



INDEPENDENT EXTERNAL ASSESSMENT REPORT

Verification

AA0000001901

COMPANY: Maxport Asset Limited

COUNTRY: Vietnam

PRODUCT: Apparel

PROCESSES: Cut, Sew, Embroidery, Packing, Inspection/QC

NUMBER OF WORKERS: 730

NUMBER OF WORKERS INTERVIEWED:

ORIGINAL ASSESSMENT DATE: 10/22/15

ORIGINAL ASSESSMENT MONITOR: FLA Assessor Team (Turkey)

VERIFICATION ASSESSMENT DATE: 11/22/17

VERIFICATION ASSESSMENT MONITOR: One Step Vietnam

FLA Comment:

This SCI is a verification assessment of assessment AA0000001901. All corrective action plan updates for AA0000001901 will be published on this report.



Understanding this Assessment Report

This report is to verify the remediation status of findings from a previous workplace assessment based on the Fair Labor Association's Sustainable Compliance methodology (SCI). This report also includes new findings utilizing the SCI methodology. The SCI assessments evaluate a facility's performance in upholding fair labor standards through effective management practices throughout the entire employment life cycle. SCI assessments are conducted by FLA accredited assessors.

This report identifies the status of remediation of violations and risks of noncompliance with the Fair Labor Association Workplace Code of Conduct in its assessment of the employment functions. It also includes a description of the root causes of violations, recommendations for sustainable and immediate improvement, and the corrective action plan for each finding 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 of each finding.

Glossary

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.

Verification status: The status of the remediation plan for each finding as determined by the assessor. The findings are labeled either Not Remediated, Partially Remediated, or Remediated.

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

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). [ER.1]
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. [ER.22, C.1]
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. [ER.3, ND.1, ND.2]
4. The employment contracts do not include the following legally required details: [ER.1, ER.2]
 - 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 facility 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, several pregnant workers were actively working at the factory by the time of the visit. [ND.5, ND.6, ND.7]

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.

Action Plan Status:	<ol style="list-style-type: none"> 1. Completed 2. In Progress 3. Completed 4. Completed 5. Completed
Planned Completion:	<ol style="list-style-type: none"> 1. 09/01/16 2. 12/31/17 3. 07/01/16 4. 06/01/16 5. 12/25/15
Progress Update:	<p><u>Original Action Plan</u></p> <ol style="list-style-type: none"> 1. The factory reviews and updates the labor contract management procedure and ensures that probation periods are linked to nature and the relative difficulty of the work as defined in local law. 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 "probation 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 cannot be considered a legal requirement to all companies. So, we believe that we understand laws correctly, anyway, we will ask the board of manager to consider more benefits to workers and will update for FLA when there is a decision. 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. 4. Factory revises the labor contract forms to include these contents. 5. The factory ensures that female candidates are not asked to undergo a

	<p>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.</p> <p><u>Progress Updates</u></p> <ol style="list-style-type: none"> 1. 02/21/17: The factory reviewed and updated the labor 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. 2. 02/21/17: Factory is working on policies for 2017. 3. 02/21/17: In compliance with local laws 4. 02/21/17: Factory revised the labor contract forms since 1/1/2016 which included these contents. 5. 02/21/17: Factory talked again with all employees about the policy and procedure in the refresh training on 25 Dec 2015.
Completion Date:	<ol style="list-style-type: none"> 1. 09/01/16 2. N/A 3. 07/01/16 4. 06/01/16 5. 12/25/15

Verification Result:

1. Finding Status: Remediated

Explanation: Based on relevant document reviews and worker interviews, it was noted that the factory applied six days of probation for cleaning workers, and 30 days for other job positions (e.g. sewing, cutting, packing, ironing, etc.). The factory also developed a training schedule and training material for each job position that requires 30 days of probation.

2. Finding Status: Not Remediated

Explanation: 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 or annual leave benefits. [ER.22]

Root Causes: Law requirement is not clear on the regulation for provision mandatory insurance for workers during worker's probation duration. Factory lacked crosschecking with Local Department.

3. Finding Status: Remediated

Explanation: Based on Decree No. 81/CP on Stipulating in details and guiding the implementation of several articles of the Labor Code for Disabled laborers, this finding is no longer a concern as the legal requirements for hiring of disabled workers, including contribution to the Disability Fund is already obsolete. There were no disabled workers working in the factory at the time of assessment. Notes: the factory developed a comprehensive procedure on steps on how to receive applications from disabled workers (if any), prohibit discrimination of disable workers, etc.

4. Finding Status: Remediated

Explanation: Based on relevant document reviewed, it was noted that the employment contract did 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. Finding Status: Remediated

Explanation: Based on relevant document reviewed and worker interview, it was noted that factory provided orientation training to all new workers with the following employment functions, including non-discrimination in hiring and recruitment (e.g. prohibit any form of pregnancy test during recruitment and employment). This regulation is also regulated in the Female Labor policy. All interviewed female workers (approximate 25 female workers) stated that factory did not mention any form of pregnancy test during their recruitment. Furthermore, number of pregnant workers (25 workers) and female workers have child under 12 months old (31 workers) were actively working at the factory by the time of visit.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.22)

Recommendations for Immediate Action

1. Factory shall ensure that all law requirement must be fully complied in implementation. Turn to Local Department for advice when needed.

Action Plan Status:	Completed
Planned Completion:	01/2018
Progress Update:	The factory decides to entitle employees in probation period with the social insurance, health insurance, unemployment insurance and annual leave benefits. The policy takes effect from January 2018. Probation period statement is included in the official labor contract, which is covered by compulsory social regime.
Completion Date:	

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. [ER.16]
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. [ER.18, C.5]
3. The factory does not declare the correct compensation amount for social insurance; they do not include wage allowances. [C.5]
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. [ER.29, C.5]
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. [C.5]
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. [ER.29]

- The factory does have any procedures on personnel development, including managing performance review procedures. [ER.29, ER.30]

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

- Insufficient training provided to Human Resource/Compliance teams, especially on local law requirements.
- Although there is an internal monitoring system in place, it's not effective, both at the factory and Headquarter HQ levels.
- 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.
- 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.
- 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.
- Misinterpretation of some local law requirements.
- 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.
- 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.
- 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

- 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.
- 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.
- Ensure that payment for sick leave/prenatal checks processed within 3 working days after receiving the documentation.

Action Plan Status:	<ol style="list-style-type: none"> Completed Completed Completed In Progress Completed Completed Completed
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Planned Completion:	<ol style="list-style-type: none"> 1. 01/30/17 2. 01/30/17 3. 01/30/17 4. 01/30/17 5. 01/30/17 6. 01/30/17 7. 01/30/17
Progress Update:	<p><u>Original Action Plan</u></p> <ol style="list-style-type: none"> 1. The wage scale shall be posted on the announcement boards at the work floor. 2. The requirement that factory must 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- BLĐT BXH. 4. In fact, employees' wages 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. <p><u>Progress Updates</u></p> <ol style="list-style-type: none"> 1. 02/21/17: The wage scale has been posted since 04/01/2016. 2. 02/21/17: Factory currently follows the article 102 of the law on Social Insurance 2014 (No.58/2014/QH13) since 01/01/2016. 3. 02/21/17: Since 1/1/2016, factory applied contribution for social insurance base on wage and detailed allowance by circular No. 23/2015/TT-BLĐT BXH 4. 02/21/17: Policy is under review. 5. 02/21/17: 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). 6. 02/21/17: Factory revised the employee assessment procedure which included these contents (HR.03.02) 7. 02/21/17: Factory revised the managing performance review procedure which included these contents (HR.03.02)
Completion Date:	<ol style="list-style-type: none"> 1. 04/01/2016 2. 01/01/2016 3. 01/01/2016 4. N/A 5. 01/01/2016 6. None provided 7. None provided

Verification Result:

1. Finding Status: **Remediated**

Explanation:

Based on observation and worker interviews, it was noted that the wage scale was posted on the work floor and communicated to all workers. Most of interview workers also stated that they know their basic salary and how to calculate their monthly salary as well.

2. Finding Status: **Remediated**

Explanation:

Based on relevant document review and interview with factory management, it was noted that the payment for sick leave/prenatal check was paid out directly to workers by Local Social Insurance Department with timely manner as Local Social Insurance Department process when it has been done.

3. Finding Status: Remediated**Explanation:**

Based on payroll and attendance records during past 12 months, it was noted that the factory applied basic salary and legal allowance (responsibility allowance for leader of fire brigade team, members of hygiene-safety network) to contribute mandatory insurance as legally required.

4. Finding Status: Partially Remediated**Explanation:**

Based on relevant document reviews and interviews with factory management, it was noted that salary increase was linked to performance reviews for 180 workers in April 2017. However, performance reviews were not conducted for all employees in factory, only those chosen by the supervisors. Additionally, there was no specific performance assessment criteria, and the review depends on the supervisors' discretion. [ER.29, C.5]

Root Causes:

Lack of commitment of management in creating policy on worker's performance review.

5. Finding Status: Remediated**Explanation:**

Based on payroll and attendance records reviewed during past 12 months, it was noted that factory applied hourly rate (the contract's wage of worker) to calculate the non-production working time (short downtime/ menstruation leave, break time) compensation for piece rate workers which is equal to law requirement.

6. Finding Status: Not Remediated**Explanation:**

Based upon documentation reviewed and interview with HR Manager, it was noted that factory had not developed any policy on performance reviews that includes steps and processes, demonstrates linkages to job grading, prohibits discrimination, provides written feedback, and complies with legal requirements. [ER.29]

Root Causes:

Lack of commitment of management in creating policy on worker's performance review.

7. Finding Status: Not Remediated**Explanation:**

Based upon documentation reviewed and interview with HR Manager, it was noted that factory had not developed any procedures on personnel development, including managing performance review procedures. [ER.29, ER.30]

Root Causes:

Lack of commitment of management in creating procedure on worker's performance review.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.29 and ER.30; Compensation Benchmark C.5)

Action Plan Status:	In Progress
Planned Completion:	09/30/2018
Progress Update:	The factory shall develop procedures/ guidance in 2018 for: 1. Performance review 2. Salary increment
Completion Date:	

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. [HOW.1]
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. [HOW.1, HOW.8]
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. [HOW.3]
4. The existing annual leave policy and related procedures are not in line with local law requirements on how to proceed with if workers cannot 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. [HOW.11, HOW.14]
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. [HOW.2]
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). [HOW.3]
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. [ER.22]
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 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. [ER.28]

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 exceeding 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.

Action Plan Status:	<ol style="list-style-type: none"> 1. Completed 2. Completed 3. In Progress 4. Completed 5. Completed 6. Completed 7. In Progress 8. Completed
Planned Completion:	<ol style="list-style-type: none"> 1. 1/30/2017
Progress Update:	<p><u>Original Action Plan</u></p> <ol style="list-style-type: none"> 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 hour's 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 hour status.

	<p><u>Progress Updates</u></p> <ol style="list-style-type: none"> 02/21/17: In 2016, factory has adjusted the work plan, no case that employee must work overtime more than 30 hours/ month. 02/21/17: 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. 02/21/17: The review is under progress. 02/21/17: The factory updated Factory regulation and the relevant procedures on hours of work by removing regulation on leave deduction in Jan 2016. 02/21/17: 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. 02/21/17: 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) 02/21/17: The policy is under review. 02/21/17: 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
Completion Date:	<ol style="list-style-type: none"> 2016 2016 N/A January 2016 None provided 01/01/2016 N/A 02/12/2015

Verification Result:

1. Finding Status: Remediated

Explanation:

Based on payroll and attendance records reviewed past 12 months and workers interview, it was noted that total workforce did not work overtime or exceed the 30 hours/month limit as legally required.

2. Finding Status: Remediated

Explanation:

Based on payroll and attendance records reviewed past 12 months and workers interview, it was noted that total workforce did not work exceed the 60 hours/week (including regular work hours plus overtime) limit as FLA Benchmarks standard.

3. Finding Status: Remediated

Explanation:

Based on relevant document review and interview with factory management, it was noted that factory regulated the working hours from 7:30 - 16:15 (45 minutes lunch break without paid and was not included in the number of working hours). The working time regulation was regulated in Company Regulation, CBA that approved by Local Department. Furthermore, factory also conducted the dialogue at workplace on 28th June and 4th July 2017 to discuss about working hours and lunch time to ensure that workers are all satisfied with Company Regulation and CBA before sending out to Local Department.

4. Finding Status: Remediated

Explanation:

Based on relevant document reviewed, it was noted that factory developed a comprehensive annual leave policy and related procedure on how to proceed with if workers cannot provide proper documentation on their sick leave. The factory conducted training on this new policy and related procedures to all workers. The regulation is all in line with local law requirement.

5. Finding Status: Remediated

Explanation:

Based on payroll and attendance records reviewed for the past 12 months and workers interview, it was noted that total workforce did not work overtime on weekly rest day. All sample workers during past 12 months (approximate 30 samples) were provided sufficiently 24 consecutive hours every seven-day period.

6. Finding Status: Remediated

Explanation:

Based on payroll and attendance records reviewed during past 12 months and interview with factory management, it was noted that all total workforce did not work over time exceed 2 hours per day. On the other hand, factory regulated the working hours, wage and benefit in Company regulation that factory shall provide 30 minutes break with overtime paid for workers who work from 2 overtime hours/day (if any) as legally required.

7. Finding Status: Remediated

Explanation:

Based on relevant document reviewed during past 12 months, it was noted that there were 8 cleaning workers who performed heavy, hazardous and toxic jobs were provided 14 annual leave standard/year as legally required.

8. Finding Status: Partially Remediated

Explanation:

Based on document reviewed and factory manager & workers interview, it was noted that there were changes to policies and procedures on working hours, factory issues the memo, and posted on public areas in the factory. However, there was no ongoing employees (including management) training in the factory. Factory explained that on-going training shall be conducted in the end of this year (December 2017). [ER.28]

Root Causes:

Lack of commitment from TOP management in provision annual on-going training for all employees.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.28)

Action Plan Status:	Completed
Planned Completion:	12/31/2017
Progress Update:	The factory provides refresh training for all employees on company's policies/ procedures related to working hours in December 2017
Completion Date:	

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. [FOA.2]

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 1st quarter of 2016. [ER.16, ER.25]
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. [ER.16, ER.25]

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 Sustainable Improvement

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, and 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.

Action Plan Status:	Completed
Planned Completion:	09/06/2016
Progress Update:	<p><u>Original Action Plan</u></p> <ol style="list-style-type: none"> 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. <p><u>Progress Updates</u></p> <p>02/21/17:</p> <ol style="list-style-type: none"> 1. Issue stays the same. 2. Factory organized collective bargaining and labor conference in Dec 2015; periodical dialogues were organized every quarter in 2016. (Completed)
Completion Date:	09/06/2016

Verification Result:

1. Finding Status: **Not Remediated**

Explanation:

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. [FOA.2]

Root Causes:

Freedom of Association is a country issue in Vietnam.

2. Finding Status: **Remediated**

Explanation:

Based upon observation, document review and factory manager & workers interview, it was noted that the dialog meeting as legally required was conducted on Sep 30, 2017 and annual Labor conference on Jan 16, 2017. Workers interview also confirmed that they knew and understood the dialogue at workplace and annual Labor conference.

3. Finding Status: **Remediated**

Explanation:

Based upon observation, document review and factory manager & workers interview, it was noted that factory provided documentation/proof to show that the nominated list for Labor Union representatives (August 12, 2017) is prepared with worker’s engagement and without management’s interference.

Local Law or Code Requirement

FLA Workplace Code (Freedom of Association Benchmark FOA.2)

Action Plan Status:	N/A
Planned Completion:	N/A

Progress Update:	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.
Completion Date:	

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. [ER.27, H/A.2]
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. [ER.16]
3. The factory has formed the disciplinary council to handle the disciplinary cases in the factory as per policy and procedure. [ER.25]
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.

Action Plan Status:	<ol style="list-style-type: none"> 1. Completed 2. Completed 3. Completed
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Planned Completion:	<ol style="list-style-type: none"> 1. 09/01/16 2. 09/01/16 3. 09/01/16
Progress Update:	<p><u>Original Action Plan</u></p> <ol style="list-style-type: none"> 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. <p><u>Progress Updates</u></p> <p>02/21/17:</p> <ol style="list-style-type: none"> 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:	<ol style="list-style-type: none"> 1. None provided 2. 01/03/2016 3. 2016

Verification Result:

1. Finding Status: Remediated

Explanation: Based on relevant document reviewed, it was noted that factory revised the Discipline procedure (issued in August 2017) with a system of maintaining discipline through the application of escalating disciplinary action moving from written warning letter to demotion and finally to termination. Wage raise suspension wage of up to 6 months is not a means to discipline anymore. There was no case of wage raise suspension up to 6 months as means to discipline during past 12 months.

2. Finding Status: Remediated

Explanation: Based on termination records during past 12 months and Termination policy & procedure, it was noted that factory developed a comprehensive procedure on depreciation cause using uniforms and tools for resigned workers. This procedure was regulated clearly in detail the actual full cost and depreciation after use for each of period. (E.g. two months of use value: 50% depreciation of actual cost, six months of use value: 50-75% depreciation of actual cost, etc.)

3. Finding Status: Remediated

Explanation: Based on relevant document reviewed, it was noted that the disciplinary records did have signature of labor union representatives, supervisor, worker and line leader (if any) as legally required.

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. [ER.2 and ER.25]

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.

Action Plan Status:	Completed
Planned Completion:	08/01/16
Progress Update:	<u>Original Action Plan</u> 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. <u>Progress Updates</u> 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 chainman of trade union.
Completion Date:	08/01/16

Verification Result:

1. Finding Status: Remediated

Explanation:

Based upon observation, document review and factory manager & workers interview, it was noted that factory ensures the anonymity of the complainant. There was not any kind of complaint form to be applied, workers could write down with any paper to raise their complaint instead. Furthermore, factory also recorded and tracked workers complaint to follow & improve.

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. [ER.19, ER.1]
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 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. [ER.28]

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.

Action Plan Status:	In Progress
Planned Completion:	12/27/16
Progress Update:	<u>Original Action Plan</u> <ol style="list-style-type: none">1. The probation period is included in the severance payment calculations for employees who were terminated or have resigned2. 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.

	<u>Progress Updates</u> 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.
Completion Date:	

Verification Result:

1. Finding Status: Remediated

Explanation:

Based on termination records for the past 12 months, it was noted that the severance payment was calculated and paid accurately as legally required for resigned workers. The probation period was also included in the severance payment as required by law.

2. Finding Status: Partially Remediated

Explanation:

Based on document review and factory manager & workers interview, it was noted that there were changes to policies and procedures, factory issues the memo, and posted on public areas in the factory. However, there was no ongoing employees (including management) training in the factory. Factory explained that ongoing training shall be conducted in end of this year (December 2017). [ER.28]

Root Causes:

Lack of commitment from top management in providing annual ongoing training for all employees.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.28)

Action Plan Status:	Completed
Planned Completion:	12/31/2017
Progress Update:	The factory provides refresh training for all employees on company's policies/ procedures related to termination and retrenchment in December 2017
Completion Date:	

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. [ER.31, HSE.9]
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. [HSE.3]
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. [HSE.1]

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.

Action Plan Status:	Completed
Planned Completion:	11/30/16
Progress Update:	<p><u>Original Action Plan</u></p> <ol style="list-style-type: none">1. Factory shall organize a separated training for workers who work with chemicals in Dec 2015 (from 21 - 24 December 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 analyzed 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 task 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. <p><u>Progress Updates</u> 02/21/17:</p> <ol style="list-style-type: none">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 analyzed root cause to prevent recurrence: 5.2.4.B. ESH Committee will give preventive actions to

	<p>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 personnel who involve in (The ESH committee, H&S staff, clinic staff, management, trade union) on 30 Nov 2016</p> <p>3. - ESH Committee co-operated with related department to implement a risk assessment for each task 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, masks.</p>
Completion Date:	11/30/16

Verification Result:

1. Finding Status: Remediated

Explanation:

Based on relevant document reviews and worker interviews, it was noted that factory signed contract with authorized service company & conducted annual training on chemical safety December 28 & 29, 2016 with training duration of 12 hours. This point was complied with law requirement.

2. Finding Status: Remediated

Explanation:

Based on relevant document reviewed and interview with factory management, it was noted that there were 3 work accidents in 2017 year. Factory conducted the legally required root cause analysis study to figure out the potential underlying reasons and preventing recurrence.

3. Finding Status: Remediated

Explanation:

Based on relevant document reviewed and interview with factory management, it was noted that factory conducted risk assessment for cutting section including laser cutting system as well as identified and provided the corrective action plan to reduce risk.

FINDING NO.9

HEALTH & SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

- 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. [HSE.13]
- 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. [HSE.5]
- No Liquefied Petroleum Gas LPG detectors provided in kitchen where LPG is in use. [HSE.1, HSE.13]
- 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.

Action Plan Status:	Completed
Planned Completion:	12/19/15
Progress Update:	<p><u>Original Action Plan</u></p> <ol style="list-style-type: none">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 safety <p><u>Progress Updates</u> 02/21/17:</p> <ol style="list-style-type: none">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 equipment 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:	12/19/2015

Verification Result:

1. Finding Status: Remediated

Explanation:

Based on observation and document reviewed, it was noted that factory signed contract with authorized service company on June 24, 2017 to maintain all fire fighting equipment every year. In practice, it was noted that all fire equipment was inspected & maintained in August 2017 and in line with law requirement.

2. Finding Status: Remediated

Explanation:

Based on observation and document reviewed, it was noted that factory signed contract with authorized service company on June 24, 2017 to maintain all fire fighting equipment every year. In practice, it was noted that all fire equipment was inspected & maintained in August 2017 and in line with law requirement.

3. Finding Status: Partially Remediated

Explanation:

Based upon observation and factory manager & workers interview, it was noted that the factory provided testing machines and used it to check the LPG in the morning everyday without installing LPG detectors in the kitchen area to detect gas leakage during the day. [HSE.1, HSE.13]

Root Causes:

Lack of crosscheck from HSE team and in-charge person

4. Finding Status: Remediated

Explanation:

Based upon observation and factory manager, it was noted that ventilation system was installed at chemical warehouse.

Local Law or Code Requirement

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

Action Plan Status:	In Progress
Planned Completion:	06/30/2018
Progress Update:	The factory requests for BOM's approval to install the permanent LPG detectors in the kitchen area to detect gas leaking during the day.
Completion Date:	

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). [HSE.14]
2. Two prong plugs in use for three prong sockets in different sections of the factory building, which bypasses grounding protections. [HSE.1]

3. Compressed air, with an operating pressure of 6 bars, is used for cleaning activities. [HSE.1]
4. Drinking water dispensers are exposed to direct sunlight which could cause contamination. [HSE.23]
5. Some ultrasonic sewing machine operators and workers working around these machines were not using their earplugs. [HSE.7, HSE.8]
6. Positioning of table saw guard is not okay as its positioned high above than it should be. [HSE.17]
7. The factory does not provide ant fatigue mats to all workers that have to stand at their workstation. [HSE.17]
8. Some clothing hangers at finished goods warehouse are bent. [HSE.1]
9. Since the factory has glass walls, chemicals at the chemical warehouse are exposed to direct sunlight. [HSE.9]
10. Although there is a limit defined for hand truck operation, that limit is not posted at the workplace. [HSE.1]
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. [HSE.23]
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

Circular No 15/2013, Art.2.3.b; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.7, HSE.8, HSE.9, HSE.14, HSE.17, HSE.22, and HSE.23)

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.

Action Plan Status:	In Progress
Planned Completion:	06/30/17
Progress Update:	<p><u>Original Action Plan</u></p> <ol style="list-style-type: none"> 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.

Progress Updates

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.

Completion Date:

Verification Result:

1. Finding Status: Partially Remediated

Explanation:

Based upon observation, document review and factory manager & workers interview, it was noted that hand grinding machine in the mechanical workshop was equipped with a protective guard. However, button instruction by the local language are not displayed or posted near the Seam sealing machines. Additional, Safety operation procedure (SOP) for one cutting and three laser cutting machines do not mention the emergency button while machines have problems. [HSE.14.1, HSE.14.3]

Root Causes:

Lack of crosscheck by HSE team & person in-charged.

2. Finding Status: Remediated

Explanation:

Based upon observation and factory manager & workers interview, it was noted that factory replaced the two prong plugs sockets by directly connection with on/off switch.

3. Finding Status: Remediated

Explanation:

Based upon observation and factory manager & workers interview, it was noted that workers worked/cleaned the thread by manual to replaced compressed air.

4. Finding Status: Remediated

Explanation:

Based upon observation and factory manager & workers interview, it was noted that factory assigned new location to place drinking water dispensers where avoided direct sunlight.

5. Finding Status: Remediated

Explanation:

Based upon observation and factory manager & workers interview, it was noted that ultrasonic sewing machine were not found at the assessment time. Moreover, the factory also provides earplugs for workers and requires workers to use while working with this machine.

6. Finding Status: Remediated

Explanation:

Based upon observation and factory manager interview, it was noted that safety guards were reinstalled for table saw with proper height.

7. Finding Status: Remediated

Explanation:

Based upon observation, document review and factory manager & workers interview, it was noted that the factory provides ant fatigue mats and consequently, workers use the mats while stand at workstation.

8. Finding Status: Remediated

Explanation:

Based upon observation and factory manager & workers interview, it was noted that the clothing hangers at finished goods warehouse were replaced and controlled the bent of the clothing hangers.

9. Finding Status: Remediated

Explanation:

Based upon observation and factory manager interview, it was noted that the factory posts the insulation film on glass walls at the chemical warehouse to avoid direct sunlight.

10. Finding Status: Remediated

Explanation:

Based upon observation and factory manager & workers interview, it was noted that loading limit is posted on hand truck operation to remind workers.

11. Finding Status: Remediated

Explanation:

Based upon observation, document review and factory manager & workers interview, factory bought PET bottle with high quality, which is qualified for re-use. Most of interview workers also confirmed that they are satisfy with this drinking water bottle.

12. Finding Status: Remediated

Explanation:

Based upon observation, document reviewed and interview with factory manager, it was noted that the factory marks clearly for each wooden chopping board and requires workers to use separately for each kind of food group (raw meat, raw fish, cooked meat, vegetables, etc.)

Local Law or Code Requirement

Vietnam Labor Law 2012, Article 138 and FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.14.1, and HSE.14.3)

Action Plan Status:	Completed
Planned Completion:	12/31/2017
Progress Update:	The factory shall post SOP for seam sealing machine. SOP for cutting and laser cutting machines does include information of the emergency button while machines have problems. Employees shall be trained on related machine safety procedures.
Completion Date:	

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. [HSE.1]
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. [HSE.1]
3. Some hazardous solid waste, dyed fabric and paper, is stored in solid waste storage area. [HSE.1]
4. There is no secondary containment provided for cleaning chemicals in warehouse. [HSE.9, HSE.10]
5. There are no nylon bags in the spill kit at the chemical warehouse. [HSE.1]
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. [HSE.1]

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. [HSE.1]

Local Law or Code Requirement

Environmental Law No.55/2014, Art.42; Environmental Law no.55/2014, Art.68.1, FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, and HSE.9)

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.

Action Plan Status:	Completed
Planned Completion:	12/01/16
Progress Update:	<p>Original Action Plan</p> <ol style="list-style-type: none"> 1. - Factory issues Ozone depleting substances management procedure and conducts a survey and inventory ODS in the factory. <ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> - Factory had fluctuations of employees (adding workers) in the early year; - It was time to empty the septic tanks; - Number of microorganisms in the treatment tank was reduced significantly. <p>From the above reasons factory makes an explanatory statement to analyze the root cause and take corrective actions to prevent recurrence of such an issue.</p> <p>On the other hand, factory tracks quarterly wastewater parameters after having result of environmental monitoring to promptly detect abnormal fluctuations occurs.</p> 3. - Factory reminds a person in charge of industrial waste store on classifying and storing waste. <ul style="list-style-type: none"> - 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. <ul style="list-style-type: none"> - Chemicals in chemical warehouse shall be labeled with full name, warning

	<p>signs, MSDS. The bottles of chemical shall be placed in secondary containment.</p> <ul style="list-style-type: none"> - A person in charge chemical warehouse checks daily and records to ensure compliance with regulations on chemical safety. <p>5. - Factory provides nylon bags in the spill control kit of chemical warehouse. This shall be supplemented in content of inspection form.</p> <ul style="list-style-type: none"> - 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. <p>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.</p> <ul style="list-style-type: none"> - 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. <p>7. The environmental policy shall be reviewed and modified by factory's manager. It shall have the factory management's declaration of:</p> <ul style="list-style-type: none"> - 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. <p>Progress Updates 02/21/17: All Action Plans are completed.</p>
Completion Date:	12/01/16

Verification Result:

1. Finding Status: Remediated

Explanation:

Based upon observation, document review and factory manager, it was noted that factory conducted assessment to identify ozone depleting substances (ODS) as well as made inventory list. Moreover, factory also made the corrective action plan to replace eight air conditioned which fraught with ODS (Gas R22).

2. Finding Status: Remediated

Explanation:

Based upon document review and factory manager interview, it was noted that factory conducted the wastewater testing on September 25, 2017 by the authorized external services and all indicators were complied with law requirement.

3. Finding Status: Remediated

Explanation:

Based upon observation, document review and factory manager & workers interview, it was noted that factory solid waste (carton, paper, and fabric) and hazardous wastes are stored separately in wastebaskets.

4. Finding Status: Partially Remediated

Explanation:

Based upon observation, document review and factory manager & workers interview, there is no available Material Safety Data Sheets (MSDS) for chemical (X66 Glue) and no secondary containment for X66 glue and cleaning chemicals in fabric warehouse. Notes: Factory has improved this point at the assessment time. [HSE.9, HSE.10]

Root Causes:

Lack of crosscheck by HSE team & person in-charged

5. Finding Status: Remediated

Explanation:

Based upon observation, document review and factory manager & workers interview, it was noted that factory provided the nylon bags in the spill kit at the chemical warehouse as well as conducted training for workers on how to use them.

6. Finding Status: Partially Remediated

Explanation:

Based upon observation, document review and factory manager & workers interview, it was noted that there was no leaking compressed air throughout the production areas during the assessment. However, some QC workstations did not turn off the lights when not in use even though the factory has posted posters on saving energy on information boards in the production areas. [HSE.1]

Root Causes:

Lack of crosscheck by HSE team & person in-charged

7. Finding Status: Remediated

Explanation:

Based upon observation, document reviewed and interview with factory management, it was noted that factory revised the Environment policy on 15th August 2017, in which mentioned clearly the 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

FLA Workplace Code (Health, Safety and Environment Benchmark HSE.1, HSE.9, and HSE.10)

Action Plan Status:	Completed
Planned Completion:	12/31/2017
Progress Update:	Employees shall be reminded on company's requirements on energy saving through refresh and ongoing training.
Completion Date:	

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.

Action Plan Status:	Completed
Planned Completion:	09/01/16

Progress Update:	<u>Original Action Plan</u> 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.
	<u>Progress Update</u> 02/21/17: All company policies and procedures were reviewed and evaluated in August and September 2016.
Completion Date:	09/01/16

Verification Result:

1. **Finding Status:** Remediated

Explanation:

Based upon document review and factory manager and workers interview, it was noted that Factory developed a comprehensive procedure on updating process and document review for existing policies and procedures for all Employment Functions.

(NEW) FINDING NO.13

Health & Safety (Fire Safety)

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Exist aisle is obstructed by working table at Sewing line. [HSE.5]
2. 02 fire hose reel outside of the building leaks water while testing. [HSE.6]
3. Battery power of fire alarm panel is ensured within 12 hours instead of at least same duration as factory's non-operational time (24 hours). [HSE.6]
4. One exit door at finished goods warehouse is a sliding door instead of outward door. [HSE.1, HSE.5]

Local Law or Code Requirement

TCVN 3890:2009; QCVN 06:2010/BXD; Decree 79/2014/ND-CP and FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.5, and HSE. 6)

Root Causes

1. ESH committee is not active and does not conduct internal audits periodically.
2. Lack of crosscheck from HSE team and worker's awareness.
3. Network of occupational safety-hygiene collaborators and fire safety team are not active in action; Lack of crosscheck from compliance team.
4. Team leader/supervisor only focus on production.
5. Lack of awareness on FLA's Code and Benchmarks and Law requirements.
6. Top management does not take time to involve in updating/reviewing the law requirement and other standards.

Recommendations for Immediate Action

1. Keep exist aisles clear from obstructions at all times.
2. Inspect regularly and ensure fire hose reel is in good condition.
3. Install more battery power for fire alarm system least same duration as factory's nonoperational time (24 hours).
4. Adjust the exit door at finished goods warehouse to ensure it is an outward door.

Action Plan Status:	<ol style="list-style-type: none"> 1. Completed 2. Completed 3. Completed
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	4. In Progress
Planned Completion:	1. 31/12/2017 2. 31/12/2017 3. 31/12/2017 4. 30/06/2018
Progress Update:	1. The factory shall re-arrange working space at relevant areas to ensure exit aisle is not obstructed. 2. The factory shall re-check all fire hose reel and inspect the root cause of leaking. 3. The factory shall test the battery power of fire alarm within 24 hours to ensure its working order. 4. The factory shall escalate issue to the BOM for further decision.
Completion Date:	

(NEW) FINDING NO.14

Health & Safety (Medical Safety)

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Medicines are exposed to direct sunlight instead out of direct sunlight and is not stored below 30°C. [HSE.18.3]

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmark HSE.18.3)

Root Causes

1. ESH committee is not active and does not conduct internal audits periodically.
2. Lack of crosscheck from HSE team and worker's awareness.
3. Lack of awareness on FLA's Code and Benchmarks and Law requirements.
4. Top management did not take time to involve in updating/reviewing the law requirement and other standards.

Recommendations for Immediate Action

1. Store medicines below 30°C and away from direct sunlight.

Action Plan Status:	In Progress
Planned Completion:	30/06/2018
Progress Update:	The factory shall study and come with compatible method to store medicines below 30°C and away from direct sunlight.
Completion Date:	

(NEW) FINDING NO.15

Health & Safety (Personal Protective Equipment)

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Worker used unsuitable metal gloves. The gloves are too big for workers. [HSE.7]
2. One worker who works at wastewater treatment area is not provided PPE to prevent the fall hazards. [HSE.7]

Local Law or Code Requirement

Vietnam Labor Law 2012, Article 138; FLA Workplace Code (Health, Safety & Environment Benchmark HSE.7)

Root Causes

1. ESH committee is not active and does not conduct internal audits periodically.
2. Lack of crosscheck from HSE team and worker's awareness.
3. Lack of awareness on FLA's Code and Benchmarks and Law requirements.
4. Top management did not take time to involve in updating/reviewing the law requirement and other standards.

Recommendations for Immediate Action

1. Provide all workers with the proper PPE, and train workers on the proper use and maintenance of PPE.

Action Plan Status:	Completed
Planned Completion:	31/12/2017
Progress Update:	<ol style="list-style-type: none">1. The factory shall provide suitable metal gloves for workers, which well fit with their hands.2. The factory shall install the handrails system on waste water storage tank to prevent the fall hazards.
Completion Date:	

(NEW) FINDING NO.16

Health & Safety

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Location of finger guard was changed by the operator on one of the punch button machines. [HSE.14]
2. Freight lift in the canteen has a door that can be opened when the cabin was not in a safe place. It could lead to risk of falling out of the lift. [HSE.14]
3. Tape has been used to fix electrical wires at canteen area. [HSE.13]
4. It was found that Hazardous waste area and chemical storage area is small and narrow. [HSE.9]

Local Law or Code Requirement

Vietnam Labor Law 2012, Article 138 and FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.9, HSE.13, and HSE.14)

Root Causes

1. ESH committee is not active and does not conduct internal audits periodically.
2. Lack of crosscheck from HSE team and worker's awareness.
3. Lack of awareness on FLA's Code and Benchmarks and Law requirements.
4. Top management did not take time to involve in updating/reviewing the law requirement and other standards.

Recommendations for Immediate Action

1. Repair punch button machine and freight lift at canteen to ensure workers' safety.
2. Use proper material to fix electrical wires to avoid any potential fire risk.
3. Find a new proper location to store hazardous waste and chemical.

Action Plan Status:	<ol style="list-style-type: none">1. Completed2. In Progress3. Completed4. Pending
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Planned Completion:	<ol style="list-style-type: none"> 1. 31/12/2017 2. 30/4/2018 3. 31/12/2017 4. Pending
Progress Update:	<ol style="list-style-type: none"> 1. The factory shall make the finger guard on punch button machine fixed permanently. 2. The factory shall contact contractor to improve the condition of freight lift and prevent fall hazards. 3. The factory shall use proper material to fix electrical wires to avoid any potential fire risk. 4. The factory has limited space thus it is difficult to widen the hazardous waste area and chemical storage area. The factory shall ensure keep those areas neat and in order, workers shall aware of all safety requirements related to working in those areas.
Completion Date:	

(NEW) FINDING NO.17

Environmental Protection

FINDING TYPE: Immediate Action Required

Finding Explanation

1. There is no domestic wastewater treatment emergency plan and secondary containment in case the factory's wastewater treatment process breaks down. The factory wastewater discharges approximately 36 cubic meter per day. [HSE.5.4]

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmark HSE.5.4)

Root Causes

1. ESH committee is not active and does not conduct internal audits periodically.
2. Lack of crosscheck from HSE team and worker's awareness.
3. Lack of awareness on FLA's Code and Benchmarks and Law requirements.
4. Top management did not take time to involve in updating/reviewing the law requirement and other standards.

Recommendations for Immediate Action

1. Ensure wastewater treatment has secondary containment ready to use in case of emergency.

Action Plan Status:	In Progress
Planned Completion:	31/03/2018
Progress Update:	The factory shall develop the domestic wastewater treatment emergency plan.
Completion Date:	

(NEW) FINDING NO.18

Grievance System

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Workers are provided with Hotline (0912647189) to raise their complaint. However, the grievance procedure has not been updated with this hotline number. Moreover, there was one miss call from hotline system, without any action from person in-charged to call back or collect the information. [ER.25]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.25)

Root Causes

1. Lack of crosscheck and review by Manager.
2. Lack of knowledge by person in-charged.

Recommendations for Sustainable Improvement

1. Factory shall review and update the new information such as hotline as well as update the hotline handling procedure.

Action Plan Status:	Completed
Planned Completion:	31/12/2017
Progress Update:	The factory shall update the Hotline number into the grievance procedure and post on grievance boxes.
Completion Date:	

(NEW) FINDING NO.19

Industrial Relations

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Labor Union representative was elected on Sep 11, 2017 with 18 members. However, the chairman of the trade union does not remember members' name as well as roles and duties of each member. [ER.25]
2. The factory and union have 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, providing a copy to each of worker. However, some of information of CBA handbook's content does not reflect to the actual practice, such as: working hours, annual leave calculation, mandatory insurance of employer's contribution, etc. [ER.16.2]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.16.2, and ER.25)

Root Causes

Lack of awareness on FLA's Code and Benchmarks and Law requirements.

Recommendations for Sustainable Improvement

1. Chairman Trade Union shall be trained & updated the Union & Labor Law.

Action Plan Status:	1. Completed 2. In Progress
Planned Completion:	1. 31/12/2017 2. 30/04/2018
Progress Update:	1. The Labor Union's chairman shall be equipped with better awareness of members' name as well as roles and duties of each member, and other

	information related to Union. 2. The factory shall develop plan to review and update the employee handbook.
Completion Date:	

(NEW) FINDING NO.20

Compensation

FINDING TYPE: Immediate Action Required

Finding Explanation

- The payment of unused annual leave in 2016 for two workers and were not paid fully and accurately as legally required, in detail: [ER.22, HOW.11, HOW.14]
+ Factory calculation: the average salary of the six-continuous-month/27* unused annual leave*300% = VND 777,778 (USD 34.14)
+ Correct calculation: the average salary of the six-continuous-month/26* unused annual leave*300% = VND 807,692 (USD 35.45)

Local Law or Code Requirement

Article 14, Circular 47/2015/TT-BLDTBXH and FLA Workplace Code (Employment Relationship Benchmark ER.22; Hours of Work Benchmarks HOW.11, and HOW.14)

Root Causes

- Lack of knowledge by person in-charged.

Recommendations for Immediate Action

- Retroactively pay the two workers and ensure the payment of unused annual leave is calculated accurately, as legally required for all workers.

Action Plan Status:	Completed
Planned Completion:	15/01/2018
Progress Update:	The finding was detected due to the policy and practice of former owner. The factory has changed the policy and applied the correct calculation in 2017 as the average salary of the six-continuous-month/26* unused annual leave*300%
Completion Date:	

(NEW) FINDING NO.21

WORKPLACE CONDUCT & DISCIPLINE

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

- Although, factory maintains records of disciplinary actions and in line with local law. However, it does not meet FLA Benchmarks requirement, these records should be placed to employee files. [ER.27.3.4]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.27.3.4)

Root Causes

1. Lack of awareness on FLA's Code and Benchmarks and Law requirements.

Recommendations for Sustainable Improvement

1. Records of disciplinary action must be maintained in the worker's personnel file.

Action Plan Status:	Completed
Planned Completion:	03/01/2018
Progress Update:	The factory shall make copies of records of disciplinary actions and retain in employee files.
Completion Date:	

(NEW) FINDING NO.22

TRAINING (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory does not provide ongoing training on the following Employment Functions: Recruitment, Hiring, and Personnel development, Compensation, Industrial Relations, Workplace Conduct & Discipline, Grievance, Environmental Protection, Health & Safety. [ER.1, ER.15, and ER.25]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, and ER.25)

Root Causes

1. Lack of awareness on FLA's Code and Benchmarks.
2. Lack of commitment from TOP management in provision annual on-going training for all employees.

Recommendations for Sustainable Improvement

1. Design a training schedule to include trainings on all Employment Functions.
2. Assign a responsible person for training.

Action Plan Status:	Completed
Planned Completion:	31/12/2017
Progress Update:	The factory provides refresh training for all employees on company's policies/ procedures related to Recruitment, Hiring, and Personnel development, Compensation, Industrial Relations, Workplace Conduct & Discipline, Grievance, Environmental Protection, Health & Safety. in December 2017.
Completion Date:	