instead, factory management reviews them whenever they become aware of any changes on local law/regulations.
7. Misinterpretation of some local law requirements.
8. Many labor/EHS law related issues in Vietnam are solved/clarified with decrees/circulars as labor law and secondary regulation is not clear on many important topics. It's hard to track Having a lot of decrees and circulars makes it hard track for management.
9. Although there is a procedure for following updates on local law, this procedure doesn't include any guidelines reflection of these updates into implementation and monitoring activities.
10. Although the factory is a part of a big group, benchmarking and collective learning opportunities are very limited for CSR staff.

### COMPANY ACTION PLANS

1. Factory revises the procedure of grievance to ensure that anonymous complaints are taken into consideration without any requirement on details on individual who filed the complaint All verbal grievances should be recorded and tracked by chairman of trade union. Factory revised the procedure of grievance in August 2016 (HR.09.04) ensure that anonymous complaints are taken into consideration without any requirement on details on individual who filed the complaint. Changes are included in training content provided to employees. All verbal grievances have been recorded and tracked by chairman of trade union.

**Action plan status:** Completed

**Planned completion date:** 08/01/16

**Progress update:** 02/21/17 : Factory revised the procedure of grievance in August 2016 (HR.09.04) ensure that anonymous complaints are taken into consideration without any requirement on details on individual who filed the complaint All verbal grievances have been recorded and tracked by chairman of trade union

## FINDING NO.7

### TERMINATION & RETRENCHMENT

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. The severance allowance is paid to workers that were terminated or have resigned. However, the probation period is not included in the severance payment calculations, violating local law.
2. Orientation training was provided to new hirers. During the assessment, the ongoing training policies and procedures was not conducted fully as per the management and workers testimonials and also from document review. There was training record showed that the factory provides the training on the laws update, Code of Conduct and CTPAT, to the workers.

##### Local Law or Code Requirement

Decree No. 05/2015, Art 14, FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.19)

##### Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels.
2. These issues have not been identified during the previous internal and external audits.
3. Although there is a compliance staff in place, he has only received local law update and H&S trainings so far. There was no training needs assessment carried out to identify some other important trainings like auditing skills, communication skills, international standards, environmental protection.
4. Internal audits planned and conducted as once per year and all related documentation/records maintained. However, there is not a detailed internal audit procedure established yet and internal audits are limited with a checklist control that is prepared by compliance staff.
5. There is not an effective system in place for reviewing policies and procedures on a periodical basis; instead, factory management reviews them whenever they become aware of any changes on local law/regulations.
6. Misinterpretation of some local law requirements.
7. Many labor, environmental, and Health & Safety laws in Vietnam are solved/clarified with decrees/circulars, as local laws and secondary regulations are not clear on many important topics. The large number of decrees and circulars makes it hard track for management.
8. Although there is a procedure for following updates on local law, this procedure doesn't include any guidelines reflection of these updates into implementation and monitoring activities.
9. Although the factory is a part of a big group, benchmarking and collective learning opportunities are very limited for CSR staff.

### COMPANY ACTION PLANS

1. 1. The probation period is included in the severance payment calculations for employees who were terminated or have resigned 2. Factory plan to provide training about policy, procedures on retrenchment for workers in fresh training 2016 on 27 Dec 2016 Factory always set up training plan at the beginning of every year and regularly follow-up to ensure refresher trainings are conducted in a timely manner. Training plan record is attached for review.

**Action plan status:** In Progress

**Planned completion date:** 12/27/16

**Progress update:** 02/21/17 : 1. Since 4/1/2016, the probation period is included in the severance payment calculations for employees who were terminated or have resigned. 2. The training is going to be conducted.

## FINDING NO.8

## HEALTH & SAFETY

### FINDING TYPE: Sustainable Improvement Required

#### Finding Explanation

1. A certified trainer delivered the training on Health & Safety and chemical safety training to workers internally; however, the duration of the trainings is less than legal requirement of 16 hours as total duration was only 4 hours instead. Furthermore, the trainer is only certified on H&S but does not have any training certificate on chemical safety.
2. There were two work accidents within the factory in 2015; however, the factory did not conduct the legally required root cause analysis study to figure out the potential underlying reasons and preventing recurrence.
3. Although there is a laser cutting system in use at the cutting section, the potential laser use related hazards/risks are not included into risk assessment report, as legally required.

#### Local Law or Code Requirement

Circular No. 27/2013/TT-BLDTBXH on Providing for Occupational Safety and Hygiene Training (2013), Art. 6 and Decree No. 26/2011/ND-CP on Amending and Supplementing a Number of Articles of the Government's Decree No. 108/2008/ND-CP of October 7, 2008, Detailing and Guiding a Number of Articles of the Chemical Law, Art. 7(a); Joint Circular No. 12/2012/TTLT-BLDTBXH-BYT on Guiding the Declaration, Surveys and Statistics and Accident Reports (2012), Art. 13 and Labor Code No. 10/2012/QH13 (2013), Art. 142; Vietnam Labor Code 2013, Article 138.1.c; FLA Workplace Code (Employment Relationship Benchmark ER.31, Health, Safety & Environment Benchmarks HSE.1, HSE.3, and HSE.9)

#### Root Causes

1. Factory management thought that the laser level from the laser-cutting machine is not harmful to workers and the cutting operators are not directly contacting with laser as per the operation principle.
2. There is no effective internal monitoring system, both at the factory and HQ levels.
3. These issues had not been identified during the previous internal and external audits.
4. Although there is a compliance staff in place, it was observed that he has only received local law update and H&S trainings so far. There wasn't a training needs assessment carried out to identify some other important trainings like auditing skills, communication skills, international standards, and environmental protection.
5. Internal audits planned and conducted as once per year and all related documentation/records maintained. However, there is not a detailed internal audit procedure established yet and internal audits are limited with a checklist control that is prepared by compliance staff.
6. There is not an effective system in place for reviewing policies and procedures on a periodical basis; instead, factory management reviews them whenever they become aware of any changes on local law/regulations.
7. Many labor/EHS law related issues in Vietnam are solved/clarified with decrees/circulars as labor law and secondary regulation is not clear on many important topics. It's hard to track Having a lot of decrees and circulars makes it hard track for management.
8. Although there is a procedure for following updates on local law, this procedure doesn't include any guidelines reflection of these updates into implementation and monitoring activities.
9. Although the factory is a part of a big group, benchmarking and collective learning opportunities are very limited for CSR/EHS staff.

### COMPANY ACTION PLANS

1. 1. Factory shall organize a separated training for workers who work with chemicals in Dec 2015 (from 21 - 24 Dec, 2015). In this training, factory shall hire a competent 3rd party contract to provide training and grant certificates for workers.
2. Factory shall review and update procedure of occupational accident declaration, investigation, addressing and prevention to ensure that all accidents and injuries were listed and analysed root cause to prevent recurrence.

As well as provides internal training to update for relevant personnel who involve.

3.
  - ESH Committee co-operates with related department to implement a risk assessment for each tasks including laser cutting.
  - Beside that, factory hires a competent 3rd party to assess the risks at laser machine area.
  - Based on the risk assessment, factory provides annual training to remind hazards at the workplace and equips employees with PPE as glasses, mask.

**Action plan status:** Completed

**Planned completion** 11/30/16

**date:**

**Progress update:** 02/21/17 : 1. Factory organized a separated training for workers who work with chemicals in Dec 2015 (from 21 - 24 Dec, 2015). In this training, factory hired a competent 3rd party contract to provide training and grant certificates for workers. 2. Factory reviewed and updated procedure of occupational accident declaration, investigation, addressing and prevention \_ HSE.01.04 on Nov 12, 2016 to ensure that all accidents and injuries were listed and analysed root cause to prevent recurrence: 5.2.4.B. ESH Committee will give preventive actions to ensure occupational health and safety at workplace. It indicates issues that need to fix/ prevent, analysis root cause, corrective actions, person in charge,... Keep the records as per HSE.01.04.09 As well as provided internal training to update for relevant personels who involve in (The ESH committee, H&S staff, clinic staff, management, trade union) on 30 Nov 2016 3. - ESH Committee co-operated with related department to implement a risk assessment for each tasks including laser cutting. - Beside that, factory hired a competent 3rd party to assess the risks at laser machine area. - Based on the risk assessment, factory provided annual training to remind hazards at the workplace and equips employees with PPE as glasses, mask.

**Completion date:** 11/30/16

## FINDING NO.9

### HEALTH & SAFETY

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. Maintenance and inspection records of all fire fighting equipment were not established as per the legal requirements announced in 2014. Factory management mentioned that they will implement the new legal requirements in November 2015.
2. The inspection/maintenance of the smoke detectors/ fire alarms is not conducted on a yearly basis; the factory management said that they do the inspection for respective smoke detectors and fire alarm once every two years instead of the legally required annual basis. The next inspection/maintenance activity is planned for November 2015.
3. No Liquefied Petroleum Gas LPG detectors provided in kitchen where LPG is in use.
4. The factory has a fire resistant cabin for flammable chemicals; however, there is no ventilation provided for this cabin.

##### Local Law or Code Requirement

Circular No.52/2014, Art.7; Decision No. 2726/BKHCN on Fire protection equipment for building and construction - Providing, installation, inspection, maintenance (2009), Art. 6(2)(3); FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.5, HSE.9, and HSE.13)

##### Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels.
2. These issues had not been identified during the previous internal and external audits.
3. Although there is a compliance staff in place, it was observed that he has only received local law update and H&S trainings so far. There wasn't a training needs assessment carried out to identify some other important trainings like auditing skills, communication skills, international standards, and environmental protection.
4. Internal audits planned and conducted as once per year and all related documentation/records maintained. However, there is not a detailed internal audit procedure established yet and internal audits are limited with a checklist control that is prepared by compliance staff.
5. There is not an effective system in place for reviewing policies and procedures on a periodical basis; instead, factory management reviews them whenever they become aware of any changes on local law/regulations.
6. Many labor /EHS law related issues in Vietnam are solved/clarified with decrees/circulars as labor law and secondary regulation is not clear on many important topics. It's hard to track Having a lot of decrees and circulars makes it hard track for management.
7. Although there is a procedure for following updates on local law, this procedure doesn't include any guidelines reflection of these updates into implementation and monitoring activities.
8. Although the factory is a part of a big group, benchmarking and collective learning opportunities are very limited for CSR/EHS staff.

## COMPANY ACTION PLANS

1. 1.
  - Factory signs a contract of testing and maintaining fire extinguishers.
  - To put the job: maintenance and inspection fire extinguishers in the fire management plan yearly.
2. Factory signs a contract on inspecting and maintaining the automatic fire alarm system includes:
  - Maintenance of fire alarm control panel (16 channels);
  - Maintenance the entire smoke detectors, heat detectors, beam detectors and combination of fire alarm, flash light, push button.
3.
  - Factory LPG gas storage locates outside in the garden so it is inefficient if installing an automatic gas detector, so
  - Factory provides a mobile LPG detector for canteen. The canteen work team leader is responsible for checking daily in the early of working hour: Checking at cooking area and LPG gas storage area.
  - Factory posts an emergency action plan for canteen worker, talk to them how to response an emergency of gas leaking.
4.
  - Ventilation shall be provided for the fire resistant cabin for flammable chemicals;
  - Chemical warehouse keeper daily checks chemical safet

**Action plan status:** Completed

**Planned completion date:** 12/19/15

**Progress update:** 02/21/17 : 1. Fire extinguishers were maintained and tested. 2. Referring to Article 26 of Circular 52/2014/TT-BCA: - The automatic fire system is self-tested monthly to evaluate the quality and operability of equipments in this system; - Factory co-operate with contractor to test the entire fire alarm system every 2 years. Maintenance was carried out in 19 Dec 2015. Maintenance summary report per attached file for evidence. 3. - Factory provided a mobile LPG detector for canteen in 29/10/2015. The test result was recorded as form HSE.04.04.01. - Factory posted an emergency action plan for canteen worker, talk to them how to response an emergency of gas leaking\_ Procedure HSE.04.04." 4. Ventilation was provided for the fire resistant cabin for flammable chemicals on 29/10/2015.

**Completion date:** 12/19/15

## FINDING NO.10

### HEALTH & SAFETY

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. One hand grinding machine in the mechanical workshop was not equipped with a protective guard. Safety instructions are not displayed or posted near machinery, in workers' language(s).
2. Two prong plugs in use for three prong sockets in different sections of the factory building, which bypasses grounding protections.
3. Compressed air, with an operating pressure of 6 bars, is used for cleaning activities.
4. Drinking water dispensers are exposed to direct sunlight which could cause contamination.
5. Some ultrasonic sewing machine operators and workers working around these machines were not using their earplugs.
6. Positioning of table saw guard is not okay as its positioned high above than it should be.
7. The factory does not provide antifatigue mats to all workers that have to stand at their workstation.
8. Some clothing hangers at finished goods warehouse are bent.
9. Since the factory has glass walls, chemicals at the chemical warehouse are exposed to direct sunlight.
10. Although there is a limit defined for hand truck operation, that limit is not posted at the workplace.
11. PET bottles for water consumption are distributed to workers once a month used on a continuous basis these bottles are not good for re-use, and may pose a health risk.
12. Wooden chopping boards are commonly used for different kind of food groups which poses the risk of cross-contamination and violates local law (red:raw meat, blue: raw fish, yellow:cooked meat, brown:vegetables, white:bakery-diary, green: salads/fruit).

##### Local Law or Code Requirement

### Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels.
2. These issues had not been identified during the previous internal and external audits.
3. Although there is a compliance staff in place, it was observed that he has only received local law update and H&S trainings so far. There was not a training needs assessment carried out to identify some other important trainings like auditing skills, communication skills, international standards, and environmental protection.
4. Internal audits planned and conducted as once per year and all related documentation/records maintained. However, there is not a detailed internal audit procedure established yet and internal audits are limited with a checklist control that is prepared by compliance staff.
5. There is not an effective system in place for reviewing policies and procedures on a periodical basis; instead, factory management reviews them whenever they become aware of any changes on local law/regulations.
6. Many labor/EHS law related issues in Vietnam are solved/clarified with decrees/circulars as labor law and secondary regulation is not clear on many important topics. It's hard to track Having a lot of decrees and circulars makes it hard track for management.
7. Although there is a procedure for following updates on local law, this procedure doesn't include any guidelines reflection of these updates into implementation and monitoring activities.
8. Although the factory is a part of a big group, benchmarking and collective learning opportunities are very limited for CSR/EHS staff.

### Recommendations for Immediate Action

1. Ensure that grounding system covers all electrical systems in the factory; stop using 2 prong plugs on 3 prong sockets.
2. Provide proper guard on hand grinding machine in mechanical workshop. Apply sun control window films to the glass walls of the chemical warehouse.
3. Replace PET bottles with HDPE/LDPE/PP alternatives or stainless steel cups which are more suitable for repetitive use.

## COMPANY ACTION PLANS

1.
  - Factory equips the protective guard and remade a safety operating instruction for the grinding machine.
  - Factory mechanics daily check the machine guarding together with the network of OSH collaborators to ensure machine safety.
2.
  - The factory mechanics replaces two prong plugs by three prong plugs.
  - All two prong sockets are cut off electricity and covered to prevent workers from using these sockets.
3.
  - Factory removes dispensable cleaning tools which were used for product cleaning;
  - Factory mechanic install a more pressurized meter to ensure that compressed air output always smaller 2 bars. Mechanic guides the product cleaning worker to use and adjust tools which use for cleaning.
  - ESH staff maintains health and safety inspection in the factory.
4.
  - Factory rearranges position of drinking water dispensers to prevent sunlight which shines directly.
  - Furthermore factory notifies all area management personnel to frequent check and arrange drinking water dispensers in area that do not expose to direct sunlight or contaminated conditions.
5.
  - Factory moves ultrasonic sewing machines to the Beginning of line to minimize impact of noise to the surrounding operators.
  - To build a distribution plan of PPE and delivering earplugs to workers who operate ultrasonic machine and the surrounding workers.
  - To organize annual training to provide information and raise awareness about the importance of using PPE.
  - ESH staff is responsible for inspecting and supervising the employees in compliance with implementation of PPE at workplace.
6.
  - Factory supplies a new type of guarding equipment for the fabric cutting machines. We also provide annual training on mechanical safety for employees.
  - To require workers to use fully PPE when operating these machines.
  - ESH staff maintains health and safety inspection in the factory.
7.
  - Based on the risk assessment, factory defines working position need stand long time in working hours.

- Factory provides anti-fatigue mats for workers as required.
  - ESH staff is responsible for inspecting and supervising the employees in compliance with implementation of using PPE in the workplace.
- 8.
- Factory reinforces the clothing hangers by supplementing the horizontal bars to connect between two hangers and using screws to fix hangers to floor for stronger.
  - ESH staff maintains health and safety inspection in the finished goods warehouse.
- 9.
- Factory pastes black decal for chemical warehouse to avoid direct exposure sunlight.
  - To ask the person in charge of chemical warehouse to maintain safety inspection in this warehouse and inform promptly ESH staff when a failure occurs.
- 10.
- Factory posts a load sign and safety operation regulation for the hand truck.
  - To remind workers that use a hand truck check mechanical safety before operating and inform ESH staff when the warning signs are lost.
  - ESH staff maintains health and safety inspection in the factory.
11. Factory will review and try to seek other appropriate type of drinking bottles.
- 12.
- Factory supplies labels for each wooden chopping boards including "Raw fish", "Raw meat", "Vegetable" and "Cooked food".
  - The wooden chopping boards are classified and separated on each shelf including: raw food and cooked food.

<b>Action plan status:</b>	In Progress
<b>Planned completion date:</b>	06/30/17
<b>Progress update:</b>	02/21/17 : 1. Action Plan is completed. 2. Action Plan is completed. 3. Action Plan is completed.. 4. Action Plan is completed. 5. Action Plan is completed. 6. Action Plan is completed. 7. Action Plan is completed. 8. Action Plan is completed. 9. Action Plan is completed. 10. Action Plan is completed. 11. Action Plan is in progress. 12. Action Plan is completed.

## FINDING NO.11

### ENVIRONMENTAL PROTECTION

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. There is no ozone depleting substances (ODS) inventory list or phase out plan being prepared by the factory management.  
Factory management declared that they had the inspection record conducted by the relevant authority confirmed that they did not have any ODS in their operations and facilities and they will provide it to FLA assessor later.
2. The Coliform and BOD5 levels of the wastewater analysis report in June 2015 exceeded the legally permitted levels (5600>5000 and 65>50 respectively). Although factory management carried out a corrective action and fixed the issue and the wastewater analysis report dated October 2015 shows that all wastewater parameters are in line with required standard, there is no proof to show that the factory conducted a root cause analysis to identify underlying reasons and prevent recurrence of such an issue.
3. Some hazardous solid waste, dyed fabric and paper, is stored in solid waste storage area.
4. There is no secondary containment provided for cleaning chemicals in warehouse.
5. There are no nylon bags in the spill kit at the chemical warehouse.
6. There is leaking compressed air throughout the production areas. Furthermore, there is not a system in place for turning off the lights at workstations when there is no work on those stations, which is an issue for energy efficiency.
7. Factory's environment policy does not include a statement of the factory management's general support of energy and water efficiency, and a commitment to minimize impacts with respect to air emissions, waste, hazardous materials and other applicable environmental risks.

##### Local Law or Code Requirement

## Root Causes

1. There is no effective internal monitoring system, both at the factory and HQ levels.
2. These issues had not been identified during the previous internal and external audits.
3. Since there is no process water and activities within this facility is limited as garment production, management thought that there are no environmental risks.
4. CSR staff hasn't been trained on environmental protection and there is not a designated qualified person following issues related with environment.
5. There is no effective internal monitoring system, both at the factory and HQ levels.
6. Although there is a compliance staff in place, it was observed that he has only received local law update and H&S trainings so far. There wasn't a training needs assessment carried out to identify some other important trainings like auditing skills, communication skills, international standards, and environmental protection.
7. Internal audits planned and conducted as once per year and all related documentation/records maintained. However, there is not a detailed internal audit procedure established yet and internal audits are limited with a checklist control that is prepared by compliance staff.
8. There is not an effective system in place for reviewing policies and procedures on a periodical basis; instead, factory management reviews them whenever they become aware of any changes on local law/regulations.
9. Many labor/EHS law related issues in Vietnam are solved/clarified with decrees/circulars as labor law and secondary regulation is not clear on many important topics. It's hard to track Having a lot of decrees and circulars makes it hard track for management.
10. Although there is a procedure for following updates on local law, this procedure doesn't include any guidelines reflection of these updates into implementation and monitoring activities.
11. Although the factory is a part of a big group, benchmarking and collective learning opportunities are very limited for CSR/EHS staff.

## COMPANY ACTION PLANS

1. 1.
  - Factory issues Ozone depleting substances management procedure, and conducts a survey and inventory ODS in the factory.
  - Based on this procedure and ODS inventory list, the related departments build annual plans as environmental management plan, training plan, fire protection management plans, maintenance plans,... to manage effectively ODS in factory.
2. There were some wastewater parameters which are exceed the legally permitted level because:
  - Factory had fluctuations of employees (adding workers) in the early year;
  - It was time to empty the septic tanks;
  - Amount of microorganisms in the treatment tank was reduced significantly.

From the above reasons factory makes an explanatory statement to analyse the root cause and take corrective actions to prevent recurrence of such an issue.

On the other hand, factory tracks quarterly wastewater parameters after having result of environmental monitoring to promptly detect abnormal fluctuations occurs.

3.
  - Factory reminds a person in charge of industrial waste store on classifying and storing waste.
  - To provide annual training on classifying, collecting, and disposing waste for workers.
4.
  - Factory reminds a leader of grocery warehouse and required her to move cleaning chemicals to chemical warehouse.
  - Chemicals in chemical warehouse shall be labeled with full name, warning signs, MSDS. The bottles of chemical shall be placed in secondary containment.
  - A person in charge chemical warehouse checks daily and records to ensure compliance with regulations on chemical safety.
5.
  - Factory provides nylon bags in the spill control kit of chemical warehouse. This shall be supplemented in content of inspection form.
  - Furthermore, factory is available the empty tank to collect waste after handling spillage.
  - To require a worker in charge of chemical warehouse to check implementation in accordance with regulations.
6.
  - Factory sets up compressed air inspection program. Specifically on Tuesday and Saturday, ESH staff co-operate mechanic to conduct inspection compressed air leaking at the lines in workshop.
  - On the other hand, factory builds a lighting plan at workplace and notifies it to employees. The line leaders are responsible to

implement daily this plan according to regulation. ESH staff is responsible to inspect and supervise to maintain daily this lighting plan.

7. The environmental policy shall be reviewed and modified by factory's manager. It shall have the factory management's declaration of:

- To use energy and natural resources such as electricity, fuel, and water with responsible and efficient manner.
- To prevent of pollution and minimize impacts with respect to noise, air emissions, waste, hazardous material and other applicable environmental risks.

**Action plan status:** Completed  
**Planned completion date:** 12/01/16  
**Progress update:** 02/21/17 : All Action Plans are completed.  
**Completion date:** 12/01/16

## FINDING NO.12

### REVIEW PROCESS (MACRO)

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. The factory does not have a review system for the existing policies and procedures for all Employment Functions.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.30, and ER.31)

##### Root Causes

1. Insufficient training provided to Human Resource/Compliance teams, especially on local law requirements.
2. Although there is an internal monitoring system in place, it is ineffective, both at the factory and Headquarter HQ levels.

##### Recommendations for Immediate Action

### COMPANY ACTION PLANS

1. Company's policies and procedures are going to be reviewed and revised. In each policy document, it is noted that policy will be reviewed and evaluated annual, and the change may be made if needed. From September to November, policies and procedures are automatically under review by the management.

**Action plan status:** Completed  
**Planned completion date:** 09/01/16  
**Progress update:** 02/21/17 : All company policies and procedures was reviewed and evaluated in August and September 2016.  
**Completion date:** 09/01/16