



**COMPANY: Esquel Group**  
**COUNTRY: Vietnam**  
**ASSESSMENT DATE: 10/19/15**  
**MONITOR: FLA Assessor Team (Turkey)**  
**PRODUCTS: Apparel**  
**PROCESSES: Cut, Sew, Full [= full package]**  
**NUMBER OF WORKERS: 1840**  
**NUMBER OF WORKERS INTERVIEWED:**  
**ASSESSMENT NUMBER: AA0000001902**

## 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.

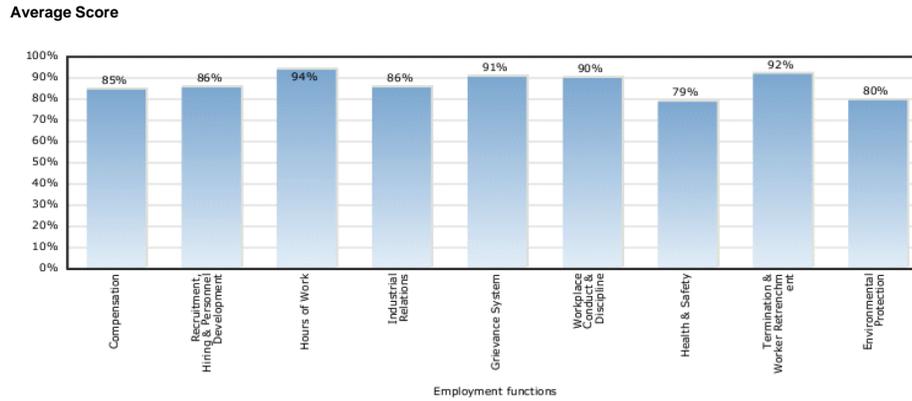
Root causes: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that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

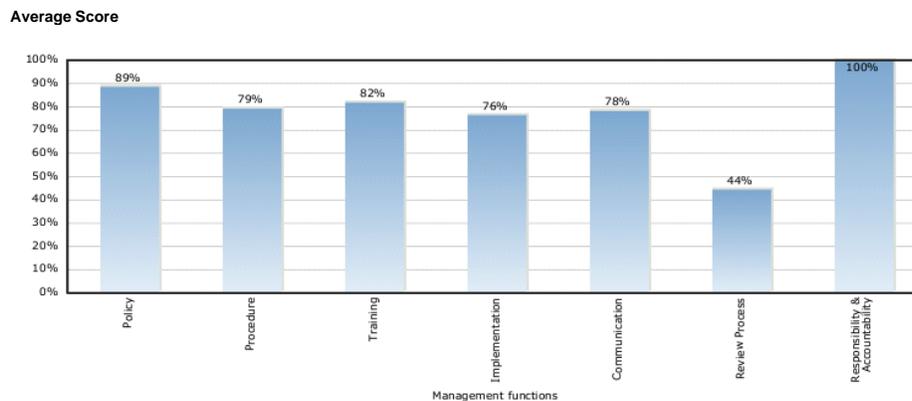
## Score by Employment Function

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                          | 91.67%                                      | 75%          | 100%          | 62.5%                | 90.91%           | 85.71%                         | 100%                              | 100%            | 100%                     |
| Procedure                       | 95.83%                                      | 87.5%        | 97.22%        | 76.47%               | 77.78%           | 88.89%                         | 90.48%                            | 71.83%          | 20%                      |
| Responsibility & Accountability | 100%  | 100%         | 100%          | 100%                 | 100%             | 100%                           | 100%                              | 100%            | 100%                     |
| Review Process                  | 50%   | 50%          | 50%           | 0%                   | 50%              | 100%                           | 0%                                | 66.67%          | 0%                       |
| Training                        | 82.14%                                      | 100%         | 100%          | 50%                  | 75%              | 90%                            | 50%                               | 83.59%          | 66.67%                   |
| Implementation                  | 68.53%                                      | 80.29%       | 85.29%        | 84.38%               | 81.82%           | 64.29%                         | 88.89%                            | 75.06%          | 66.21%                   |
| Communication                   | 66.67%                                      | 87.5%        | 85%           | 50%                  | 75%              | 91.67%                         | 75%                               | 80%             | 25%                      |

## 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                                     | 5                    | General Compliance Compensation<br>Deposit of Legally Mandated Deductions<br>Voluntary Wage Deductions<br>Workers Awareness and Understanding of Compensation<br>Calculation Basis for Overtime Payments   |
| Employment Relationship                          | 12                   | General/Human Resource Management Systems<br>Terms and Conditions/New Employee Orientation<br>Terms and Conditions/Communication<br>Terms and Conditions/Supervisor Training<br>Administration of Compensation/Termination Payouts<br>General/Documentation and Inspection<br>Industrial Relations<br>Work Rules and Discipline<br>Recruitment and Hiring/Employment Decisions<br>Skills Development/Promotion, Demotion and Job Reassignment<br>Health, Safety, and Environmental Management System/Policies and Procedures<br>Termination and Retrenchment/General Policies and Procedures |
| Freedom of Association and Collective Bargaining | 5                    | Employer Interference<br>Employer Interference/Constitution, Elections, Administration, Activities and Programs<br>Employer Interference/Registration<br>Employer Interference/Favoritism<br>Employer Interference/Police and Military Forces  |
| Harassment and Abuse                             | 3                    | General Compliance Harassment or Abuse<br>Security Practices/Body Searches<br>Discipline/Monetary Fines and Penalties  |
| Hours of Work                                    | 3                    | General Compliance Hours of Work<br>Rest Day<br>Meal and Rest Breaks   |
| Health, Safety and Environment                   | 14                   | General Compliance Health, Safety, and Environment<br>Protection Reproductive Health<br>Machinery Safety, Maintenance and Workers Training<br>Ergonomics<br>Medical Facilities<br>Sanitation in Workplace Facilities<br>Document Maintenance/Workers Accessibility and Awareness<br>Food Preparation<br>Drinking Water<br>Notification and Record Maintenance<br>Permits and Certificates<br>Evacuation Requirements and Procedure<br>Safety Equipment and First Aid Training<br>Chemical Management and Training  |
| Non-Discrimination                               | 3                    | General Compliance Nondiscrimination<br>Recruitment and Employment Practices/Job Advertisements, Job Descriptions and Evaluation Policies<br>Protection and Accommodation of Pregnant Workers and New Mothers  |

## Findings and Action Plans

### FINDING NO.1

#### RECRUITMENT AND HIRING

#### FINDING TYPE: Sustainable Improvement Required

#### Finding Explanation

1. Some job advertisements, mostly for white-collar employees, posted on the internet have specific age requirements. Setting the lower limit of age for recruitment higher than the legal working age is against local law and FLA's benchmarks.
2. There are five disabled workers at the factory, which is below the legal quota of 3% of the workforce, and the factory does not contribute to the legally mandated Disability Fund in lieu of employing disabled workers as allowed under the law.
3. There is no employment commitment in the training contracts, and there is no company regulation to convert trainees that complete their training period to fulltime workers, as legally required.
4. There is a system in place to conduct skill tests for the candidates when hiring to classify skilled and unskilled workers. All

unskilled workers need to undergo 1 month training period. However, auditor found that there are at least 7 skilled workers undergo 1 months training period same as unskilled workers within the last 12 months.

5. The factory does not have a detailed legally required training plan that includes the duration of training provided to ironing and packing department workers.
6. When there are changes to policies and procedures on Recruitment & Hiring, Compensation and Hours of Work, employees are provided refresher training, including issuance of memo, and posting on public areas in the factory. However, there is no on-going employee training in the factory.
7. The factory has a one-month applied apprenticeship for new workers, and has signed apprentice contracts with them. However, these contracts lack the legally required terms on training occupation, training cost, work commitment period, and responsibilities for the compensation of training costs.
8. The factory does not have a review system for the existing policies and procedures for all Employment Functions.

#### Local Law or Code Requirement

Vietnam Labor Code 2013, Article 5.1.a and Article 8.4; Decree No. 81-CP, Art 14.1; Decree 139/2006/ND-CP, Art 17.2; Decree 39/2006/ND-CP, Art.14.1; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.3, ER.13, ER.28, ER.29 and ER.30; Non-Discrimination Benchmarks ND.1 and ND.2)

#### Root Causes

1. Although the factory has a compliance staff member, he has only received local law and Health & Safety training. No training needs assessment was carried out to identify for him other important topics, like auditing skills, communication skills, international standards, and environmental protection.
2. Internal audits are conducted once per year and all related documentation/records are kept at the factory. However, the factory does not have a detailed internal audit procedure, and internal audits are just a checklist inspection prepared by the compliance staff member.
3. There is not an effective system for reviewing policies and procedures on a regular basis; instead, factory management reviews them whenever there are changes to local laws and regulations.
4. Many labor law related issues in Vietnam are managed through decrees and circulars, as labor law and secondary regulation are not clear on many important topics. The volume of decrees and circulars makes it hard for management to align/update factory regulations.
5. Although there is a procedure for following updates to local law, this procedure doesn't include any guidance on implementation and monitoring.
6. Although the factory is a part of a large supplier group, the parent company does not provide benchmarking and collective learning opportunities for corporate social responsibility (CSR) staff.
7. The shift schedule and continuous production makes planning and delivery of ongoing worker training a challenge.
8. There are different interpretations of the disabled worker quota in Vietnam, and it is not strictly enforced by local authorities.

#### COMPANY ACTION PLANS

1. 5. Factory will prepare a detailed written training plan, which includes the duration of the training for the ironing and packing department workers.
6. Factory will prepare and implement a plan for ongoing training on Compensation, Hours of Work, and all other Employment Functions.
7. Factory has already reviewed the apprentice contracts and revised in details to ensure that it includes all legally required terms.
8. Factory will implement a system to make sure that policies and procedures are reviewed on a regular basis.

**Action plan status:** Planned

**Planned completion date:** 03/30/17

2. 1. Factory has already worked with recruitment website supplier to remove age requirements from the job advertisements posted on the internet to make sure that it complies with recruitment policy of factory.
2. Since Decree No. 81-CP to regulate the implementation of a number of sections of the Labour Code 1994 is no longer valid. The labor code 10/2012/QH13 (issued on June 18, 2012, take effective from May 1, 2013) does not required the factory to employ disabled workers 3% of the workforce and contribute to the Disability fund. However, factory still continue to hire the disable persons to give them more working opportunities.
3. Factory has already added declaration of employment commitment for the training contracts and company regulations.
4. The company set a skill test program for all new comers to classify skilled and unskilled workers. For those 7 workers stated in the finding explanation, they were all re-employed employees, but all failed in the skill test during recruitment and to join the training period accordingly.  
The skill test is applied for all new comers, including re-employed employees. As employees can only re-join the factory after 6 months of resignation, with considering skill level of the re-employed employees could has been changed after 6-month resignation. Factory will continue to review the skill test regularly to ensure the skill is performed properly.

**Action plan status:** Completed

**Planned completion date:** 12/31/15

**Progress update:** 05/16/17 : 1. Factory has already worked with recruitment website supplier to remove age requirements from the job advertisements posted on the internet to make sure that it complies with recruitment policy of factory. 2. Since Decree No. 81-CP to regulate the implementation of a number of sections of the Labour Code 1994 is no longer valid. The labor code 10/2012/QH13 (issued on June 18, 2012, take effective from May 1, 2013) does not required the factory to employ disabled workers 3% of the workforce and contribute to the Disability fund. However, factory still continue to hire the disable persons to give them more working opportunities. 3. Factory has already added declaration of employment commitment for the training contracts and company regulations. 4.The company set a skill test program for all new comers to classify skilled and unskilled workers. For those 7 workers stated in the finding explanation, they were all re-employed employees, but all failed in the skill test during recruitment and to join the training period accordingly. The skill test is applied for all new comers, including re-employed employees. As employees can only re-join the factory after 6 months of resignation, with considering skill level of the re-employed employees could has been changed after 6-month resignation. Factory will continue to review the skill test regularly to ensure the skill is performed properly.

**Completion date:** 12/31/15

## FINDING NO.2

### COMPENSATION

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. The overnight overtime premium, affecting 44% of the workforce, was reduced from 215% to 210% in September 2015. Although this rate is in line with local legal requirements, there was not any consultation with workers' representatives during this process.
2. Based from the registered company regulations, Sunday is defined as the weekly rest day. During nightshift, workers worked on Saturday, and work ends Sunday morning. While the factory provides 24 consecutive hours of rest time every week (after the shift), this is contrary to the company regulations that Sunday is the weekly rest day. Thus, work between 12:00am to 6:00am on rest day (Sunday) should be based on legally mandated rate of 270%, and not 210%.
3. There is a system in place to conduct skill tests for the candidates when hiring (including workers who had resigned and seek to be re-employed) to classify skilled and unskilled workers. All unskilled workers need to undergo 1 month training period. However, auditor found that within the last 12 months there are at least 7 skilled worker undergo 1 month training period and were paid only probation rate (without 7% skilled allowance, higher than the regional-based minimum wage according to local law).
4. Salary increase is linked to performance reviews for workers in the cutting, warehouse, cleaning, quality control, facility maintenance, and embroidery sections. However, performance reviews are not conducted for all employees in these sections, but only those chosen by the supervisors. Additionally, there are no specific performance assessment criteria, and the review depends heavily on the supervisors' discretion.

##### Local Law or Code Requirement

Decree No.05, Article 25.4; Decree No.49/2013, Article 2 and Article 4; Decree 05/2015/NDCP, Article 25; Decree 49/2013/NDCP, Article 7.4; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.29 and ER.30.1; Compensation Benchmarks C.1, C.7, C.10 and C.11)

##### Root Causes

1. Although the factory has a compliance staff member, he has only received local law and Health & Safety training. No training needs assessment was carried out to identify for him other important topics, like auditing skills, communication skills, international standards, and environmental protection.
2. Internal audits are conducted once per year and all related documentation/records are kept at the factory. However, the factory does not have a detailed internal audit procedure, and internal audits are just a checklist inspection prepared by compliance staff.

3. There is not an effective system for reviewing policies and procedures on a regular basis; instead, factory management reviews them whenever there are changes to local laws and regulations.
4. Many labor law related issues in Vietnam are managed through decrees and circulars, as labor law and secondary regulations are not clear on many important topics. The volume of decrees and circulars makes it hard for management to update factory regulations.
5. Although there is a procedure for following updates to local law, this procedure doesn't include any guidance on implementation and monitoring.
6. Although there is a union with worker representation, information flow between workers and management is not adequate.
7. Management representatives explained that previously there was an error in the calculation of night overtime premium rates, and that they have changed the rate to 210% to correct for it.
8. Management representatives explained that the calculation method of overtime premium for night work on the rest day affected workers in one department and only for half an hour.

Recommendations for Immediate Action

1. Ensure that the night time overtime premium for rest day is in line with local legal requirement.

**COMPANY ACTION PLANS**

1. 1. Factory will consult with worker representatives before changing overtime premium rates (if any). as required by law.
4. Factory will set up policy and procedure to conduct performance review for employees in in the cutting, warehouse, cleaning, quality control, facility maintenance, and embroidery sections. Procedure will ensure the specic performance assessment criteria and not base on supervisor's discretion.

**Action plan status:** Planned

**Planned completion date:** 03/28/17

2. 2. Factory has already reviewed the current working shifts and consulted with worker representatives to re-regulate the working shifts to ensure that it complies with law requirements and employees receive correct payment. This has been stipulated on company regulations handbook and provided to all employees.

3. According to company's policy, the rejoined employees are considered as new employees, not continuation of old employment. This is explained to the workers prior to hiring. Employees can only re-join the factory after 6 months of resignation. Since skill level of the re-employed employees could has been changed after 6-month resignation; the company set a skill test program for all new comers (including re-employed employees). Once workers (for all new comer or re-employed) pass skill test at the recruitment stage, they are entitled to receive at 7% higher than the regional-based minimum wage levels prescribed by the Government during the probation period.

Moreover, law do not require to maintain the previous salary rate for employees who re-join the company.

Therefore, the company comply with the law (Decree No. 49/2013, Art 7.1b), since there is a proper skill test for all comers.

**Action plan status:** Completed

**Planned completion date:** 12/31/15

**Progress update:** 05/16/17 : 2. Factory has already reviewed the current working shifts and consulted with worker representatives to re-regulate the working shifts to ensure that it complies with law requirements and employees receive correct payment. This has been stipulated on company regulations handbook and provided to all employees. 3. According to company's policy, the rejoined employees are considered as new employees, not continuation of old employment. This is explained to the workers prior to hiring. Employees can only re-join the factory after 6 months of resignation. Since skill level of the re-employed employees could has been changed after 6-month resignation; the company set a skill test program for all new comers (including re-employed employees). Once workers (for all new comer or re-employed) pass skill test at the recruitment stage, they are entitled to receive at 7% higher than the regional-based minimum wage levels prescribed by the Government during the probation period.

**Completion date:** 12/31/15

**FINDING NO.3**

**HOURS OF WORK**

## FINDING TYPE: Immediate Action Required

### Finding Explanation

1. The factory does not provide workers in the embroidery section with 24 consecutive hours of rest per week. They only receive 23.5 hours of rest.
2. The factory's procedure on buffer time (in Vietnamese) is not clear. There is confusion over whether this buffer time can be spent on production-related activities like cleaning and/or packing up in which case it would have to be compensated as overtime work.
3. Trainees in the sewing section are required to come in 5 to 10 minutes early during the buffer time to perform some cleaning and preparation activities or participate in meetings. All trainees are informed about this requirement during their training and are not compensated for this extra work.
4. Production shift is from 5:30am-1:30pm and 2:30pm-10:30pm, both shift schedules is inclusive of the paid 30 minutes breaks, and complies with local law regulation. However, there are 108 (4.78%) workers under Production Inspection, where the work schedule is from 7:30am-4:30pm, inclusive of 30 mins unpaid break. Factory did not include the 30 minutes break as part of working hours.
5. Factory has a process for workers to take annual leave. Workers register themselves their annual leave plan for every month (once per 6 months) and submit to Payroll for record. At end of year, any unused annual leave are paid to workers. During records review, almost all sampled production workers (more than 90%) did not use their paid annual leaves in full and worked instead, but received a 200% premium for doing so instead of 300% as required by law. Factory shared that workers were not required to work during their annual leave, and they encourage workers to take annual leave. However, workers preferred to work so they can earn more money.

### Local Law or Code Requirement

Vietnam Labor Code 2013, Article 110.1, Article 97.2; and Article 111.2; Decree No.45/2013, Art.5; FLA Workplace Code (Hours of Work Benchmarks HOW.1, HOW.2, HOW.3 and HOW.11)

### Root Causes

1. The factory's compliance staff has only received training on local law updates and Health & Safety so far. The factory has not carried out a training needs assessment to identify other topics for training (e.g. auditing skills, communication skills, international standards, environmental protection, etc.).
2. Internal audits are conducted once per year and all related documentation/records are kept at the factory. However, the factory does not have a detailed internal audit procedure, and internal audits are just a checklist inspection prepared by compliance staff.
3. The factory does not have an effective system in place for reviewing policies and procedures on a periodic basis; instead, factory management reviews them whenever they become aware of any changes to local laws and regulations.
4. Many labor law issues in Vietnam are managed through decrees and circulars as labor laws and secondary regulations are not clear on many important topics. The large number of decrees and circulars makes it hard for management to track changes to labor laws.
5. Although the factory has a procedure for tracking updates to local laws, this procedure doesn't include any guidelines on how implementation and monitoring activities should reflect these updates.
6. The law mandating that workers' 30-minute break be included as working hours is complicated, which creates confusion.
7. Management representatives explained that the issue of workers only receiving 23.5 hours of weekend rest was an oversight and only affected workers in one department.

### Recommendations for Immediate Action

1. Ensure that all workers can use their annual leave, as legally required. Ensure that they are compensated their annual leave at the legally required 300% overtime rate if they choose to work instead of using their annual leave.
2. Revise the production support department's working hours so that they do not exceed 8 hours with an additional paid 30-minute break.

## COMPANY ACTION PLANS

1. 1. Factory has reviewed the current working shifts, rest day and consulted with worker representatives to re-schedule the working shifts to ensure that it complies with law requirements and employees receive correct payment and 24 consecutive hours for rest day. This has been stipulated on company regulations handbook and provided to all employees. 2. Factory has revised the system of buffer time/ overtime (OT) calculation to ensure that it is not creating any confusion about the definition of buffer time. 3. Factory has reviewed the training materials which did not require trainees come in early to perform some cleaning and preparation activities or participate in meeting. This has been trained not only for trainers but also all trainees. 4. Factory has reviewed the current working shifts, rest time and consulted with worker representatives to re-regulate the working shifts to ensure that it complies with law requirements and employees receive correct payment and rest time. This has been stipulated on

company regulations handbook, which passed through local authority, and provided to all employees. 5. Procedure has been set up in which employees need to schedule to use up their annual leave. If they volunteer to come to work on their scheduled leave, compensation will be paid according to law requirement at the end of the year. Factory is in process of seeking guidance from local labor department regarding to the payment rate when there is unused annual leave. Payment (included retroactively compensation) will be carried out based on the government feedback (if any)

**Action plan status:** Completed  
**Planned completion date:** 12/01/15  
**Progress update:** 05/16/17 : All issued has been corrected  
**Completion date:** 12/01/15

## 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 that “the rights of workers to establish organizations of their own choosing implies . . . the effective possibility of forming . . . [trade unions] independent both of those which exist already and of any political party.” Vietnam’s legal framework is therefore not compatible with the ILO Principles on Freedom of Association and, as such, all factories in Vietnam fail to comply with the FLA Code standard on Freedom of Association.
2. During the worker and supervisor interviews, it was revealed that on October 7th, some workers have concerns and were not satisfied with the existing Group Efficiency Incentive. On that day, the Head of Dept. had a dialogue with these workers about the issue. After the meeting, workers returned to their respective work assignments. Based on interviews, the factory management and the labor union was not aware of this October 7th incident. This incident was not recorded in the grievance records, thus no follow-up or investigation was carried out by management or the union.
3. There is no proof that the workers actually nominated the 11 elected labor union representatives. Based on interviews, workers are aware of the election, but do not know how nominations were put forth.
4. The factory and union has signed a Collective Bargaining Agreement (CBA). While the factory meets the legal requirement in informing employees about the CBA, including posting on bulletin boards, worker briefings, and responding to any worker question, this does not meet the FLA requirement. As per FLA requirement, workers should be provided a copy of the CBA.

##### Local Law or Code Requirement

Vietnam Labor Code 2013, Article 6.1.b and 192.1; FLA Workplace Code (Employment Relationship Benchmark ER.16; Freedom of Association Benchmarks FOA.1, FOA.2, FOA.10, FOA.11, FOA.12, FOA.13 and FOA.14)

##### Root Causes

1. Although there have been some improvements to worker representation laws in Vietnam within the last couple of years (like requirements to have elected worker representatives, regular meetings, etc.), factories in Vietnam are not adequately informed and equipped to implement these new requirements.

### COMPANY ACTION PLANS

1. 1. Factory comment: due to Vietnam legal framework, factory could not meet requirement of FLA code on Freedom of Association 2. Communication section will be conducted to all mid-level management to ensure that they are aware of reporting in case there is grievance/complaint or such activities from employees. 3. Current Trade Union is nominated and elected by Trade Union members. All election documents are recorded properly. The process of nomination is in accordance to the law requirement and company does not involve or interfere in the process. It's done independently by the union members 4. A copy of collective bargaining agreement will be provided to employees accordingly. Factory will provide a copy of collective bargaining agreement to the all employees.

**Action plan status:** Planned  
**Planned completion date:** 02/28/17

## FINDING NO.5

### WORKPLACE CONDUCT AND DISCIPLINE

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. The factory uses monetary fines as a form of disciplinary action, both in written procedure and at the level of implementation. Attendance bonuses are deducted in case of violation of factory rules: one warning letter results in the deduction of 100,000 VND (4.48 USD) and two warning letters results in the deduction of the full attendance bonus of 200,000 VND (8.97 USD). There have been 20 cases of this practice in last 12 months.
2. The factory uses the suspension of wage raises for 6 months as a disciplinary practice. Although this practice is in line with local law, it is against FLA benchmarks. 2 workers have been affected within the last 12 months.
3. All workers undergo body searches and physical pat-downs as part of the factory's routine security procedure. Although this practice is conducted in a gender-sensitive way and is not against local law, it is not in line with FLA benchmarks.
4. Factory management deducts the full cost of tools and uniforms from the termination payout without taking into consideration the depreciation due to the use of uniforms/tools. Furthermore, factory management does not have any documentation that shows the actual cost of the uniforms.
5. Factory maintains records of disciplinary actions. However, these records are only placed to employee files on a monthly basis.

##### Local Law or Code Requirement

Vietnam Labor Code 2013, Article 123.1, Article 125, and Article 130.2; FLA Workplace Code (Employment Relationship Benchmarks ER.2 and ER.27, Harassment & Abuse Benchmarks H/A.2 and H/A.10; Health, Safety & Environment Benchmark HSE.7)

##### Root Causes

1. Wage raise suspension, monetary fines, and body searches/physical pat-downs are common practices in factories in Vietnam.
2. Wage raise suspension is in line with local laws and was approved by the union and local labor office.
3. Most of the factories in Vietnam implement monetary fines through the deduction of allowances/bonuses as they don't see allowances/bonuses as a part of a worker's basic salary but as an extra amount paid to the worker.

##### Recommendations for Immediate Action

1. Cease the practices of wage raise suspension and attendance bonus deduction as forms of disciplinary action.
2. Revise existing procedures on deducting the cost of tools/uniforms from termination payout. Cease the practice of uniform cost deduction entirely and ensure that other deductions reflect depreciation. Document the actual cost of tools.
3. Cease the practice of body searches as a general practice and conduct them only if there is a specific reason to do so.

### COMPANY ACTION PLANS

1. 1. Factory has ceased the practices of wage raise suspension and attendance bonus deduction as forms of disciplinary action. Factory has also revised existing disciplinary procedures with the participation of elected worker/union representatives to ensure that wage raise suspension and attendance bonus deduction practices are no longer a part of the written procedures. This has been communicated to all employees. 2. For disciplinary practice of suspension of wage raises for 6 month, the factory has complied with local guideline for disciplinary. However, factory is under consideration of removing this disciplinary practice and apply another practical method which will meet FLA Benchmarks. The revision will be completed by end of 2017. 3. Due to the current manufacturing requirements at the factory, the physical pat-down need to be conducted to all employees with gender-sensitive manner. More trainings will be conducted to security team to ensure that the physical pat-down is conducted in a proper, non intrusive and sensitive way. Factory will continue to look for a practical alternative method to ensure workers privacy is not violated. Furthermore, the pat down is to occur only if there is a request from the managers. The managers will be informed about 'situations' that requires the pat down. Then, the manager will give the instructions to the security, there will be records and report after the day/shift is over. By putting in the clause, it will automatically show that the pat down only occurs when there is a 'suspected' situation. 4. Factory has revised existing procedures on deducting the cost of tools/ uniforms from termination payout. Factory will cease the practice of uniform cost deduction entirely and ensure that other deductions reflect depreciation, also document the actual cost of tools/ uniform. 5. Factory has already maintained and updated the disciplinary records in personnel files of all employees in a biweekly basis.

**Action plan status:** In Progress

**Planned completion date:** 12/31/17

**Progress update:** 05/16/17 : 1. Factory has ceased the practices of wage raise suspension and attendance bonus deduction as forms of disciplinary action. Factory has also revised existing disciplinary procedures with the participation of elected worker/union representatives to ensure that wage raise suspension and attendance bonus deduction practices are no longer a part of the written procedures. This has been communicated to all employees. 3. Due to the current situation of the factory, the physical pat-down need to conduct to all employees with gender-sensitive manner. More trainings will be conducted to security to ensure that the physical pat-down is conducted in a proper and sensitive way. 4. Factory has revised existing procedures on deducting the cost of tools/ uniforms from termination payout. Factory will cease the practice of uniform cost deduction entirely and ensure that other deductions reflect depreciation, also document the actual cost of tools/ uniform. 5. Factory has already maintained and updated the disciplinary records in personnel files of all employees in a biweekly basis.

## FINDING NO.6

### TERMINATION & RETRENCHMENT

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. Factory procedures and company regulations state that the timeframe for termination payouts is within 30 days of termination, instead of the legally mandated 7 days.
2. Until March 2015, factory management did not include maternity leave time and the training period in severance payment calculations as required by local law. This issue has been addressed as of March 2015 and severance payments now include both maternity leave time and the training period.

##### Local Law or Code Requirement

Decree No.05, Art. 14.5; Vietnam Labor Code 2013, Article 47.2; Decree No.05/2015/ND-CP, Art 14.5; FLA Workplace Code (Employment Relationship Benchmark ER.19; Compensation Benchmarks C.1, C.6, C.10 and C.11)

##### Root Causes

1. The factory does not have an effective system in place for reviewing policies and procedures on a periodic basis; instead, factory management reviews them whenever they become aware of any changes to local laws or regulations.
2. Although the factory has a procedure for following updates to local laws, this procedure doesn't include any guidelines on how these updates should be reflected in the factory's implementation and monitoring activities.

### COMPANY ACTION PLANS

1. 1. Factory has already revised the current procedures and company regulations which state the timeframe for termination payment, also made the payment schedule to ensure that the payment is paid within 7 days as law requirement.
2. Factory has included maternity leave time and the training period in severance payment calculations since Mar 2015 when law guidance was issued. Initially, factory missed severance payment calculations when there was insufficient law guidance for maternity leave time and the training period in severance payment calculations. However, once the law guidance was issued, factory revised and updated the calculation immediately.

**Action plan status:** Completed

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

**Progress update:** 05/16/17 : 1. Update company's regulation to ensure the timeframe of termination payment is within 7 days.

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

## HEALTH &amp; SAFETY/FIRE SAFETY

## FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. While the factory has 2nd shift (2:30pm-10:30pm), the three fire drills in 2015 during August, April and June, were conducted during day-time. The last fire drill conducted on June 29, 2015 was only at 6:20pm.
2. The factory does not have maintenance and inspection documents for fire-fighting equipment, as legally required.
3. The factory does not regularly inspect the fire alarms and smoke detectors. The last inspection was conducted in 2012.
4. Although there is a designated emergency assembly area, it is not clearly marked. Furthermore, this area is occasionally blocked by parked trucks.
5. The fire alarm panel is not active and numbers rather than zone names are listed near the fire alarm panel. Furthermore, there is not enough battery power to provide at least 24 hours of standby power and for a 5 minute alarm. Also, the fire alarm is not audible in some sections, such as cutting/embroidery, due to ambient noise.
6. There is no fire detector or automatic fire extinguishing system in the power transformer room.
7. At the time of the inspection the sprinklers were not operational due to ongoing construction.
8. The emergency exit door in Building 2 (Trim Warehouse) has a lock and handle and is missing a push-bar.
9. Fire extinguishers outside the factory have been corroded and have been adversely affected by exposure to elements. In addition, they do not have safety pins.
10. Fire hose cabinets outside the factory are rusted and have been adversely affected by exposure to elements.
11. There are no LPG detectors in the kitchen.
12. At the time of the assessment, one fire extinguisher was missing from its location near the mechanical workshop. Another was being blocked by a flowerpot. (Note: Both of these issues were corrected during the assessment.)
13. Lint and dust have accumulated in electrical sockets and on cable trays.

Local Law or Code Requirement

Decree No.79/2014/ ND-CP, Article 21 and Article 22; TCVN 3890-2009, point 6.2.2 and 7.2.2; Circular No.52/2014/TT-BCA/ Article 8; FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.5 and HSE.6)

Root Causes

1. Although the factory has a compliance staff member, he has only received local law and Health & Safety training. No training needs assessment was carried out to identify other important topics, like auditing skills, communication skills, international standards, environmental protection, etc.
2. Internal audits are planned and conducted once per year and all related documentation and records are maintained. However, the factory has not established a detailed internal audit procedure and internal audits are limited with a checklist control that is prepared by compliance staff.
3. The factory does not have an effective system in place for reviewing policies and procedures on a periodic basis; instead, factory management reviews them whenever they become aware of any changes to local laws or regulations.
4. Many labor law issues in Vietnam are managed through decrees and circulars as labor laws and secondary regulations are not clear on many important topics. The large number of decrees and circulars makes it hard for management to track changes to labor laws.
5. Although the factory has a procedure for following updates to local laws, this procedure doesn't include any guidelines on how these updates should be reflected in the factory's implementation and monitoring activities.
6. Although there is an EHS Committee in place, information flow between the Committee and factory management is not effective enough to prevent such issues.

Recommendations for Immediate Action

1. Ensure that:
  - a. All fire detectors are active and in working condition;
  - b. Gas detectors are provided in all LPG-use areas;
  - c. All emergency assembly areas are marked and kept clear at all times;
  - d. The fire alarm is audible in all sections.
2. Conduct at least one fire drill during the night shift each year.
3. Activate the fire alarm panel, post a list near the fire alarm panel with an explanation of the fire alarm zone names, calculate the necessary battery power required to keep the fire alarm system functional while on standby for at least 24 hours and to power a 5 minute long fire alarm, and measure ambient noise and fire alarm output in every section to ensure that the fire alarm is

- audible throughout the factory.
4. Install a fire detector and/or automatic fire extinguishing system in the power transformer room.
  5. Activate the sprinkler system.
  6. Install an emergency door with a push-bar system that opens into the direction of evacuation. Remove the locks from the emergency door.

## COMPANY ACTION PLANS

1. 1. Fire drill at night time will be adjust to 8:00 pm or later.

**Action plan status:** Planned

**Planned completion date:** 03/30/17

2. 2&3. Inspection record had been established annd maintain to ensure all fire fighting and prevention equipment is inspected and and fixed included fire extinguisher, fire alarm , smoke detectors....

**Action plan status:** Completed

**Planned completion date:** 12/30/15

**Progress update:** 05/16/17 : 2&3. Inspection record had been established annd maintain to ensure all fire fighting and prevention equipment is inspected and and fixed included fire extinguisher, fire alarm , smoke detectors....

**Completion date:** 12/30/15

3. 4. Already has improved the marking of the emergency assembly area and prohibitted car/truck parking in this area.

**Action plan status:** Completed

**Planned completion date:** 12/30/15

**Progress update:** 05/16/17 : 4. Already has improved the marking of the emergency assembly area and prohibitted car/truck parking in this area.

**Completion date:** 12/30/15

4. 5. Fie alarmvpanel was installed with detailed zones and sufficient power to provide at least 24 hours of standby power and for a 5 minute alarm. Also ensured the fire alarm is audible in all sections
6. Fire detector and automatic fire extinguishing are installed for transforming room
7. Sprinkler system had been completed the instalation for all production floors and warehouse
- 9 To cover all fire extinguishers outside the factory with safety pins and timely inspect and replace them accordingly.
10. Replaced all broken fire hose cabinets outside the factory, ensured they are timely inspected replace them accordingly.

**Action plan status:** Completed

**Planned completion date:** 12/30/15

**Progress update:** 05/16/17 : 5. Fie alarmvpanel was installed with detailed zones and sufficient power to provide at least 24 hours of standby power and for a 5 minute alarm. Also ensured the fire alarm is audible in all sections 6. Fire detector and automatic fire extinguishing are installed for transforming room 7. Sprinkler system had been completed the instalation for all production floors and warehouse 9 To cover all fire extinguishers outside the factory with safety pins and timely inspect and replace them accordingly. 10. Replaced all broken fire hose cabinets outside the factory, ensured they are timely inspected replace them accordingly.

**Completion date:** 12/30/15

5. 8. Emergency doors at trims warehouse will be removed the lock and installed push bar to ensure employees can open outward

anytime

**Action plan status:** Planned

**Planned completion date:** 04/30/17

6. 11. LPG detection has been install for used areas (gas house and kitchen)

**Action plan status:** In Progress

**Planned completion date:** 12/30/15

**Progress update:** 05/16/17 : 11. LPG detection has been install for used areas (gas house and kitchen)

7. 13. Factory are studied to identify the best method to clean and maintain good condition of Electric socket and cable tray.

**Action plan status:** Planned

**Planned completion date:** 04/30/17

## FINDING NO.8

### HEALTH & SAFETY/ ELECTRICAL SAFETY

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. The factory's grounding system has deficiencies (discontinuous in certain sections and higher grounding level readings) and many areas do not have grounding protection.
2. There are 2-prong plugs being used in 3-prong sockets throughout the factory building; as a result, there is no ground protection for these sockets.
3. Tape has been used to fix electrical wires, the covers to some of the switchboards are missing, and some electrical panels are not properly labeled.

##### Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.13)

##### Root Causes

1. Although the factory has a compliance staff member, he has only received local law and Health & Safety training. No training needs assessment was carried out to identify other important topics, like auditing skills, communication skills, international standards, environmental protection, etc.
2. 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.
3. Although there is a EHS Committee in place, information flow between Committee and management is not very effective.

##### Recommendations for Immediate Action

1. Ensure that the grounding system covers the entire electrical system in the factory.
2. Ensure that all electrical wires are properly repaired.

### COMPANY ACTION PLANS

1. 1. To review the current grounding system and change the entire system to ensure all are grounding.
2. At the same time of grounding the entire system, 3 prong sockets will be used instead of 2 prong plugs
3. To use proper cover fix the electric wires, ensure all switchboards are covered and all electrical panels are not properly labeled.

**Action plan status:** Planned

**Planned completion date:** 12/31/17

## FINDING NO.9

### HEALTH & SAFETY/CHEMICAL SAFETY

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. Available Material Safety Data Sheets (MSDS) include only 9 sections out of 16 required sections.
2. There are unlabeled/unmarked chemicals in different sections, such as the stain removing section and mechanical workshop.
3. There is not a system in place for replacing harmful chemicals (e.g., stain remover with trichloroethylene) with less hazardous ones.
4. The factory does not provide any dust mask as Personal Protective Equipment (PPE) to the sewing and cutting operators, as legally required.
5. The factory has not established and implemented steps to choose the appropriate PPE: for example, MSDS are not reviewed to identify correct PPEs, such as the use of carbon facemask in trichloroethylene use area. Additionally, the quality of the PPE is not monitored to ensure they meet the legal requirements/international standards.
6. The factory does not provide any safety shoes for the workers working at the warehouses and trans-pallet movement areas.

##### Local Law or Code Requirement

Circular 04/2014/TT-BLDTBXH, Article 3.3, Article 3.4, and Article 5.2; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.7, HSE.8, HSE.9, and HSE.10)

##### Root Causes

1. The factory has a person designated as compliance staff; however, he has only received an update on local law and Health & Safety trainings. There was no training needs assessment carried out to identify some other important trainings, such as auditing skills, communication skills, international standards, and Environmental Protection.
2. 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.
3. 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.
4. Although there is an Environmental, Health & Safety EHS Committee in place, information flow between the Committee and management is not very effective.

##### Recommendations for Immediate Action

1. Ensure that PPE selection in different sections is in line with the PPE recommended on MSDS.
2. Label all chemicals with their content and their hazards and ensure that they are labeled in workers' local language.
3. Provide all workers with proper Personal Protective Equipment PPE: Ensure that all workers in the sewing and cutting sections are provided with a dust mask as proper PPE. Ensure that the workers working at warehouses and trans-pallet moving areas are provided with safety shoes. Regularly train and communicate to workers on the requirement to use PPE.

### COMPANY ACTION PLANS

1. To ensure that all MSDS include 16 sections as requirements.
2. To labeled all chemicals which used in all sections with local language.
3. To review all chemicals in used and replace timely if there is any harmful chemical.
4. Base on the dust level monitoring report, if the dust level is exceeded the legal limitation of working environment, dust mask (PPE) will be provided to related employees accordingly
5. To establish and implement steps to choose the appropriate PPE: and monitor the quality of the PPE to ensure they meet the legal requirements/international best practices standards or base on worker request
6. To provide safety shoes for the workers working at the warehouses and trans-pallet movement areas.

**Action plan status:** Planned

**Planned completion date:** 04/30/17

## FINDING NO.10

## HEALTH & SAFETY

### FINDING TYPE: Immediate Action Required

#### Finding Explanation

1. Working pressure and maximum working pressure of the pressure vessels are not marked on manometers.
2. There are no guards on grinding, drill and circular saw machines.
3. Although there are finger guards on sewing machines, they are not properly positioned position as they were shifted up by operators. The same problem was observed with the position of table saw guard.
4. There is no reverse gear siren on the contractor trucks with some of them with worn out tires. In addition, there is no control procedure for them.
5. Compressed air hoses are blinded by ties instead of proper fittings
6. Cutting table laser's range goes beyond the table, posing risk for eyes.
7. The cutting machine's vacuum system does not have an exhaust, which might have an adverse effect on dust concentration in the cutting department.
8. The boiler operators were trained on OSH on Jul 25, 2015 and granted training certificates by an authorized training service center. However, none of them have an operation license, as required by law. (Note: This issue was identified in the last Better Work assessment but has not been addressed by the factory).
9. The factory does not label shelves with maximum weight limits in the trim/accessories warehouse. Some shelves are bent, posing a risk of collapse.

#### Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.7, HSE.8, and HSE.14)

#### Root Causes

1. Although the factory designated a person as a compliance staff; however, he has only received local law update and Health & Safety trainings. There was no training needs assessment carried out to identify some other important trainings like auditing skills, communication skills, international standards, and environmental protection.
2. 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.
3. 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.
4. Although there is an EHS committee in place, information flow between committee and management is not very effective.

#### Recommendations for Immediate Action

1. Provide proper machine guards on grinding machine, drill and circular saw machines, which are high-risk machines in the maintenance department.
2. Ensure that boiler operators have the legally required operator license.

## COMPANY ACTION PLANS

1. Working pressure and maximum working pressure has marked on manometers of the pressure vessels .
2. Proper machine guards on grinding machine, drill and circular saw machines, which are high-risk machines in the maintenance department have been provided
3. Has already train operators on how to use/position machine guards like finger guards on sewing machines or adjustable guard on table saw, also put this point in to 5S standards for auditing.
4. Has already required the security team to check all trucks before let them go to factory, also sent the safety requirement to truck supplier.
5. Has already reviewed all compressed air hoses and replaced accordingly to ensure they are not crimped/bent/improperly blinded at any section of the factory building.
6. Has already reviewed the laser marking system at the cutting area and adjusted the location of the laser pointers to make sure that they are not going beyond the cutting table.
7. Factory is in process of research to install ventilation system for vacuum system of auto cutter machine. (Expected to complete on Dec 30, 2017)
8. Factory has sent the boiler operators to vocational scholl for studying and got the legal license. ( Completed Nov 2015)
9. Factory has already Identified all bent shelves and repaired them, also maximum weight limit labels were posted on all shelves. (Completed Nov 2015)

**Action plan status:** Completed

**Planned completion date:** 12/30/15

**Progress update:** 05/16/17 : 1. Working pressure and maximum working pressure has marked on manometers of the pressure vessels . 2. Proper machine guards on grinding machine, drill and circular saw machines, which are high-risk machines in the maintenance department have been provided 3. Has already train operators on how to use/position machine guards like finger guards on sewing machines or adjustable guard on table saw, also put this point in to 5S standards for auditing. 4. Has already required the security team to check all trucks before let them go to factory, also sent the safety requirement to truck supplier. 5. Has already reviewed all compressed air hoses and replaced accordingly to ensure they are not crimped/bent/improperly blinded at any section of the factory building. 6. Has already reviewed the laser marking system at the cutting area and adjusted the location of the laser pointers to make sure that they are not going beyond the cutting table

**Completion date:** 12/30/15

## FINDING NO.11

### HEALTH&SAFETY

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. Chlorine and pH levels of the water used at the canteen do not meet the legal requirements: Chlorine :0.1 mg/l versus standard of 0.3-.5; pH: 5.91 versus standards of 6.5 -8.5 shown on the inspection records conducted in August 2015. The canteen began its operation in September 2015.
2. There is no health monitoring for Grade 4 and 5 workers, as legally required.
3. Occupational health check is not planned or conducted for any of the workers.
4. There were several issues identified in the kitchen:
  - a. The kitchen staff was wearing bracelets and food samples were kept at 5C (while the international standard is 4C or colder);
  - b. Some kitchen material/tool was rusted;
  - c. There were no fly nets on kitchen or canteen areas;
  - d. The kitchen did not have any hand sanitizers or antibacterial mats.
5. Some medicine may need to be refrigerated; however, the factory has not conducted an assessment on which medicines have to be refrigerated, posing a health risk.
6. Drinking water bottles are communally used by multiple workers. In addition, these PET bottles are not suitable for continuous use.
7. There are no protective caps at the eye-washing station in the washing section and the water pressure was low.
8. Not all workers working standing are provided with anti-fatigue mats
9. While the Factory provides ergonomic breaks (5 minutes per shift to stretch with music broadcast), workers are not provided with ergonomic training.

##### Local Law or Code Requirement

Circular 15/2012/TT-BYT, Art 1.6; Vietnam Labor Code 2013, Article 151.6; Vietnam Labor Code 2013, Article 142.3; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.3, HSE.17, HSE.18, HSE.19, HSE.22 and HSE.23)

##### Root Causes

1. Although there is a compliance staff in place, he has only received local law update and H&S trainings so far. There wasn't a training needs assessment carried out to the compliance staff to identify some other important trainings like auditing skills, communication skills, international standards, and environmental protection.
2. The factory maintained internal audits that are planned and conducted as once per year and all related documentation/records. 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.
3. Although there is a EHS Committee in place, information flow between the Committee and management is not very effective.

##### Recommendations for Immediate Action

1. Ensure that chlorine and pH levels of the water in the canteen are within the legal limits.
2. Ensure that legally required occupational health check plan is prepared and implemented and health monitoring of Grade 4 and Grade 5 workers conducted.

## COMPANY ACTION PLANS

1. 1. Factory has already require Amata to check the water pipe which used to provided water to factory, after that, factory has conducted water testing and the result showed that it met legal requirements.

**Action plan status:** Completed

**Planned completion date:** 12/01/16

**Progress update:** 05/16/17 : 1. Factory has already require Amata to check the water pipe which used to provided water to factory, after that, factory has conducted water testing and the result showed that it met legal requirements.

**Completion date:** 12/01/16

2. 2 & 3. Health monitoring program will be set up in which all health grade of 4 &5 are monitored and conduct cocnsultation after health check. If there is any propose from doctor on the healthcheck result related to occupational health check, it will be conudct for related emmployees free of charge.

**Action plan status:** Planned

**Planned completion date:** 04/30/17

3. 4. Factory has communicate and set up system to ensure food hygiene is monitoring and implement included:

- Food sample are kept at 0 to 4 decree celsius
- Replacce all rusted material by stainless steel
- Installed nets on windows and doors at kitchen and canteen areas
- Provide hand sanitizers and antibacterial mats

**Action plan status:** Completed

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

**Progress update:** 05/16/17 : 4. Factory has communicate and set up system to ensure food hygiene is monitoring and implement included: - Food sample are kept at 0 to 4 decree celsius - Replacce all rusted material by stainless steel - Installed nets on windows and doors at kitchen and canteen areas - Provide hand sanitizers and antibacterial mats

**Completion date:** 01/30/17

4. 5. Checklist has been established to monitor the storage conditions and stored all medicine.

**Action plan status:** Completed

**Planned completion date:** 12/01/16

**Progress update:** 05/16/17 : 5. Checklist has been established to monitor the storage conditions and stored all medicine.

**Completion date:** 12/01/16

5. 6. The factory is in process of changing all PET bottles by non BPA bottles for all employees. Expected by Dec 2017, all employees will be replaced wit non BPA bottles

**Action plan status:** Planned

**Planned completion date:** 12/01/17

6. 7. All eye-washing station has been reviewed and provided with protective caps. Water pressure is adjusted to ensure enough pressure when using enough.

**Action plan status:** Completed

**Planned completion date:** 01/30/16

**Progress update:** 05/16/17 : 7. All eye-washing station has been reviewed and provided with protective caps. Water pressure is adjusted to ensure enough pressure when using enough.

**Completion date:** 01/30/16

7. 8. Anti-fatigue mats has been provided to all workers who are operating with standing position and potential of not moving legs for long

**Action plan status:** Completed

**Planned completion date:** 01/30/16

**Progress update:** 05/16/17 : 8. Anti-fatigue mats has been provided to all workers who are operating with standing position and potential of not moving legs for long

**Completion date:** 01/30/16

8. 9. Ergonomic training will be conducted for all employees who have high risk of ergonomic

**Action plan status:** Planned

**Planned completion date:** 06/30/17

## FINDING NO.12

### HEALTH & SAFETY

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. The factory uses a laser marking system at the cutting section; however, the potential related hazardous risks are not included in the risk assessment report, as per legal requirements.
2. Although there is a fall protection procedure in place, there are no clear guidelines on monitoring in it.
3. The factory does not have the legally required procedures for the use of gas cylinders in the canteen--the only place where gas cylinders are in operation since September 2015.
4. The factory management has not developed the Document on Working Conditions and Environment, as required by law. (Note: This was already identified as a non-compliance from the last Better Work assessment and has not been addressed by factory management.)
5. The H&S training for Group 4 is combined with WRAP training on August 21, 2015 (one day) instead of 2 days as per the legal requirement.
6. There is not a system in place for conducting a root cause analysis for the work accidents/injuries.
7. Safety operation procedure is not prepared for operations in the maintenance room that requires hot work permit (for welding & cutting).
8. The factory has a first aid/health treatment contract signed with the nearest hospital; however, this contract includes the requirement that the treatment request form should have the approval/signature of the HR personnel, clinic staff or security guards. If the worker asks for treatment without the approval signature of respective factory personnel, the factory will not cover any treatment costs. However, the HR personnel does not work during the 2<sup>nd</sup> and 3<sup>rd</sup> shifts and the clinic staff does not work during the 3<sup>rd</sup> shift. The factory management mentioned that they give the security guard signed request forms so that they can use the signed request forms during the night shifts in case they are needed. However, there were at least 5 cases in 2015 where this form was not available.
9. There is no legally required safety operation procedure for working in confined spaces (drying room).
10. No engineering report was available to review that verifies the structural safety of the motorbike park building.

## Local Law or Code Requirement

Vietnam Labor Code 2013, Article 138.1.c, Article 138.1d, Article 142.3, and Article 144; Circular 27/2013/ TT-BLDTBXH, Article 6.1.a; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.14, and HSE.18)

## Root Causes

1. Although there is a compliance staff in place, 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.
2. 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.
3. Although there is a EHS committee in place, information flow between committee and management is not very effective.

## Recommendations for Immediate Action

1. Revise the contract with the service provider hospital to exclude the requirement for approval by HR/clinic staff for any emergencies that may happen on second and third shifts.

## COMPANY ACTION PLANS

1. Has already identified laser safety risks and include them in the risk assessment report.
2. Has already prepared clear guidelines on monitoring working at heights.
3. Has already prepared a written gas cylinder safety procedure for the canteen, where gas cylinders are in use.
4. Has already prepared the Document on Working Conditions and Environment as required by law.
5. H&S training is conducted in 2-day session for all workers, which complies with the legal requirement.
6. Prepare a procedure and conduct root cause analysis for the work accidents/injuries occurring at the factory.
7. Factory will review and update the safety operation procedure for operations in the maintenance room that requires hot work permit.
8. Factory has prepared 5 approved treatment forms at security guard room. In case of any emergencies, workers could obtain the approved treatment request form at security guard room. Security will ensure there is enough approved forms at the room.
9. Prepared a written safety operation procedure for working in confined spaces (drying room).
10. Make a plan to conduct the engineering testing which can verify the structural safety and shows the load bearing capacity of the motorbike park building. It is expected to be completed by Mar 2017.

**Action plan status:** In Progress

**Planned completion date:** 03/31/17

**Progress update:** 05/16/17 : 1. Has already identified laser safety risks and include them in the risk assessment report. 2. Has already prepared clear guidelines on monitoring working at heights. 3. Has already prepared a written gas cylinder safety procedure for the canteen, where gas cylinders are in use. 4. Has already prepared the Document on Working Conditions and Environment as required by law. 5. H&S training is conducted in 2-day session for all worker, which complies with the legal requirement. 6. Prepare a procedure and conduct root cause analysis for the work accidents/injuries occurring at the factory. 7. Factory will review and update the safety operation procedure for operations in the maintenance room that requires hot work permit. 8. Factory has prepared 5 approved treatment forms at security guard room. In case of any emergencies, workers could obtain the approved treatment request form at security guard room. Security will ensure there is enough approved forms at the room. 9. Prepared a written safety operation procedure for working in confined spaces (drying room). 10. Make a plan to conduct the engineering testing which can verify the structural safety and shows the load bearing capacity of the motorbike park building. It is expected to completed by Mar 2017.

## FINDING NO.13

## ENVIRONMENTAL PROTECTION

FINDING TYPE: Sustainable Improvement Required

## Finding Explanation

1. The Environmental Protection plan is not updated in line with the expansion of washing section and the increase of the production capacity.
2. There is no inventory list of ozone depleting substances (ODS). It was not possible to identify the type of refrigerant in use in the existing A/C systems.
3. Oil contaminated water from the compressors, air tanks and dryers is directly discharged to outside environment. In addition, there are marks of previous oil contamination at the compressor room.
4. Solid waste is collected and dumped around the factory building in non-segregated waste streams (hazardous/nonhazardous).
5. There is mixed solid waste in solid waste areas.
6. There is no capacity calculation for designing the secondary containments for diesel tank and chemicals at washing section.

## Local Law or Code Requirement

Law on Environmental Protection, No. 55/2014/QH13, Article 20.1.c on June 23, 2014; FLA Workplace Code (Employment Relationship Benchmark ER.31, Health, Safety & Environment Benchmarks HSE.1, HSE.4 and HSE.9)

## Root Causes

1. Although there is a compliance staff in place, 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.
2. 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.
3. Although there is a EHS committee in place, information flow between committee and management is not very effective.

## COMPANY ACTION PLANS

1. Updated environmental protection plan in line with the expansion of washing section and the increase of the production capacity in Apr 2016.
2. Identifying and listing the refrigerants in use in A/C systems and evaluate ozone depletion and global warming potential of those refrigerants. It is expected to be completed by Apr 2017.
3. Collected all oil contaminated water compressors/dryers/air tanks, treated this oil as hazardous waste, delivered it to a licensed service provider for disposal, also used other containers for collect the leaking oil.
4. Has already cleaned the solid waste (hazardous/nonhazardous) around the factory building. In addition, the waste is segregated into hazardous and non-hazardous.
5. Re-organized solid waste WH to make sure that all solid waste properly classified and kept in relevant sections.
6. Conduct the necessary calculation to make sure that capacity of secondary containments for diesel tank and chemicals at washing section are sufficient. It is expected to be completed by Jul 2017.

**Action plan status:** In Progress

**Planned completion date:** 07/31/17

**Progress update:** 05/16/17 : 1. Updated environmental protection plan in line with the expansion of washing section and the increase of the production capacity in Apr 2016. 3. Collected all oil contaminated water compressors/dryers/air tanks, treated this oil as hazardous waste, delivered it to a licensed service provider for disposal, also used other containers for collect the leaking oil. 4. Has already cleaned the solid waste (hazardous/nonhazardous) around the factory building. In addition, the waste is segregated into hazardous and non-hazardous. 5. Re-organized solid waste WH to make sure that all solid waste properly classified and kept in relevant sections.

## FINDING NO.14

### ENVIRONMENTAL PROTECTION/ENERGY EFFICIENCY

**FINDING TYPE:** Sustainable Improvement Required

## Finding Explanation

1. External units of air conditions are exposed to direct sunlight which reduces their cooling performance.
2. Some taps and flushes in restrooms in production areas were leaking.
3. Compressed air and steam leakages were observed throughout the factory in different sections.
4. Steam lines and valves do not have any isolation for heat loss/emergency efficiency.
5. There is not a system in place for turning off the lighting/electricity/compressed air of the production lines while they are idle (e.g., break time).

Local Law or Code Requirement

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

Root Causes

1. Although there is a compliance staff in place, he has only received a local law update and Health & Safety trainings so far. There was no training needs assessment carried out for the compliance staff to identify some important trainings, such as auditing skills, communication skills, international standards, and Environmental Protection.
2. Internal audits are planned and conducted once per year and all related documentation/records maintained. However, there is no detailed internal audit procedure established yet and internal audits are limited with a checklist control that is prepared by compliance staff.
3. Although there is a Environmental, Health & Safety (EHS) committee in place, information flow between committee and management is not very effective.

**COMPANY ACTION PLANS**

1. 1. Factory has conducted regular inspection and maintenance on air conditions to ensure the cooling performance. It is resource-wasting to install shelter for all air conditions, as the current practice complies with local regulation and is passed through regular local authority's inspection.
2. Has already identified and repaired all leaking taps and flushes. Factory will conduct regular inspection and maintenance to prevent taps and flushes leakage.
3. Has already identified and repaired all compressed air and steam leakages throughout the factory. Factory will conduct regular (monthly/quarterly/annually) inspection and maintenance to prevent compressed air and stream leakage.
4. Has already identified and installed missing isolation on steam lines and valves.
5. Has assigned responsibility to turn off the lighting/electricity/compressed air of the production lines while they are idle (e.g., break time) to sewing supervisors/ facility maintenance staffs.

**Action plan status:** Completed

**Planned completion date:** 12/31/15

**Progress update:** 05/16/17 : 1. Factory has conducted regular inspection and maintenance on air conditions to ensure the cooling performance. It is resource-wasting to install shelter for all air conditions, as the current practice complies with local regulation and is passed through regular local authority's inspection. 2. Has already identified and repaired all leaking taps and flushes. Factory will conduct regular inspection and maintenance to prevent taps and flushes leakage. 3. Has already identified and repaired all compressed air and steam leakages throughout the factory. Factory will conduct regular (monthly/quarterly/annually) inspection and maintenance to prevent compressed air and stream leakage. 4. Has already identified and installed missing isolation on steam lines and valves. 5. Has assigned responsibility to turn off the lighting/electricity/compressed air of the production lines while they are idle (e.g., break time) to sewing supervisors/ facility maintenance staffs.

**Completion date:** 12/31/15

**FINDING NO.15**

**COMMUNICATION AND WORKER INTEGRATION (MACRO)**

**FINDING TYPE:** Sustainable Improvement Required

Finding Explanation

1. The factory does not communicate the policies and procedures and their updates for the following Employment Functions to the general workforce: Wages & Benefits, , Termination & Retrenchment, Workplace Conduct & Discipline, Grievance System, Environmental Protection, and Health & Safety.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, ER.27, and ER.32; Compensation Benchmark C.17)

#### Root Causes

1. Worker representation system is not effective.
2. There are not enough training opportunities due to busy production schedule.

### COMPANY ACTION PLANS

1. Factory regularly conducts trainings to ensure that all employees are properly trained and actively involved in conveying factory's policies and procedures on each employment function to the workers. Factory is also looking at possibilities of publishing soft copies of the policies for easier reference.

**Action plan status:** Completed

**Planned completion date:** 08/31/16

**Progress update:** 05/16/17 : The last trainings was conducted in Aug 2016.

**Completion date:** 08/31/16