



COMPANY: **Nike, Inc**  
COUNTRY: **Vietnam**  
ASSESSMENT DATE: **07/05/16**  
MONITOR: **FLA Assessor Team (S.E. Asia)**  
PRODUCTS: **Apparel**  
PROCESSES: **Other**  
NUMBER OF WORKERS: **986**  
NUMBER OF WORKERS INTERVIEWED: **250**  
ASSESSMENT NUMBER: **AA0000002066**

## FLA Comments

Due to the comprehensive nature of this report, the remediation plan provides short term and ongoing remedial actions, status of the action (i.e., completed or ongoing), and the completion date if applicable. Some planned actions need further improvements to meet FLA suggestions; however, the remediation plan is not a static report and will continue to develop. The current report reflects the most recent progress updates on the "Progress Update" section for each finding. The FLA looks forward to continually receiving progress updates on remediation from Hansae and Nike.

## What's Included in this Report

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# Understanding this Assessment Report

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

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

## Glossary

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

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

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

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

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

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

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

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

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

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

**Finding type**

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

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

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

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

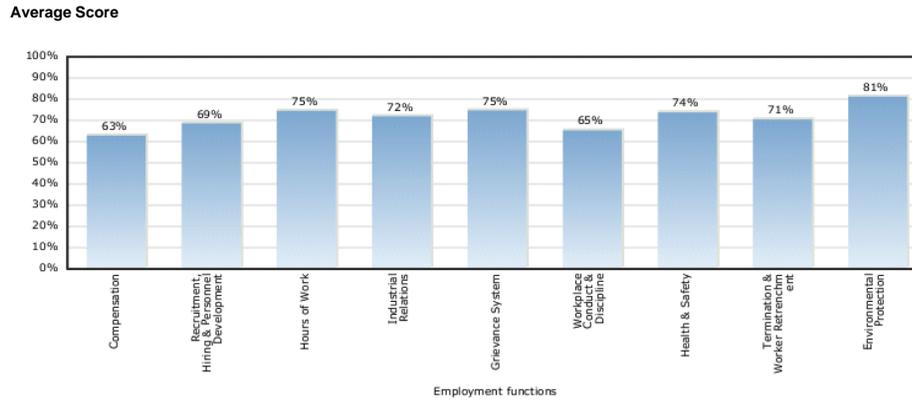
Root causes: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that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

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

# Factory Profile

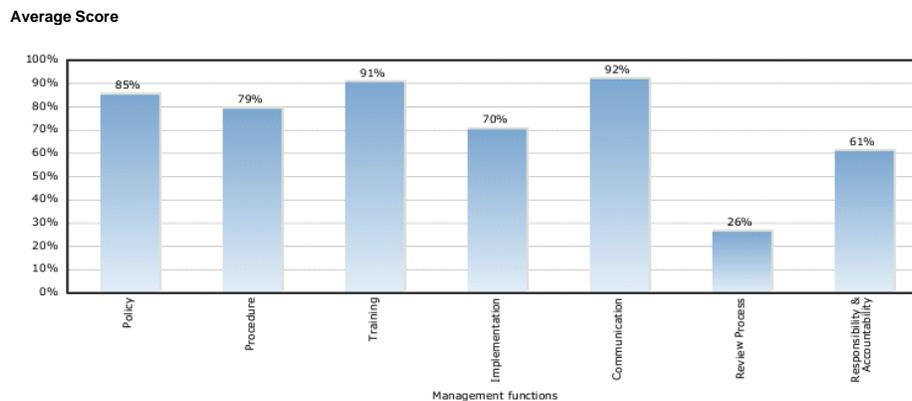
## Score by Employment Function

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



## Score by Management Function

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



## Score Summary

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

Management Functions	Recruitment, Hiring & Personnel Development	Compensation	Hours of Work	Industrial Relations	Grievance System	Workplace Conduct & Discipline	Termination & Worker Retrenchment	Health & Safety	Environmental Protection
Policy	72.25%	100%	100%	95.88%	81.82%	78.57%	92.31%	80%	100%
Procedure	70.88%	79.25%	86.11%	76.47%	83.33%	61.11%	69.05%	79.71%	100%
Responsibility & Accountability	37.5%	45.75%	58.33%	50%	45.75%	37.5%	37.5%	56.6%	27.67%
Review Process	0%	0%	0%	0%	0%	50%	50%	33.33%	66.67%
Training	96.43%	66.67%	100%	50%	100%	80%	100%	94.95%	87.5%
Implementation	63.16%	69.33%	69.74%	75%	95.45%	45.45%	55.83%	70.28%	86.98%
Communication	100%	87.5%	80%	50%	100%	100%	100%	90%	100%

## Summary of Code Violations

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

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

<b>FLA Code Element</b>	<b>Number of Violations</b>	<b>Violations</b>
Compensation	8	General Compliance Compensation Record Maintenance False Payroll Records Workers Awareness and Understanding of Compensation Minimum Wage Accurate Calculation, Recording, and Payment of Wages Accurate Length of Service Calculation Calculation Basis for Overtime Payments
Child Labor	2	Employment of Young Workers Young Workers Identification System
Employment Relationship	19	General/Human Resource Management Systems Terms and Conditions/Contract, Contingent or Temporary Workers Terms and Conditions/Other Special Categories of Workers Terms and Conditions/New Employee Orientation Terms and Conditions/Communication Administration of Compensation/Termination Payouts General/Documentation and Inspection Administration of Fringe Benefits/Holidays, Leave, Legal Social Benefits and Bonuses Administration of Hours/Time Recording System Administration of Hours/Production and Incentive Schemes Industrial Relations Industrial Relations/Right to Organize, Bargain and Participate in Legal Strikes Work Rules and Discipline Skills Development/Management of Performance Reviews Recruitment and Hiring/Employment Decisions Skills Development/Promotion, Demotion and Job Reassignment Health, Safety, and Environmental Management System/Policies and Procedures Recruitment and Hiring/Employment Agency Recruitment Practices Recruitment and Hiring/Employers Agreement with Employment Agencies
Forced Labor	6	General Compliance Forced Labor Freedom in Employment Freedom of Movement Freedom of Movement/Employer Controlled Residence Freedom of Movement/Workers Ability to Terminate Forced Overtime
Freedom of Association and Collective Bargaining	6	General Compliance Freedom of Association Employer Interference Employer Interference/Constitution, Elections, Administration, Activities and Programs Employer Interference/Registration Employer Interference/Favoritism Employer Interference/Police and Military Forces
Harassment and Abuse	8	General Compliance Harassment or Abuse Discipline/Monetary Fines and Penalties Discipline/Access to Facilities Discipline/Physical Abuse Discipline/Verbal Abuse Discipline/Psychological Abuse Discipline/Freedom of Movement Violence/Harassment or Abuse
Hours of Work	12	General Compliance Hours of Work Annual Leave Annual Leave/Determination Annual Leave/Restrictions Annual Leave/Wage Payments Leave/Retaliation Sick Leave Sick Leave/Restrictions Rest Day Meal and Rest Breaks Protected Workers (Women and Young Workers)/Record Keeping Forced Overtime/Exceptional Circumstances
Health, Safety and Environment	15	General Compliance Health, Safety, and Environment Ventilation/Electrical/Facility Installation and Maintenance Machinery Safety, Maintenance and Workers Training Ergonomics Sanitation in Workplace Facilities Toilets Toilets/Restrictions Food Preparation Drinking Water Drinking Water/Restrictions Evacuation Requirements and Procedure

		Safety Equipment and First Aid Training
		Personal Protective Equipment
		Use of Personal Protective Equipment
		Chemical Management and Training
Non-Discrimination	5	General Compliance Nondiscrimination
		Reasonable Accommodation for Health Reasons
		Recruitment and Employment Practices/Job Advertisements, Job Descriptions and Evaluation Policies
		Compensation Discrimination
		Protection and Accommodation of Pregnant Workers and New Mothers

## Findings and Action Plans

### FINDING NO.1

#### POLICIES & PROCEDURES (MACRO)

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. The recruitment procedure does not specify how to detect fraudulent records and properly determine the age of applicants to ensure the factory does not use child labor.
2. There are policies and procedures on Recruitment and Hiring but they do not address special categories of employees.
3. There is no personnel development policy or procedure although the factory has some personnel development activities such as management training, which is provided to some supervisors. The factory provides on-the-job skills training for new workers.
4. There is no regular management review procedure on policies and procedures on any of the Employment Functions, although the factory has conducted some management review on the procedures and policies when revision when needed..
5. There is no policy related to performance review. Nor does the factory have procedures for regular performance reviews or evaluations of production workers. There is a performance review procedure for newly-hired workers in their probationary status and for workers whose labor contracts are due to expire, but the procedure is not documented.

##### Local Law or Code Requirement

FLA Workplace Code (Employer Relationship Benchmarks ER.1, ER.1.1, ER.1.2, ER.1.3, ER.4, ER.4.1, ER.4.1.1, ER.4.1.2, ER.14, ER.28.1, ER.28.1.1, and ER.29)

##### Root Causes

1. The factory has a compliance management system in place; however, the factory is not fully aware of the requirements embodied in the FLA Workplace Code and Compliance Benchmarks. Thus, some of their procedures and policies do not fully meet FLA requirements.
2. When it created the recruitment procedure, the factory underestimated the risk of child labor.
3. The factory conducts regular performance reviews only for office employees, and specific worker groups.
4. The findings noted above have not been brought to the attention of factory management during previous external audits.

#### COMPANY ACTION PLANS

1. Short term 1. The recruitment procedure has been revised in which guidelines on the detection of fraudulent records and age verification was revised and further added. Relevant HR staff was trained to enhance the awareness of age verification and young workers identification correctly. 2. The recruitment procedures for temporary workers, young workers, and elderly workers, as well as non-discrimination in recruitment was added to the general recruitment procedure. 3. The factory will create a formal Personnel development policy and procedure to align and enhance workers' skills and knowledge to support the business plan 4. Procedure of Policy Periodical Review is currently under draft process for all types of procedures in the factory. 5. The performance review procedure for workers for such cases as new contract, contract renewal or promotion is being revised to include: detailed steps and process, relevant requirements for job grading, prohibition of discrimination, periodical review requirement, survey process to get feedback from workers, and document retention. Performance of workers is used to adjust their wage level according to the wage scale. All performance reviews was adequately maintained on file. Middle Term/Ongoing 6. Updated procedure will be surveyed with relevant units for review and giving feedback before being applied in practice. 7. Specific HR staff will be trained on the revised procedure. 8. Workers will be informed of and trained on newly updated policy and procedure. 9. A review on current policy and procedure will be periodically conducted to ensure compliance with local law and regulations. 10. The factory will conduct quarterly self-audits of all steps in HR management of workers in every aspect of HR activities such as recruitment, working hours,

compensation and benefits, training and development, termination, etc.

**Action plan status:** Completed

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

**Progress update:** 06/08/17 : 10. Completed on 31 May 2017

05/08/17 : "10. In Progress: The factory plans to implement some activities to improve problems identified from Openview interview (employee training, management meeting). The action plan already proposed and started implementation. The factory will survey 100% of workers about HR practices by the end of May 2017."

05/03/17 : 3 May 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed 8. Completed 9. Completed 10. In Progress: The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings, management meeting). The action plan already proposed and started implementation

04/12/17 : 12 Apr 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed 8. Completed 9. In Progress: the factory has completed all the list of policies and procedures to be reviewed and the factory will have meetings to review these policies/procedures in Apr 2017 10. In Progress: the factory has worked one company named Openview. 2 auditors interviewed directly 200 workers in Feb 23, 24 about HR policies (forced labor, H&A, grievance, contract, C&B, working time, HSE...) to identify improvement areas. The next step within April 2017 is the factory will survey 100% workers (harassment, toilet time, productivity target, labor contract, discipline, sick leave, OT...). The factory plans to implement some activities to improve problems identified from Openview interview (employee training, management meeting)

03/06/17 : 6 March 2017 1. Completed 2. Completed 3. In Progress: the factory team has completed the draft document and will be reviewed and approved by factory leadership in March 2017 4. Completed 5. Completed 6. Completed 7. Completed 8. Completed 9. In Progress: the factory has completed all the list of policies and procedures to be reviewed and the factory will have meetings to review these policies/procedures in March 2017 10. In Progress: the factory has worked with two service providers on the plan to check effectiveness of these HR requirements implementation. The service providers will conduct employees' interview and employees' survey towards those HR requirements satisfaction

02/14/17 : 1. Completed on 1st Oct 2016 2. Completed on 1st Oct 2016 4. Completed on 1st Oct 2016 5. Completed on 1st Oct 2016 6. Completed on 1st Oct 2016 7. Completed on 1st Oct 2016 8. Completed on 8th Oct 2016

12/05/16 : Some findings are complete

**Completion date:** 05/31/17

## FINDING NO.2

### RESPONSIBILITY & ACCOUNTABILITY (MACRO)

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. The factory has not clearly defined the job descriptions for responsible person(s) for the following employment functions in all factory areas/departments: Compensation, Termination & Retrenchment, Grievance System, Health, Safety & Environmental Protection.
2. The factory does not clearly define the responsible/accountable person(s) for Workplace Conduct & Discipline, Termination & Retrenchment, and Grievance System in all areas/departments within the factory.
3. There is no job description for personnel handling Compensation and Hours of Work.
4. The persons with ultimate responsibility/accountability in each factory do not have job description.

### Root Causes

1. The factory is not fully aware of the requirements embodied in the FLA Workplace Code and Compliance Benchmarks. Thus, some of their procedures and policies do not fully meet the FLA requirements.
2. The findings noted above have not been brought to the attention of the factory management during previous external audits.

### COMPANY ACTION PLANS

1. Short-term 1. The factory will update job descriptions for all job positions in the main office that are accountable for Compensation, Hours of Work, Termination & Retrenchment, Grievance System, Health & Safety, and Environmental Protection. 2. The factory will update job descriptions to clearly define the responsibility in all departments for Workplace Conduct & Discipline, Termination & Retrenchment, and Grievance System. 3. The factory will update the job description for personnel handling Compensation and Hours of Work. 4. The factory will update the job description for factory manager - the persons with ultimate responsibility/accountability within each factory. Middle Term/Ongoing 5. Train HR staff on job description development and management. 6. Annually review job descriptions of those positions to update in accordance with current business and production status.

**Action plan status:** Completed

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

**Progress update:** 05/03/17 : 3 May 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed

04/12/17 : 12 Apr 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. Completed 6. In Progress: the factory has completed all the list of policies and procedures to be reviewed and the factory will have meetings to review these policies/procedures in Apr 2017

03/06/17 : 6 March 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. Completed 6. In Progress: the factory has completed all the list of policies and procedures to be reviewed and the factory will have meetings to review these policies/procedures in March 2017

02/14/17 : 1. Completed on 28th Oct 2016 2. Completed on 28th Oct 2016 3. Completed on 28th Oct 2016 4. Completed on 1st Oct 2016 5. Completed on 1st Oct 2016

12/05/16 : Many findings are complete

**Completion date:** 05/03/17

### FINDING NO.3

### RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

### FINDING TYPE: Sustainable Improvement Required

#### Finding Explanation

1. The factory has not properly set up a job description system or aligned it with workers' actual tasks.
2. The factory does not conduct performance reviews for all workers. Performance reviews are only conducted for workers who are new or have to renew their labor contracts. However, only the performance reviews of new workers still in their probationary period are kept in personnel files; performance reviews of persons whose contract is up for renewal are not retained.
3. There is no annual performance review or evaluation procedure of workers; therefore, the factory depends heavily on the feedback of supervisors, production managers, or managers of each factory which do not follow a clear and uniform evaluation criteria. For example, when workers are signing or renewing a labor contract, the factory requests that their supervisors and production managers approve the decision to move forward and sign the labor contract. It is a binary (Yes/No) decision that does not follow defined criteria and is not documented.
4. The factory does not keep the personnel profiles of temporary workers in a centralized filing system. During this assessment, it

took the factory three days to locate the profiles of all temporary workers. The factory representatives explained that the person who handles the temporary workers' profiles took maternity leave without a replacement, and each individual factory has kept the profiles of the temporary workers without submitting them to the head office. As a result, the head office did not have the files of the temporary workers.

5. Workers are not able to provide verbal feedback on their evaluation when labor contracts are renewed.
6. The factory has not clearly defined the roles and responsibilities of the employees handling the online recruitment on the recruitment website. Currently, a receptionist is supporting recruitment, in addition to her other tasks, without any written assignment or training. When needed, the HR manager tells her which job should be posted on the website; however, the HR manager does not provide this assistant with official or written job descriptions and requirements for the posting.

#### Local Law or Code Requirement

Labor Code No.10/2012/QH13, Article19; Circular No. 23/2014/TT-BLDTBXH, Article 7; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.11, ER.11.5, ER.14, ER.28.1, ER.29, ER.29.1, ER.29.1.1, ER.30.2; Child Labor Benchmark CL.1)

#### Root Causes

1. The factory is not fully aware of the requirements embodied in the FLA Workplace Code and Compliance Benchmarks. Thus, some of their procedures and policies do not fully meet the FLA requirements.
2. There is no procedure to ensure a smooth transition when employees take leave or resign.
3. The findings noted above have not been brought to the attention of the factory management during previous external audits.

### COMPANY ACTION PLANS

1. Short term 1. Factory will update job description for each group of workers in the factory and ensure that it is aligned with the tasks performed by workers. 2&3. a. Performance review procedure for workers for such cases as new contracts, contract renewal, or promotion is being revised to include: detailed steps and process, relevant requirements for job grading, discrimination prohibition, periodical review requirement, survey process to get feedback from workers, and document retention. All performance reviews of all workers are adequately maintained on file. b. Factory will conduct performance review process in which the General manager is assigned to calibrate to ensure fairness and objectiveness. 4. a. Factory will create a transition procedure to ensure smooth operation (e.g., document retention, assignment status, etc.) when workers resign or take leave for long time. b. HR dept has centralized the filing system of all personnel profiles and will ensure they are always available for review. 5. a. Factory will revise the performance review form to include workers' feedback. b. Workers have been provided with feedback channels such as Trade Union representatives, grievance team members, and PICC members who received feedback, then have meeting with managements weekly to ensure workers' opinions are given for management review. 6. a. The factory will update job descriptions for person in charge of posting the recruitment notice. b. The factory will create a standard form in which a job description with detailed requirements are included in job recruitment ads. Middle Term/Ongoing 7. The factory will provide internal training for all workers on the performance review procedure and available feedback channels for their performance evaluation. 8. Train(ing) HR staff on job description development and management. 9. Annually review job descriptions of those positions to update in accordance with current business and production status.

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	05/28/17
<b>Progress update:</b>	05/03/17 : 3 May 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed 8. Completed 9. Completed
	04/12/17 : 12 Apr 2017 1. In Progress: the factory will update all job descriptions for workers in Apr 2017 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed 8. Completed 9. In Progress: the factory will update all job descriptions for workers in Apr 2017
	03/06/17 : 6 March 2017 1. In Progress: the factory will update all job descriptions for workers in March 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed 8. Completed 9. In Progress: the factory will update all job descriptions for workers in March
	02/14/17 : 1. Completed on 28th Oct 2016 2. Completed on 1st Oct 2016 3. Completed on 1st Oct 2016 4. Completed on 1st Oct 2016 5. Completed on 1st Oct 2016 6. Completed on 28th Oct 2016 7. Completed on 8th Oct 2016 8. Completed on 1st Oct 2016
	12/05/16 : Many findings were complete

## FINDING NO.4

### RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. All workers sign a probationary contract for a 1-month period. If a worker's performance is satisfactory upon completion of this probationary period, they are offered for signature a labor contract with a one-year term. However, in Factories 5, 8, 9, 11, and 12, based on worker interviews, there were cases where labor contracts of female workers were not renewed if they were pregnant within the first two years of employment with the factory.
2. Some workers are employed as temporary workers, and, therefore, have not signed the official labor contract, although they perform the same regular tasks as permanent workers. Based on record review, the number of temporary workers varied from 33 to 317 from December 2015 to June 2016.
3. Overtime at the factory is not voluntary. Workers need to justify their reason to not work overtime and get approval from the line leaders.
4. For their application to work at the factory, workers pay for a health check to receive a legally required health certificate. By law, the cost of occupational health check-ups must be paid for by the employer.
5. The factory does not have the proper system to track the location of young workers within the factory. The profiles of these young workers are not filed separately from ordinary workers. Based on interviews with workers who were previously employed as young workers, some of them were employed as temporary sewers, which is a job classified as a heavy one (type IV).

##### Local Law or Code Requirement

1. Labor Code, Article 8, 22.3; Law No. 84/2015/QH13, Article 21; Labor Code Article 154; FLA Workplace Code (Employment Relationship Benchmarks ER.6 and ER.6.2; Forced Labor Benchmarks F.1, F.7, and F.8; Hours of Work Benchmark HOW.8; Child Labor Benchmark CL.6; Non-Discrimination Benchmarks ND.6 and ND.7)

##### Root Causes

1. The factory does adequately monitor the implementation of Recruitment, Hiring, & Personnel Development policies and procedures.
2. The factory does not rigorously monitor the forced labor policy and has not obtained commitment from all management levels on this policy.
3. There is lack of engineering study when setting the hourly and daily quota.
4. The factory is not fully aware of the FLA Workplace Code and Compliance Benchmarks. Thus, some of their procedures and policies do not fully meet the FLA requirements.

##### Recommendations for Immediate Action

1. Discontinue the employment discrimination against pregnant employees.
2. Discontinue the use of temporary workers for regular jobs.
3. Reevaluate the process by which production quotas are determined.
4. Discontinue the practice of requiring workers to justify and seek approval to be released from overtime work.
5. Ensure that the factory pays the fees of workers' health checkup.
6. Reimburse workers for the cost of health check-ups they have paid out of pocket.

### COMPANY ACTION PLANS

1. Short Term 1. The factory has and will continue to communicate to all workshop managers and Human Resource team that labor renewal is solely based on job performance review (performance, attitude, team work), and it is not based on pregnancy status. While, the factory renewed the labor contracts of 25/29 pregnant workers during the period of January to June 2016, the factory will commit to reinstatement and backpay should a former worker demonstrate that the contract was not renewed due to pregnancy status. A team, which will include a senior manager, will review all contracts that are not going to be renewed to ensure non-discrimination. A secondary review will be conducted by HR department as needed. The factory will notify prior workers who were pregnant and did not have their contract renewed of the new policy. 2. The factory has created a tracking system to ensure

alignment of the production plan with the recruitment plan of temporary workers to ensure that temporary employment is made only due to business demand (peak season), in order to comply with the labor law (Article 22, 10/2012/QH13). The HR team will revise the labor contract for temporary work specifying the duration of the contract and the kind of work workers have to do during specific period. 3. The factory will revise the Overtime Voluntary Work policy and form an "opt-in" system allowing workers to volunteer for overtime. The factory will organize a meeting to communicate to all workshop managers and a series of training to workers that overtime work is fully voluntary as well as discipline managers who do not follow this policy. The factory will review and remove notices or disciplinary records resulting from the failure to work overtime. 4. According to the local law (03/2014/ND-CP) and 14/2013/TT-BYT), workers are required to have a health check-up certificate (checked by a government hospital, this document is one of many required for workers to apply for the job) and this health check up fee is paid by workers. The factory will pay any additional health check cost required by the factory but not the health check certificate required by the government in the job application profile. The factory will include this information in the annual training program as well as in the hiring policy. 5. The factory has no young workers at the moment (workers under 18 years old); however, the factory has set up the tracking file for young workers to ensure compliance with local law for recording requirements. The factory has created the list of heavy and hazardous jobs which cannot be done by young workers and will communicate this list to the workshop managers, HR team and any applicable young workers to ensure that if the factory does employ young workers, they only perform non-hazardous and non-heavy jobs. The HR team will create a summary of young workers (if any) to review on a monthly basis to ensure proper work arrangement. The HR team will also set up a reporting procedure for young workers should they be assigned to prohibited jobs.

**Action plan status:** Completed

**Planned completion date:** 01/02/17

**Progress update:** 06/08/17 : Completed

05/03/17 : 3 May 2017 1. Completed: the factory has completed providing training about non-discrimination to all employees (workers and managers). The factory has completed and implemented new procedure for contract renewal in which all non-contract renewal must be reviewed by a committee consisting of one senior manager of management team. In April, the factory will contact 100% pregnancy workers from Nov 2015 to Oct 2016 (23 workers) to have a meeting and investigate if their non-labor contract renewal is due to pregnancy status and the factory will follow the local laws or Nike CLS if there is non-compliance case about discrimination. (All letters were sent there times and phone call to all 23 (but not 100% met). Meeting with 3 people on 14, 19, 24 (maximum 2 hours, minimum 1 hour). meeting: TU, Grievance, HR, Worker, CR. Workers agreed that non-renewal contract complied with the law. They got notification and reason why their labor contract were not renewed and workers agreed with that. Worker got notice about non-renewal is due to work performance and need of workshop. and also some workers need to take care of their baby) 2. Completed 3. Completed 4. Completed 5. Completed

04/12/17 : 12 Apr 2017 1. In Progress: the factory has completed providing training about non-discrimination to all employees (workers and managers). The factory has completed and implemented new procedure for contract renewal in which all non-contract renewal must be reviewed by a committee consisting of one senior manager of management team. In April, the factory will contact 100% pregnancy workers from Nov 2015 to Oct 2016 (23 workers) to have a meeting and investigate if their non-labor contract renewal is due to pregnancy status and the factory will follow the local laws or Nike CLS if there is non-compliance case about discrimination. 2. Completed 3. Completed 4. Completed 5. Completed

03/06/17 : 6 March 2017 1. In Progress: the factory has completed providing training about non-discrimination to all employees (workers and managers). The factory has completed and implemented new procedure for contract renewal in which all non-contract renewal must be reviewed by a committee consisting of one senior manager of management team. In March, the factory will contact 100% pregnancy workers from Nov 2015 to Oct 2016 (about 100 workers) to have a meeting and investigate if their non-labor contract renewal is due to pregnancy status and the factory will follow the local laws or Nike CLS if there is non-compliance case about discrimination. 2. Completed 3. Completed 4. Completed 5. Completed

02/14/17 : 1. Completed on 12th Nov 2016 2. Completed on 1st Oct 2016 3. Completed on 8th Oct 2016 4. Completed on 14th Jul 2016 5. Completed on 8th Oct 2016

12/05/16 : many findings were complete

**Completion date:** 05/03/17

2. Middle Term/Ongoing 6. The factory will conduct a monthly review of the implementation of non-discrimination of contract

renewals, new labor contracts, voluntary overtime work, young worker arrangement, and temporary workers to ensure compliance of factory policies. The factory will also set up policy and procedures for dismissed workers to file complaints if terminated unjustly. 7. The factory will enlist a third-party to conduct a quarterly audit to check the efficiency and effectiveness of implementation of contract renewals, new labor contracts, voluntary overtime work, young worker arrangements and temporary workers. The factory will set up a policy and procedure on how to address issues brought up in the quarterly audit showing the mis-classification of workers, including procedure on remuneration if applicable. 8. The factory will provide a training to all workers (which will be emphasized in their annual training program) to reinforce the commitment of non-discrimination of contract renewals, new labor contracts, voluntary overtime work, young worker arrangements, temporary workers and health check-up fees, and the grievance system procedure to report if there is violation of these requirements. The factory will also have daily reminder of these benefits and requirements through their loudspeakers . 9. The factory will provide a training to all factory managers and supervisors (which will be emphasized in their annual training program) to reinforce the commitment of non-discrimination of contract renewals, new labor contracts, voluntary overtime work, young worker arrangement, temporary workers, and the health check-up fee.

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	01/02/17
<b>Progress update:</b>	06/08/17 : 7. Completed 05/03/17 : 3 May 2017 6. Completed 7. In Progress: The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings, management meeting). The action plan already proposed and started implementation 8. Completed 9. Completed 04/12/17 : 12 Apr 2017 6. Completed 7. In Progress: the factory has worked one company named Openview. 2 auditors interviewed directly 200 workers in Feb 23, 24 about HR policies (forced labor, H&A, grievance, contract, C&B, working time, HSE...) to identify improvement areas. The next step within April 2017 is the factory will survey 100% workers (harassment, toilet time, productivity target, labor contract, discipline, sick leave, OT...). The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings, management meeting) 8. Completed 9. Completed 03/06/17 : 6 March 2017 6. Completed 7. In Progress: the factory has worked with two service providers on the plan to check effectiveness of these HR requirements implementation. The service providers will conduct employees' interview and employees' survey towards those HR requirements satisfaction 8. Completed 9. Completed 02/14/17 : 6. Completed on 30th Nov 2016 7. In Progress 8. Completed on 8th Oct 2016 9. Completed on 1st Oct 2016 12/05/16 : many findings were complete
<b>Completion date:</b>	05/31/17

## FINDING NO.5

### RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

**FINDING TYPE:** Immediate Action Required

#### Finding Explanation

1. Workers at factories 6 and 9 reported that they paid fees to the line supervisors for the recruitment or renewal of their contracts. The fees varied from 1 million VND (44.85 USD) to 1.5 million VND (67.28 USD), depending on the supervisors and the job contract. According to management's testimonials, since May 2016, the factory stopped allowing the production lines to directly recruit workers and has centralized recruitment in the head office to eliminate this recruitment fee. However, several factories still use the direct recruitment channels for the production lines whereby workers directly send the job applications of their acquaintances or relatives to the line supervisors.
2. The factory notifies and urges workers to resign from their jobs if they have a dispute with a foreign manager or supervisor or in case of certain types of misconduct. The factory does not give workers the chance to improve their performance/conduct.
3. The factory posted a recruitment notice on the recruitment website for a dress QC position which required female applicants.
4. The factory has not hired disabled persons and claims that there were no disabled applicants for the positions.

## Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.3, ER.5, ER 5.3, ER.6, ER.6.2, ER.30.1, and ER.30.2; Forced Labor Benchmarks F.7 and F.7.4; Nondiscrimination Benchmarks ND.1, ND.2, and ND.3.1.3)

## Root Causes

1. Nondiscrimination policies and procedures are not strictly monitored or implemented.
2. Terminations are not strictly monitored, and therefore practices are not conducted in a fair and transparent manner and vary across factories.

## Recommendations for Immediate Action

1. Discontinue the charging and collection of the recruitment fee and contract renewal fee.
2. If such fees are found, reimburse the workers and take disciplinary actions against the supervisors involved.
3. Ensure that terminations are conducted in a fair and transparent manner.
4. Ensure workers are given advanced notice of any termination decision as well as a chance to improve performance/conduct.
5. Discontinue discriminatory practices (based on gender, disability, etc.) during hiring, employment, and termination.

## COMPANY ACTION PLANS

1. Short-term 1. The factory will communicate to all workshop managers and the Human Resource team and reinforce the current recruitment policy that there is no recruitment fee for any applications and the recruitment criteria is based on job qualification requirements in the job vacancy announcement. The factory also revised the recruitment process so that all job applications must go through the HR team at the main factory gate. The factory will revise their job announcement to include "no recruitment fee." The factory already investigated the case and found one case. The factory had a meeting between the worker and supervisor and the supervisor already paid back the worker. The factory has disciplined the supervisor according to the factory policy. The factory will commit to setting up a system where others who paid recruitment fees can file a complaint for the factory to investigate and reimburse the fee based on the finding (completed 10/01/2016) 2. The factory has revised the disciplinary procedure so that all disciplinary cases will be calibrated in the weekly disciplinary case review meeting (general manager, trade union, witness, worker) before implementation, to ensure that all disciplinary cases are implemented in accordance with the law and factory policies (compliance, fairness, consistency). The factory will set up a system to record all reasons for resignation and are subject to an exit interview to ensure no resignations are involuntary. If there is any cases where workers involuntarily resigned, the factory will reinstate them with back pay according to the law and factory policies. (completed 07/25/2016) 3. The factory has removed the job vacancy announcement containing gender requirements for the quality positions. The factory will create the standard job vacancy announcement form to only include job related qualification information to ensure there is no discriminating factors (gender, age, nation, appearance, disability, etc.). (completed 10/01/2016) 4. The factory commits to recruit workers based on job qualification and not based on disability status. While there have not been any disabled applicants to date, factory commits to publicizing openings to communities of varied abilities (completed 10/01/2016) Middle Term/Ongoing 5. The factory will conduct a monthly review of the implementation of no recruitment fees, discipline, discrimination-free recruitment to ensure compliance of factory policies 6. The factory will enlist a third-party to conduct a quarterly audit to check the efficiency of the implementation of no recruitment fees, discipline, and discrimination-free recruitment 7. The factory will provide a training to all workers (which will be emphasized in their annual training program) to reinforce the commitment of discrimination-free recruitment, fair discipline, and grievance system procedure to report if there is violation of these requirements. The factory will also have daily reminder about these benefits and requirements through their loudspeakers (completed 10/08/2016) 8. The factory will provide a training to all factory managers and supervisors (which will be emphasized in their annual training program) to reinforce the commitment of implementation of no recruitment fees, discipline, and discrimination-free recruitment. The factory will continue providing supervisory skills, workplace cooperation & communication to line leaders and supervisors to enhance their awareness and continue the managing director weekly free talk to receive workers' feedback directly. (completed 09/26/2016)

**Action plan status:** Completed

**Planned completion date:** 12/28/16

**Progress update:** 06/08/17 : 6. Completed

05/03/17 : 3 May 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. Completed 6. In Progress: The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings, management meeting). The action plan already proposed and started implementation 7. Completed 8. Completed

04/12/17 : 12 Apr 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. Completed 6. In Progress: the factory has worked one company named Openview. 2 auditors interviewed directly

200 workers in Feb 23, 24 about HR policies (forced labor, H&A, grievance, contract, C&B, working time, HSE...) to identify improvement areas. The next step within April 2017 is the factory will survey 100% workers (harassment, toilet time, productivity target, labor contract, discipline, sick leave, OT...). The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings, management meeting) 7. Completed 8. Completed

03/06/17 : 6 March 2017 1. Completed: the factory has completed providing training about no recruitment fee to all employees (workers and managers). The factory has completed and implemented new procedure for recruitment in which all recruitment must go through HR team at the main gate. The factory had a meeting with the worker and the supervisor. The supervisor has paid back this recruitment fee to the workers and the supervisor got discipline according to the factory's policies 2. Completed 3. Completed 4. Completed 5. Completed 6. In Progress: the factory has worked with two service providers on the plan to check effectiveness of these HR requirements implementation. The service providers will conduct employees' interview and employees' survey towards those HR requirements satisfaction 7. Completed 8. Completed

02/14/17 : 1. Completed on 1st Oct 2016 2. Completed on 25th Jul 2016 3. Completed on 1st Oct 2016 4. Completed on 1st Oct 2016 5. Completed on 30 Nov 2016 6. In progress 7. Completed on 8th Oct 2016 8. Completed on 26th Sep 2016

12/05/16 : many findings were complete

**Completion date:** 05/31/17

## FINDING NO.6

### COMPENSATION

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. The skill levels of workers do not match the wage scales of 2015 and 2016. In the approved wage scale, the factory has committed that workers will receive a wage increase at least once a year, with the amount equal to half of the difference between two wage scale levels. However, from the provided payrolls and also the announcement to workers, their wage increase amount is less than the committed amount. The factory said that they have explained to the Industrial Zone Authority and received approval for the smaller annual increase; however, the factory could not show any proof of this approval.
2. There is no written procedure on how to calculate when the pregnant worker is supposed to switch to the shorter working schedule. The factories calculate this time two different ways. Factory 2 calculates it based on the estimated delivery time as determined by the ultrasound test whereas other factories calculate it based on last menstrual period.
3. The responsibility allowances were not maintained as per the wage scales between 2015 and 2016. While the amounts ranged from VND 200,000 to 400,000 per month in 2015, they dropped to VND 50,000 to 100,000 in 2016. Factory management explained that the figures declined because they have since broken it down to two parts: responsibility allowance and the position allowance. However, this new arrangement is not defined in the approved 2016 wage scale.
4. The headquarters does not fully control the incentive bonus system to ensure fair and transparent distribution. They are left to managers of the factories. It was found that factories 2 and 3 paid workers directly in cash without payment receipts.
5. Due to following issues concerning the lunch/dinner break and Sunday work, it cannot be determined if the workers are always correctly paid for overtime:
  - a. Workers in Factory 2, Factory 5, Factory 6, Factory Mini, Factory 11 and Factory 12 were found working during the lunch and dinner break without recording of or compensation for this working time.
  - b. In addition off-the-clock work was found on Sunday June 5 in the records of meal orders placed with the caterers for factory 6, but not on the provided time records.
6. The factory does not properly calculate the annual leave balance for terminated workers. The formula is not based on the ratio of actual working days and the required annual working days, but is instead based on calendar days.
7. The workers are not able to take leave when they choose to do so, as the factory arranges all workers' leaves during the low season.
8. The factory does not pay into the social, health, and unemployment insurance system for new workers in their probationary period.
9. Employees work overtime at the end of their workday in excess of legal limits which is paid in cash and not recorded in time records.

##### Local Law or Code Requirement

Labor Code No. 10/2012/QH13 (2013), Article 111; Labor Code, Article 155; Labor Code, No. 10/2012/QH13, Article 186.3; Circular No.23/2015/TT-BLĐTBXH, Art 3.1.a; Decree No.: 122/2015/NĐ-CP, Art. 5.4; Decree No: 05/2015/NĐ-CP Article 26; FLA Workplace Code (Employment Relationship Benchmark ER.19.1, ER.22.1, and ER.22.1; Compensation Benchmarks C.1, C.1.2, C.2, C.5, C.6, C.7, C.15, and C.16.1; Hours of Work Benchmarks HOW.11, HOW.12.2, HOW.13, and HOW.14)

Root Causes

1. Factory does not carefully check the registered wage scale when deciding the annual salary increase level.
2. Factory does not understand the legal requirements regarding the wage scale and minimum wage.
3. Factory reduces allowances to offset the increase in minimum wage.
4. Factory does not properly monitor the implementation and compliance of compensation policies and procedures. The factory lacks a system and the resources to do so.
5. Factory management has not committed to transparency.
6. Resources are not adequate to annually review the procedures and policies.

Recommendations for Immediate Action

1. Adjust the annual increase to match the registered wage scale.
2. Ensure that when the minimum wage is increased, other allowances committed to the workers are not reduced.
3. Ensure all payments are transparent and records of payments are kept.
4. Ensure all working time and compensation is reflected in the provided time records and payrolls.
5. Ensure the calculation for annual leave is based on actual working days rather than required working days.
6. Ensure that the calculation method for the beginning of shorter working hours for pregnant workers is consistent across factories. The method currently used by Factory 2 is more scientific and reliable.
7. Ensure that social, health and unemployment insurance and annual leave amounts are added to the wages of probationary workers.
8. Pay to workers a wage amount equivalent to the level of the contribution for mandatory social insurance, health insurance and unemployment insurance, and annual leave payments in accordance with regulations.
9. Pay workers bonuses in accordance with local laws and codes.

**COMPANY ACTION PLANS**

1. 9.1. The factory will cease practice of off-the-clock overtime and cash payment. The factory has a working time and wage policy in place, and is providing training to all employees and middle management about these policies and will continue these trainings annually. 9.2. HR team strictly monitors the daily, weekly, monthly and yearly working hours. 9.3. Management controls the production plan to ensure production plans are based on the factory's capacity. 9.4. Compliance manager will randomly monitor daily and weekly to ensure no off-the-clock overtime and cash payments. 9.5. To strengthen the implementation of these requirements, the factory will post daily working hours in front of the factory's entrance and patrol at the end of work to ensure that the factory works within the reported working hours. 9.6. The factory will have third party company to conduct a worker survey which include these checks to monitor the effectiveness of these policies. Middle Term/Ongoing 10. The factory will conduct monthly review about implementation of working time, bonus calculation, annual leave, and social insurance contribution 11. The factory will conduct a quarterly audit by third-party to check the efficiency of the implementation of working time, bonus calculation, annual leave, and social insurance contribution 12. The factory will provide training to all employees (and will emphasize in their annual training program) to reinforce awareness about working time, bonus calculation, annual leave, social insurance contribution, and grievance system procedures. The factory will also have daily reminder about these benefits and requirements through their speakers (completed 10/08/2016) 13. The factory will provide a training to all factory managers and supervisors (and will emphasize in their annual training program) to reenforce the commitment about implementation of working time, bonus calculation, annual leave, social insurance contribution (completed 09/26/2016)

**Action plan status:** Completed

**Planned completion date:** 01/15/17

**Progress update:** 06/08/17 : Completed

05/03/17 : 3 May 2017 1. Completed: the factory has completed revised wage scale and paid back to all affected workers about wage miscalculation in Jan 2017. Each worker received the payback of 1.5 USD in Jan 2017 monthly salary. 7784 workers received this payback. The total employees of the factory is 9088 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed 8. Completed 9.6 In Progress: The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings, management meeting). The action plan already proposed and started implementation 11. In Progress: The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings,

management meeting). The action plan already proposed and started implementation 12. Completed  
13. Completed

04/12/17 : 12 Apr 2017 1. Completed: the factory has completed revised wage scale and paid back to all affected workers about wage miscalculation in Jan 2017. Each worker received the payback of 1.5 USD in Jan 2017 monthly salary. 7784 workers received this payback. The total employees of the factory is 9088 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed 8. Completed 9.6 In Progress: the factory has worked one company named Openview. 2 auditors interviewed directly 200 workers in Feb 23, 24 about HR policies (forced labor, H&A, grievance, contract, C&B, working time, HSE...) to identify improvement areas. The next step within April 2017 is the factory will survey 100% workers (harassment, toilet time, productivity target, labor contract, discipline, sick leave, OT...). The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings, management meeting) 11. In Progress: the factory has worked one company named Openview. 2 auditors interviewed directly 200 workers in Feb 23, 24 about HR policies (forced labor, H&A, grievance, contract, C&B, working time, HSE...) to identify improvement areas. The next step within April 2017 is the factory will survey 100% workers (harassment, toilet time, productivity target, labor contract, discipline, sick leave, OT...). The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings, management meeting) 12. Completed 13. Completed

03/06/17 : 6 March 2017 9.5 In Progress: in March the factory will post daily working hours in front of the factory's entrance and patrol at the end of work of factory to ensure the factory works within the reported working hours. 9.6 In Progress: the factory has worked with two service providers on the plan to check effectiveness of these HR requirements implementation. The service providers will conduct employees' interview and employees' survey towards those HR requirements 11. In Progress: the factory has worked with two service providers on the plan to check effectiveness of these HR requirements implementation. The service providers will conduct employees' interview and employees' survey towards those HR requirements 12. Completed 13. Completed

02/14/17 : 9. In Progress 10. Completed on 30th Nov 2016 11. In Progress 12. Completed on 8th Oct 2016 13. Completed on 26th Sep 2016

12/05/16 : many findings were complete

**Completion date:** 05/31/17

2.

**Action plan status:** Completed

**Progress update:** 06/08/17 : Completed

03/06/17 : 6 March 2017 1. Completed: the factory has completed revised wage scale and paid back to all affected workers about wage miscalculation in Jan 2017. Each worker received the payback of 1.5 USD in Jan 2017 monthly salary. 7784 workers received this payback. The total employees of the factory is 9088 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed 8. Completed

02/15/17 : Short-term 1. The factory will review and revise the wage scale to ensure alignment between annual increase and the wage scale. The factory has plan to provide balance compensation for impacted workers who has failed to be provided wage increase consistent with registered scale in year 2016. The factory will ensure that when the minimum wage is increased, other total allowances committed to the workers are not reduced. 2. The factory has revised the working time calculation and policy for pregnant employees for consistent implementation. The time to start enjoying this benefit is determined by the ultrasound test and minus 100 days for all factories (completed 07/25/2016) 3. The legal regulation of allowances (local law (122/2015/ND-CP)), allows for the factory and collective bargaining agreement the allowances, and the factory will keep the same allowances for employees who enjoyed this allowance without any deduction in total. The factory will put this awareness in their annual training program (completed 10/01/2016) 4. The factory has announced and created the incentive calculation to all employees and set up the recording system to ensure signatures of employees when receiving incentive bonus (completed 07/25/2016) 5a. The factory announced to all employees about no work during lunch time and reasons why should not work during break time (including lunch time) and implements power shut down during the lunch time to ensure no work during this time. The factory will in good effort develop a process to determine a methodology that is agreeable to workers and union to calculate and payback for time worked during breaks. The factory will get workers' opinion in Dialogue at workplace Quarter 4th, 2016. Employees,

Trade Union, management will discuss and choose the proper calculate and arrangement for time worked during breaks. 5b. The meal summary report recorded Sunday (June 5th, 2016) was a clerical mistake of HR staff the auditor has double checked working hours system on HR staff computer directly and no Sunday working was identified. The factory has worked with the staff for proper recording. All payments for normal working hours and overtime complies with the law. The factory commits to its working time policy, transparency and alignment between hour of work and complete and accurate recordings (completed 10/08/2016) 6. The current annual leave calculation complies with the local law (article 7, Decree 45/2013/NĐ-CP) (completed 07/14/2016) 7. The current annual leave arrangement complies with the local law (article 111, 12/2012/QH13) in which the factory has the right to arrange annual leave for employees but the factory has to consult and inform employees. The factory has discussed and agreed with Trade Union and regulated in collective bargaining agreement. Employees can take annual leave at their convenient time up to 4 days (completed 07/14/2016) 8. The current social insurance contribution complies with the local law (article 2, 58/2014/QH13) in which official employees having official labor contract are required to contribute social insurance. The employees during the probation period are not required to contribute social insurance (completed 07/14/2016)

**Completion date:** 05/31/17

## FINDING NO.7

### COMPENSATION

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. New workers who worked for more than three months and fewer than 12 months did not understand the wage calculations and their legal benefits, e.g., bonus system, annual leaves. The interviewed workers stated that they had heard of bonus systems but that they did not understand how the bonus would be awarded or calculated. They also stated that the HR officers from the HQ recently trained them and each worker was provided with a small piece of paper with details of the quarterly bonus system. These employees stated that they had not received a quarterly bonus so far in 2015 or 2016 and therefore did not care how it is calculated.
2. The factory has a swipe card system to record working time. However, the general time records of protected groups (such as pregnant workers more than 7th months pregnant, nursing workers, or elderly workers) do not match the daily time records of the actual daily working hours. Daily working time records show their working time as seven hours a day, but the general time records show they work eight hours a day. The factory explained that the factory manually adjusted the former to ensure these workers receive full payment despite working shorter than regular working hours. It was confirmed through worker interviews that the special categories of workers in question are not entitled to shorter hours and do regularly work in excess of legal limits.
3. There are no rooms for female employees nursing infants to pump and store breast milk.
4. Female workers in probationary period are not provided with the childcare allowance in breach of the local law. The factory management stated that as workers in probation are not official workers, they are not be entitled to all the benefits of regular workers.

##### Local Law or Code Requirement

Labor Code No. 10/2012/QH13 (2013), Article 154; Decree No. 85/2015/ND-CP on Detailing a Number of Articles the Labor Code in Terms of Policies for Female Employees (2015), Article 7; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER 1.1, ER.1.2, ER.15, ER.15.1, ER.15.2, and ER.16.1; Compensation Benchmarks C.1, C.5, C.6, C.16.1.1, C.17, and C.17.1; Nondiscrimination Benchmark ND.8)

##### Root Causes

1. Training and communication does not ensure that all workers understand the wage and benefits calculation.
2. There is a lack of monitoring and management review in the compliance management system.
3. The factory has misunderstood the legal requirement with respect to Child Care allowance.

##### Recommendations for Immediate Action

1. Ensure actual working time and compensation are completely and accurately recorded, including working hours of protected worker groups.
2. Cover part of childcare expenses at crèches and kindergartens incurred by female employees, including those in probationary

period.

## COMPANY ACTION PLANS

1. Short-term 1. The factory has conducted a two-day orientation training about the wage calculations, bonus system, and annual leave. The training will include training evaluation tests (before and after training) which will continue after every training (completed 10/08/2016). 2. The factory has revised the working time recording system to separate worked hours and non-worked hours; however, the payment of non-worked hours is the same as worked hours for those in the protected groups (completed 08/28/2016). 3. The factory plans to build two rooms for female workers for breast milk storage and will review if additional are needed. 4. The factory has revised the policy to provide a childcare allowance for probationary workers and will include this allowance in the probation agreement (completed 08/01/2016). Middle Term/Ongoing 5. The factory will conduct a monthly review of implementation of working time records. 6. The factory will enlist a third-party to conduct a quarterly audit to check the efficiency of implementation of working time, bonus calculation, annual leave, worker benefits. 7. The factory will provide a training to all workers (which will be emphasized in their annual training program) to reinforce awareness of working time, bonus calculations, annual leave, worker benefits, and the grievance system procedure to report if there is violation of these requirements. The factory will also have a daily reminder of these benefits and requirements through their loudspeakers (completed 10/08/2016). 8. The factory will provide a training to all factory managers and supervisors (which will be emphasized in their annual training program) to reinforce the commitment to implementation of working time, bonus calculations, annual leave, and worker benefits (completed 09/26/2016).

**Action plan status:** Completed

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

**Progress update:** 06/08/17 : 3. Completed 6. Completed

05/03/17 : 3 May 2017 1. Completed 2. Completed 3. In Progress: the factory already has the plan to build two rooms for female employees for breast milk storage and will complete the construction in June 2017. The factory still figures out how and where to build the rooms. Examples for room are available, equipment for one room is available 4. Completed 5. Completed 6. In Progress: The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings, management meeting). The action plan already proposed and started implementation 7. Completed 8. Completed

04/12/17 : 12 Apr 2017 1. Completed 2. Completed 3. In Progress: the factory already has the plan to build two rooms for female employees for breast milk storage and will complete the construction in June 2017. The factory still figures out how and where to build the rooms. Examples for room are available, equipment for one room is available 4. Completed 5. Completed 6. In Progress: the factory has worked one company named Openview. 2 auditors interviewed directly 200 workers in Feb 23, 24 about HR policies (forced labor, H&A, grievance, contract, C&B, working time, HSE...) to identify improvement areas. The next step within April 2017 is the factory will survey 100% workers (harassment, toilet time, productivity target, labor contract, discipline, sick leave, OT...). The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings, management meeting) 7. Completed 8. Completed

03/06/17 : 6 March 2017 1. Completed 2. Completed 3. In Progress: the factory already has the plan to build two rooms for female employees for breast milk storage and will complete the construction in June 2017 4. Completed 5. Completed 6. In Progress: the factory has worked with two service providers on the plan to check effectiveness of these HR requirements implementation. The service providers will conduct employees' interview and employees' survey towards those HR requirements 7. Completed 8. Completed

02/14/17 : 1. Completed on 8th Oct 2016 2. Completed on 28th Oct 2016 3. In Progress 4. Completed on 1st Aug 2016 5. Completed on 30th Nov 2016 6. In Progress 7. Completed on 8th Oct 2016 8. Completed on 26th Sep 2016

12/05/16 : many findings were complete

**Completion date:** 05/31/17

## COMPENSATION

### FINDING TYPE: Uncorroborated Risk of Non Compliance

#### Finding Explanation

1. Based on worker interviews, it is not easy for workers to take sick leave:
  - a. Workers must ask permission from the production manager and the factory manager to take sick leave, even when they are hospitalized. They must apply for sick leave before 10am of the day they want to take leave. For any new worker or worker who is seriously ill and cannot work effectively or has low productivity, the factory manager will ask them to take the long, unpaid sick leave, which is longer than the doctor-prescribed leave. For example, there was a case where the line supervisor granted a new worker unpaid sick leave which was longer than what the doctor had approved for the worker. The factory could not justify why the supervisor granted the longer unpaid leave despite the doctor-approved paid shorter leave.
  - b. All workers reported that the attendance bonus (VND 250,000/month) would be deducted if they took sick leave even when the leave is approved by the factory doctor. While the practice does not violate the local law, it constitutes undue restriction on sick leave, discouraging workers from taking sick leave even when leave is justified.
2. Based on worker interviews, workers reported that supervisors had denied leave to workers who asked for a few hours of leave to take care of their sick children.
3. The factory did not accommodate the hours of work or position for a worker with a chronic illness (cancer). At the time of the assessment, the worker had submitted her resignation letter and was awaiting for the completion of the 45-day notice period.
4. Based on worker interviews, the factory only granted one month of doctor-approved two month sick leave. From the provided records, the factory did not keep the doctor certificate as proof of how they grant sick leave to specific workers.

#### Local Law or Code Requirement

Labor Code No. 10/2012/QH13 (2013), Article 159; Labor Code No. 58/2014/QH13 on Social Insurance (2014), Article 25; FLA Workplace Code (Employment Relationship Benchmarks ER.22; Hours of Work Benchmarks HOW.15, HOW.16 and HOW.17)

#### Root Causes

1. Factory managers did not fully understand the legal requirements on the sick leave to which workers are entitled.
2. There is no effective system for the monitoring of implementation.
3. The factory does not have a system to identify workers with a chronic illness.

#### Recommendations for Immediate Action

1. Ensure workers receive and can take sick leave they're entitled to, without repercussions.
2. Do not require workers to take unpaid, longer leave when a paid, shorter leave is possible.
3. Provide leave for child care.
4. Accommodate workers with chronic illnesses through the rearrangement of working time, provision of special equipment, opportunities for rest breaks, time-off for medical appointments, flexible sick leave, part-time work and/or return-to-work arrangements.

## COMPANY ACTION PLANS

1. Short term 1. The guidelines for the sick leave procedure has been announced to responsible HR staff in each factory, factory manager, and workers for proper implementation and adequate retention and submission of document. The factory will provide a training to workers on leave policy and escalation procedure to grievance team (including Deputy Director) if there is violation of this policy (completed 10/18/2016) 2. Worker has been providing with leave for child care in which workers may take leave for either taking care of a sick child under seven and for child care up to 20 days per year for children under three or 15 days per year for children between 3 and 7 years. The factory provided a training to all workers and management to let them know about this policy. The announcement was posted in all workshops. The factory will set up a procedure to escalate to HR and/or upper management if a worker is denied the leave. (completed 10/18/2016) 3. a. Trade Union has applied the policy to support workers with chronic illnesses/difficult circumstances with an amount between VND 2,000,000 and VND 5,000,000 b. The factory will build up a policy to support workers who have chronic illnesses by rearranging working time, time-off for medical appointments, flexible sick leave, return-to-work arrangements. (completed 10/10/2016) 4. The factory manager and HR staff will carefully check doctor approval on sick leave to ensure workers are allowed to take sick leave that they are entitled to. All medical certificates are kept at the HR team. (copies) (completed 08/10/2016) Middle Term/Ongoing 5. Conduct Orientation training and Annual Refresh training for all line leaders, local supervisors, foreign supervisors, factory managers and all workers on labor law and factory regulation in which policy and procedure on taking leave/chronic illness is included. 6. Central HR staff will check monthly cases of workers taking leave to ensure the procedure is properly and consistently implemented in the whole factory. 7. Continue the Director's weekly free talk to get direct feedback from workers so that cases of improper implementation are timely sent and followed up with all factory

managers in the meetings with management every Saturday.

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	12/28/16
<b>Progress update:</b>	02/21/18 : 30 June 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed  06/08/17 : 5. In Progress: The factory already developed the policy to support employees with chronic illness. Within June the factory will conduct Orientation training and Annual Refresh training for all line leaders, local supervisors, foreign supervisors, factory managers and all workers on labor law and factory regulation in which policy and procedure of taking leave/chronic illness is included  05/03/17 : 3 May 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. In Progress: within June the factory will provide trainings to all employees so that they understand new policy to support workers who have chronic illness 6. Completed 7. Completed  04/12/17 : 12 Apr 2017 1. Completed 2. Completed 3.b In Progress: the factory has drafted the policy to support workers who have chronic illness and it will be reviewed and approved in April 4. Completed 5. In Progress: once the policy is completed, the factory will provide trainings to all employees so that they understand new policy to support workers who have chronic illness in Apr 6. Completed 7. Completed  03/06/17 : 6 March 2017 1. Completed 2. Completed 3.b In Progress: the factory has drafted the policy to support workers who have chronic illness and it will be reviewed and approved in March 4. Completed 5. In Progress: once the policy is completed, the factory will provide trainings to all employees so that they understand new policy to support workers who have chronic illness in March 6. Completed 7. Completed  02/14/17 : 1. Completed on 18th Oct 2016 2. Completed on 18th Oct 2016 3. In Progress 4. Completed on 8th Oct 2016 5. In Progress 6. Completed on 30th Nov 2016 7. Completed on Apr 2016  12/05/16 : many findings were complete
<b>Completion date:</b>	06/30/17

## FINDING NO.9

### HOURS OF WORK

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. The Hours of Work policy and procedure do not cover the working time of elderly or young workers.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.1.1, ER.1.2; Hours of Work Benchmark HOW.1.2; Nondiscrimination Benchmarks ND.1 and ND.12)

##### Root Causes

1. The factory has a compliance management system in place; however, the factory is not fully aware of the requirements embodied in the FLA Workplace Code and Compliance Benchmarks. Thus, some of their procedures and policies do not fully meet FLA requirements.
2. The HQ was not aware that individual factories hired young workers as temporary workers so there is no control system for their working time.
3. The designated staff are not properly trained to set the working hours of young workers and elderly workers.

## COMPANY ACTION PLANS

1. Short term 1. The factory revised the Hours of Work policy and procedure to cover the working time of elderly and young workers to be in line with local laws. The factory will apply this policy when the factory has elderly or young workers. (completed 07/28/2016) Middle Term/Ongoing 2. The factory will conduct training for all workers on the working hours policy and procedure in orientation and quarterly refreshment training. (completed 10/18/2016) 3. The factory will assign one staff member to be in charge of implementing and monitoring the aforementioned policies and procedures to ensure proper application (completed 10/18/2016) 4. The factory has trained HR staff who set the working hours for all workers on the aforementioned policy and procedure to ensure the relevant workers receive are protected. (completed 10/18/2016) 5. A review on current policy/procedure will be periodically conducted to ensure (the) compliance with local law and regulations. (completed 10/18/2016) 6. The factory will conduct a semiannual self-audit of all steps in the HR management of workers in every aspect of HR activities such as recruitment, working hours, compensation and benefit, training and development, termination, etc.

**Action plan status:** Completed

**Planned completion date:** 12/28/16

**Progress update:** 06/08/17 : Completed

05/03/17 : 3 May 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. Completed 6. In Progress: The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings, management meeting). The action plan already proposed and started implementation

04/12/17 : 12 Apr 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. In Progress: the factory has completed all the list of policies and procedures to be reviewed and the factory will have meetings to review these policies/procedures in Apr 2017 6. In Progress: the factory has worked one company named Openview. 2 auditors interviewed directly 200 workers in Feb 23, 24 about HR policies (forced labor, H&A, grievance, contract, C&B, working time, HSE...) to identify improvement areas. The next step within April 2017 is the factory will survey 100% workers (harassment, toilet time, productivity target, labor contract, discipline, sick leave, OT...). The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings, management meeting)

03/06/17 : 6 March 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. In Progress: the factory has completed all the list of policies and procedures to be reviewed and the factory will have meetings to review these policies/procedures in March 2017 6. In Progress: the factory has worked with two service providers on the plan to check effectiveness of these HR requirements implementation. The service providers will conduct employees' interview and employees' survey towards those HR requirements

02/14/17 : 1. Completed on 27th Aug 2016 2. Completed on 18th Oct 2016 3. Completed on 18th Oct 2016 4. Completed on 18th Oct 2016 5. In Progress 6. In Progress

12/05/16 : many findings were complete

**Completion date:** 05/31/17

## FINDING NO.10

### HOURS OF WORK

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. Almost all workers record their working time themselves. However, in a few isolated incidents last year in Factory 6 and Factory 9, the line leaders punched in for absent workers for them to receive the full salary and attendance bonus, which was then paid back to the line leaders by the workers upon receipt of salary. (Note: Factory has since fired the supervisors involved in the practice).

- The time recording system is not centrally calibrated at all factories. The time shown is different on each time record machine. Also, the machines are not calibrated to a standardized clock. At Factory 11, the time clock on the swipe card machines was set 10 minutes early (the time was compared to the compliance officer's and assessor's watches).

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2.1, ER.23, ER.23.2, ER.23.3, and ER.23.5)

#### Root Causes

- There is no monitoring and governance of the implementation of compliance management system.

#### Recommendations for Immediate Action

- Ensure workers record their own working hours without interference.
- Centrally calibrate the time recording system at all factories and ensure workers record their actual working time on the swipe card system for accurate compensation.
- The findings noted above have not been brought to the attention of factory management during previous external audits.

### COMPANY ACTION PLANS

1. Short term 1. The factory has communicated to all workshop managers and all workers about working time recording policy (everyone has to record by themselves). If there is a violation, the factory will act on the factory disciplinary policies (completed 07/28/2016). 2. The factory has corrected and calibrated the time keeping system for all machines and all machines now have same time (completed 09/01/2016). Middle Term/Ongoing 3. The factory will conduct a monthly review of the implementation of working time records and time uniformity across factory time clocks. 4. The factory will enlist a third-party to conduct a quarterly audit to check the efficiency of the implementation of the working time records. 5. The factory will provide a training to all workers (which will be emphasized in their annual training program) to reinforce awareness of the working time recording policy. The factory will also have daily reminder about these benefits and requirements through their speakers (completed 10/08/2016). 6. The factory will provide a training to all factory managers and supervisors (which will be emphasized in their annual training program) to reinforce the commitment to implementation of working time recording (completed 09/26/2016).

**Action plan status:** Completed

**Planned completion date:** 12/28/16

**Progress update:** 06/08/17 : Completed

05/03/17 : 3 May 2017 1. Completed 2. Completed 3. Completed 4. In Progress: The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings, management meeting). The action plan already proposed and started implementation 5. Completed 6. Completed

04/12/17 : 12 Apr 2017 1. Completed 2. Completed 3. Completed 4. In Progress: the factory has worked one company named Openview. 2 auditors interviewed directly 200 workers in Feb 23, 24 about HR policies (forced labor, H&A, grievance, contract, C&B, working time, HSE...) to identify improvement areas. The next step within April 2017 is the factory will survey 100% workers (harassment, toilet time, productivity target, labor contract, discipline, sick leave, OT...). The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings, management meeting) 5. Completed 6. Completed

03/06/17 : 6 March 2017 1. Completed 2. Completed 3. Completed 4. In Progress: the factory has worked with two service providers on the plan to check effectiveness of these HR requirements implementation. The service providers will conduct employees' interview and employees' survey towards those HR requirements 5. Completed 6. Completed

02/14/17 : 1. Completed on 28th Jul 2016 2. Completed on 1st Sep 2016 3. In Progress 4. In Progress 5. Completed on 8th Oct 2016 6. Completed on 26th Sep 2016

12/05/16 : many findings were complete

**Completion date:** 05/31/17

## HOURS OF WORK

## FINDING TYPE: Immediate Action Required

Finding Explanation

1. Based on interviews, workers do not have sufficient time to go to the toilet or take a water break due to high production quotas. If they do go to the toilet or take a water break, they have to come early or stay late to meet the quota and this extra time is neither recorded nor compensated. Due to the high quota, some workers were observed rushing back to work after breaks or without taking a full break.
2. The factory does not provide a 30-minute overtime break to workers who work 10 hours a day.
3. The factory does not provide the legally mandated menstruation break (30 minutes per day for at least 3 days of the month) to female workers. The factory pays them for an additional 1.5 hours to compensate for their menstruation break, but the legally mandated rest time is not provided.
4. Sunday is the official rest day of the factory. It is also factory policy to provide workers one day of rest per week. However, off-the-clock work was identified on a Sunday at Factory 6. Although payroll and time records show no work on that day, based on meal booking records for Factory 6, 795 meals were ordered for workers working on June 5<sup>th</sup>, 2016. Factory management failed to provide an explanation.
5. The voluntary overtime policy was adopted in May 2016. However, it is not properly executed in each factory. The voluntary overtime forms filed and shared with the assessors by the head office are not the ones used at individual factories. In the forms used in individual factories, workers need to provide justification to not work overtime. Also, from the testimonials of more than 90% of the workers interviewed, they need to obtain the approval of line leaders to not work overtime. Otherwise they will be given a warning letter, receiving three of which leads to dismissal.
6. Young workers work 48 hours per week, exceeding the legal limit of 40 hours, and they are regularly scheduled to work overtime.
7. Elderly workers work 8 hours a day, 48 hours a week, exceeding the legal limit of 7 hours a day.
8. Following instances of unrecorded, uncompensated work were identified:
  - a. Cleaning workers come to work earlier than other workers, at 7:00 am, to clean the workshop before other workers come to work. However, they cannot swipe their time cards until 7:15 am as the security guards only allow workers to swipe their time cards starting at 7:15. As a result, their reviewed time records show that they start working from 7:15 to 7:30am. Similarly, the other workers in sewing, cutting, and packing start working at 7:20. However, if they did not complete their allocated quota the day before, they have to come to work earlier than 7:20, but can record their working time starting at 7:15 to 7:30, as reflected on the provided time records.
  - b. There are two bells to alert the workers to resume work after the lunch break, one bell 5 to 10 minutes before the end of the lunch break and a second one at the end of the break. As observed by the assessors, workers start working immediately when the first bell rang instead of waiting for the second bell.
9. Workers are required to come at least 10 minutes earlier than the standard time, which is not recorded in the time records. Workers spend the time preparing for work (e.g. cleaning their stations) while others perform work during that time.
10. [Finding from the FLA-WRC joint visit in October, 2016] Pregnant employees are not granted option of reassignment to light duty work. (Pregnant employees are not provided option of light duty accommodation or shorter hours)

Local Law or Code Requirement

Labor Code, Article 106; Labor Code No. 10/2012/QH13 (2013), Article 110; Labor Code 2013. Article 155.5; Decree No. 45/2013/ND-CP, Article 5; FLA Workplace Code (Employment Relationship Benchmarks ER.24; Hours of Work Benchmarks HOW.2, HOW.3, HOW.4.1, HOW.8, HOW.8.1, and HOW.8.2; Forced Labor Benchmark F.8; Nondiscrimination Benchmark ND.1; Child Labor Benchmark CL.4)

Root Causes

1. There is no monitoring and governance of the implementation or compliance with overtime regulations and nondiscrimination policy and procedures.
2. There is no commitment to transparency in the compensation and hours of work system.
3. The factory explained that since menstruation is a sensitive issue to the female workers, who shy away from informing their supervisors, they decided to compensate the workers for those breaks instead.
4. There is a lack of engineering study when setting the hourly and daily quota.

Recommendations for Immediate Action

1. Employers shall not set production targets, piece rates or any other production system at such a level that workers need to work beyond their regular working hours, as set by the FLA Workplace Code.
2. Ensure that all working time is recorded, and that proper records are kept.

3. FLA affiliate Company's Sourcing and Social Compliance teams should:
  - a) implement FLA Principles of Fair Labor and Responsible Sourcing and b) accordingly coordinate on the topics mentioned below to help the factory address its excessive hours issue:
    - a. How to provide better order forecasts to the factories;
    - b. Possible workshops/consultancy for the factory on how to improve productivity/quality;
    - c. Clear guidelines on how to extend shipment deadlines in case of contingencies;
    - d. Steps that factory management must follow if overtime is inevitable (steps for how to communicate with the brand's Sourcing and Social Compliance teams);
    - e. Clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks;
    - f. Clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime.
4. Provide overtime break to workers if they work 10 hours a day.
5. Provide female workers with menstruation break. Provide one day of rest per week to workers.
6. Ensure overtime is voluntary.
7. Ensure all workers are entitled all to the legal benefits without any discrimination.
8. Ensure young workers do not work more than the allowable number of hours as set by local law, or FLA Code, whichever is less.
9. Ensure elderly workers do not work more than the allowable number of hours as set by local law.

## COMPANY ACTION PLANS

1. Short-term 1. The factory immediately announced to all workers and factory management about the policy of free access to toilets and water breaks, working time recording, and early & late work through a meeting with all workshop managers to reinforce the current policy. The meeting will address the requirement; prohibition of free access to toilets or water breaks is subject to the factory disciplinary policy. The factory has implemented the door-opening and power shut-down policy, which means that the power turns on and the door opens only at the start of the official working time. The factory will: review and enhance current industrial engineering methodology in calculating the production quota to ensure appropriate allowances (personal, machine, e+G14tc.) and efficiency are properly included; consult with production supervisors on reasonable production targets and will track and measure on a weekly basis whether workers are meeting their production targets; and make necessary interventions if quota are not met. 2. The factory applies overtime work from 16:30 to 18:20 but pays for two full hours. The factory has checked the time records and has not found any worker working more than 10 hour per day; however, the factory will commit to providing 30 minutes of break for workers working more than 10 hours a day (completed 09/01/2016). 3. The factory has a policy on menstruation breaks, which allows workers to freely leave during this period without the factory's control. This benefit was implemented and communicated to all workers The factory will continue reinforcing the menstruation policy with trainings to all workers and factory management. The factory will announce this benefit to make it more visible in all workshops (completed 10/08/2016). 4. The meal summary report recorded Sunday, June 5th, 2016 is a clerical mistake made by HR staff. The auditor has double checked the working hours system directly on the HR staff computer and identified no Sunday work. The factory has worked with the staff to train on proper recording. The factory commits to its working time policy, transparency, and alignment between hours of work and complete and accurate recordings (completed 10/01/2016). 5. The factory will revise the Overtime Voluntary Work policy and form to an "opt-in" system allowing workers to volunteer for overtime. The factory will organize a meeting to communicate to all workshop managers and a series of trainings to workers that overtime work is fully voluntary; the factory will also discipline managers who do not follow this policy. Violations can be reported through grievance channels. The factory will review and remove notices or disciplinary records resulting from failure to work overtime (completed 10/01/2016). 6. The factory has reviewed the records and found that there were 7 cases of young workers who were hired and already quit. The factory has paid these workers for regular hours worked and any overtime (hours that exceed 40 hours per week) with VND 300,000 (USD 13.22) per young worker for each of these workers. The HR team will create a summary of young workers (if any) to review on a monthly basis to ensure proper work arrangement (completed 07/28/2016). 7. The working time for elderly workers is 7 hours per day. The factory will continue providing training to all workers on this benefit. The factory will create a system to track and manage both young and elderly workers to ensure compliance. This will include a monthly summary of elderly workers created by the HR Team as well as training to all managers on the working times for elderly workers (completed 10/08/2016).

**Action plan status:** Completed

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

**Progress update:** 02/21/18 : Feb 2018 1. Completed 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed 8. Completed 9. Completed 10. Completed 11. Completed 12. Completed 13. Completed 14. Completed

11/17/17 : 31 Oct 2017 1. In Progress: The factory has completed providing trainings to all employees (workers and managers) about working time and toilet free access. The factory also applied policy to open the door and power to make sure employees work in the official time. The factory has reviewed the current methodology on how to set up production target and confirmed that allowances are allocated (relaxation allowance 11%; machine delay allowance 4%; contingency allowance 2 %. Total allowance 17% (+/-1%). The factory will continue to pilot General Sewing Data

methodology, gain expertise, and plan for more factory roll-out. The factory will track and measure on a weekly basis if workers are meeting their production targets, and make necessary interventions if quota are not met 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed

11/16/17 : 30 Sep 2017 1. In Progress: The factory has completed providing trainings to all employees (workers and managers) about working time and toilet free access. The factory also applied policy to open the door and power to make sure employees work in the official time. The factory has reviewed the current methodology on how to set up production target and confirmed that allowances are allocated (relaxation allowance 11%; machine delay allowance 4%; contingency allowance 2 %. Total allowance 17% (+/-1%). The factory will continue to pilot General Sewing Data methodology, gain expertise, and plan for more factory roll-out. The factory will track and measure on a weekly basis if workers are meeting their production targets, and make necessary interventions if quota are not met 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed

09/15/17 : 30 Aug 2017 1. In Progress: The factory has completed providing training to all employees (workers and managers) about working time and toilet free access. The factory also applied policy to open the door and power to make sure employees work in the official time. The factory has reviewed the current methodology on how to set up production target and confirmed that allowances are allocated (relaxation allowance 11%; machine delay allowance 4%; contingency allowance 2 %. Total allowance 17% (+/-1%). The factory will continue to pilot General Sewing Data methodology, gain expertise, and plan for more factory roll-out. The factory will track and measure on a weekly basis if workers are meeting their production targets, and make necessary interventions if quota are not met 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed

08/03/17 : 30 June 2017 1. In Progress: The factory has completed providing trainings to all employees (workers and managers) about working time and toilet free access. The factory also applied policy to open the door and power to make sure employees work in the official time. The factory has reviewed the current methodology on how to set up production target and confirmed that allowances are allocated (relaxation allowance 11%; machine delay allowance 4%; contingency allowance 2 %. Total allowance 17% (+/-1%). The factory will continue to pilot General Sewing Data methodology, gain expertise, and plan for more factory roll-out. The factory will track and measure on a weekly basis if workers are meeting their production targets, and make necessary interventions if quota are not met 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed

06/08/17 : 1. In Progress: The factory has completed providing trainings to all employees (workers and managers) about working time and toilet free access. The factory also applied policy to open the door and power to make sure employees work in the official time. The factory has reviewed the current methodology on how to set up production target and confirmed that allowances are allocated (relaxation allowance 11%; machine delay allowance 4%; contingency allowance 2 %. Total allowance 17% (+/-1%). The factory will continue to pilot General Sewing Data methodology, gain expertise, and plan for more factory roll-out. The factory will track and measure on a weekly basis if workers are meeting their production targets, and make necessary interventions if quota are not met

05/03/17 : 3 May 2017 1. In Progress: the factory has completed providing trainings to all employees (workers and managers) about working time and toilet free access. The factory also applied policy to open the door and power to make sure employees work in the official time. The factory started pilot GSD (Global Sewing Data) for the production target setting in which much allowances (from relaxation, machine delay, contingency are included (around 18%). The factory adjust the plan to implement GSD in July 2017 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed

04/12/17 : 12 Apr 2017 1. In Progress: the factory has completed providing trainings to all employees (workers and managers) about working time and toilet free access. The factory also applied policy to open the door and power to make sure employees work in the official time. The factory started pilot GSD (Global Sewing Data) for the production target setting in which much allowances (from relaxation, machine delay, contingency are included (around 18%). The factory adjust the plan to implement GSD in July 2017 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed

03/06/17 : 6 March 2017 1. In Progress: the factory has completed providing trainings to all employees (workers and managers) about working time and toilet free access. The factory also applied policy to open the door and power to make sure employees work in the official time. The factory started pilot GSD (Global Sewing Data) for the production target setting in which much allowances (from relaxation, machine delay, contingency are included (around 18%). The factory continues to monitor comparison between production target and actual performance in March 2017

2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed

02/14/17 : 1. In Progress 2. Completed on 1st Sep 2016 3. Completed on 8th Oct 2016 4. Completed on 1st Oct 2016 5. Completed on 1st Oct 2016 6. Completed on 28th Jul 2016 7. Completed on 8th Oct 2016

12/05/16 : many findings were complete

**Completion date:** 02/08/18

2. 8. The factory immediately informed all workers and factory management on the policy of working time recording, early and late work in a meeting with all workshop managers to reinforce the current policy. The factory has implemented a practice of door-opening and power-shut down policy in which the power turns on door open only at start of the official working time (completed 07/28/2016). 9. The factory will work with industrial engineering team to review again to ensure the industrial engineering data has captured time for toilet and break and revised the target as necessary 10. The factory currently applies shorter working hours for pregnant workers and the factory will survey workers' opinions in the next quarterly social dialouge and annual workers conference and implement according to the majority. Middle Term/Ongoing 11. The factory will continue to pilot General Sewing Data (GSD) methodology, gain expertise, and plan for more factory roll-out. The factory will conduct monthly reviews on the implementation of working time records, free access to toilets, water breaks, and voluntary overtime. 12. The factory will enlist a third-party to conduct a quarterly audit to check the efficiency of implementation of working time recording, free access to toilets, water breaks, and voluntary overtime. 13. The factory will provide a training to all workers (which will be emphasizes in their annual training program) to reinforce awareness about working time records, free access to toilets, water breaks, and the voluntary overtime policy. The factory will also have a daily reminder of these benefits and requirements through their loudspeakers (completed 10/8/2016). 14. The factory will provide a training to all factory managers and supervisors (which will be emphasized in their annual training program) to reinforce the commitment to the implementation of working time records, free access to toilets, water breaks, and voluntary overtime (completed 09/26/2016).

**Action plan status:** Completed

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

**Progress update:** 02/21/18 : Feb 2018 8. Completed 9. Completed 10. Completed 11. Completed 12. Completed 13. Completed 14. Completed

11/17/17 : 31 Oct 2017 8. Completed 9. Completed 10. Completed 11. In Progress: The factory has completed providing trainings to all employees (workers and managers) about working time and toilet free access. The factory also applied policy to open the door and power to make sure employees work in the official time. The factory has reviewed the current methodology on how to set up production target and confirmed that allowances are allocated (relaxation allowance 11%; machine delay allowance 4%; contingency allowance 2 %. Total allowance 17% (+/-1%). The factory will continue to pilot General Sewing Data methodology, gain expertise, and plan for more factory roll-out. The factory will track and measure on a weekly basis if workers are meeting their production targets, and make necessary interventions if quota are not met 12. Completed 13. Completed 14. Completed

11/16/17 : 30 Sep 2017 8. Completed 9. Completed 10. Completed 11. In Progress: The factory has completed providing trainings to all employees (workers and managers) about working time and toilet free access. The factory also applied policy to open the door and power to make sure employees work in the official time. The factory has reviewed the current methodology on how to set up production target and confirmed that allowances are allocated (relaxation allowance 11%; machine delay allowance 4%; contingency allowance 2 %. Total allowance 17% (+/-1%). The factory will continue to pilot General Sewing Data methodology, gain expertise, and plan for more factory roll-out. The factory will track and measure on a weekly basis if workers are meeting their production targets, and make necessary interventions if quota are not met 12. Completed 13. Completed 14. Completed

09/15/17 : 30 Aug 2017 8. Completed 9. Completed 10. Completed 11. In Progress: The factory has completed providing trainings to all employees (workers and managers) about working time and toilet free access. The factory also applied policy to open the door and power to make sure employees work in the official time. The factory has reviewed the current methodology on how to set up production target and confirmed that allowances are allocated (relaxation allowance 11%; machine delay allowance 4%; contingency allowance 2 %. Total allowance 17% (+/-1%). The factory will continue to pilot General Sewing Data methodology, gain expertise, and plan for more factory roll-out. The factory will track and measure on a weekly basis if workers are meeting their production

targets, and make necessary interventions if quota are not met 12. Completed 13. Completed 14. Completed

08/03/17 : 30 June 2017 8. Completed 9. Completed 10. Completed 11. In Progress: The factory has completed providing trainings to all employees (workers and managers) about working time and toilet free access. The factory also applied policy to open the door and power to make sure employees work in the official time. The factory has reviewed the current methodology on how to set up production target and confirmed that allowances are allocated (relaxation allowance 11%; machine delay allowance 4%; contingency allowance 2 %. Total allowance 17% (+/-1%). The factory will continue to pilot General Sewing Data methodology, gain expertise, and plan for more factory roll-out. The factory will track and measure on a weekly basis if workers are meeting their production targets, and make necessary interventions if quota are not met 12. Completed 13. Completed 14. Completed

06/08/17 : 11. In Progress: The factory has completed providing trainings to all employees (workers and managers) about working time and toilet free access. The factory also applied policy to open the door and power to make sure employees work in the official time. The factory has reviewed the current methodology on how to set up production target and confirmed that allowances are allocated (relaxation allowance 11%; machine delay allowance 4%; contingency allowance 2 %. Total allowance 17% (+/-1%). The factory will continue to pilot General Sewing Data methodology, gain expertise, and plan for more factory roll-out. The factory will track and measure on a weekly basis if workers are meeting their production targets, and make necessary interventions if quota are not met

05/03/17 : 3 May 2017 8. Completed 9. Completed 10. Completed 11. In Progress: the factory has completed providing trainings to all employees (workers and managers) about working time and toilet free access. The factory also applied policy to open the door and power to make sure employees work in the official time. The factory started pilot GSD (Global Sewing Data) for the production target setting in which much allowances (from relaxation, machine delay, contingency are included (around 18%). The factory adjust the plan to implement GSD in July 2017 12. In Progress: The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings, management meeting). The action plan already proposed and started implementation 13. Completed 14. Completed

04/12/17 : 12 Apr 2017 8. Completed 9. Completed 10. Completed 11. In Progress: the factory has completed providing trainings to all employees (workers and managers) about working time and toilet free access. The factory also applied policy to open the door and power to make sure employees work in the official time. The factory started pilot GSD (Global Sewing Data) for the production target setting in which much allowances (from relaxation, machine delay, contingency are included (around 18%). The factory adjust the plan to implement GSD in July 2017 12. In Progress: the factory has worked one company named Openview. 2 auditors interviewed directly 200 workers in Feb 23, 24 about HR policies (forced labor, H&A, grievance, contract, C&B, working time, HSE...) to identify improvement areas. The next step within April 2017 is the factory will survey 100% workers (harassment, toilet time, productivity target, labor contract, discipline, sick leave, OT...). The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings, management meeting) 13. Completed 14. Completed

03/06/17 : 6 March 2017 8. Completed 9. Completed 10. Completed 11. In Progress: The factory started pilot GSD (Global Sewing Data) for the production target setting in which much allowances (from relaxation, machine delay, contingency are included (around 18%). The factory continues to monitor comparison between production target and actual performance in March 2017 12. In Progress: the factory has worked with two service providers on the plan to check effectiveness of these HR requirements implementation. The service providers will conduct employees' interview and employees' survey towards those HR requirements 13. Completed 14. Completed

02/14/17 : 8. Completed on 28th Jul 2016 9. In Progress 10. In Progress 11. In Progress 12. In Progress 13. Completed on 8th Oct 2016 14. Completed on 26th Sep 2016

12/05/16 : many findings were complete

**Completion date:**

02/15/18

FINDING NO.12

TERMINATION & RETRENCHMENT

## FINDING TYPE: Sustainable Improvement Required

### Finding Explanation

1. The Retrenchment procedure does not specify a notice period or methods of retrenchment in the case of extraordinary circumstances or financial difficulties.
2. The Retrenchment procedure does not comply with the legal requirement to notify the labor authorities of the retrenchment plan or include a plan to retrain and reuse workers.
3. Assessors found two cases of workers being immediately terminated by being asked to sign a resignation letter. The factory correctly paid them their severance (the last payment and payment for unused annual leave); however, payroll and time records showed that these workers worked until the last day they gave the resignation notice to the factory. This shows that time and payroll records were faked to make it look as if they resigned instead of being terminated

### Local Law or Code Requirement

Labor Code No. 10/2012/QH13 (2013), Art. 44; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2, ER.19, and ER.32)

### Root Causes

1. The factory is not fully aware of the FLA Workplace Code and Compliance Benchmarks. Thus, some of their procedures and policies do not fully meet the FLA requirements.
2. There is a lack of monitoring and governance in the factory.
3. The factory lacks the resources for regular monitoring and governance, including the review of policies and procedures.
4. The findings noted above have not been brought to the attention of factory management during previous external audits.

## COMPANY ACTION PLANS

1. Short term 1. The factory has revised the retrenchment policies and procedures on implementation and communication in case of extraordinary circumstance or financial difficulties (completed 07/28/2016). 2. The factory will conduct retrenchment plan to include a retraining and reusing of workers as well as timely notification to the labor authorities in case of retrenchment. 3. The factory has conducted the internal training for factory management, supervisors, section line leaders & line leaders on factory regulations and labor law to ensure proper implementation in the whole factory. The factory will commit to reinstatement and backpay should a former worker demonstrate that they were forced to involuntarily resigned without just cause (completed 10/28/2016). Middle Term/Ongoing 4. A senior manager will be accountable for ensuring that the Termination and Retrenchment program is monitored and governed on a regular basis (completed 07/28/2016). 5. A review of the current policy and procedure will be conducted periodically to ensure compliance with local law and regulations. 6. The factory will conduct a quarterly self-audit of all steps in HR management in every aspect of HR activities such as recruitment, working hours, compensation and benefit, training and development, termination, etc.

**Action plan status:** Completed

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

**Progress update:** 06/08/17 : Completed

05/03/17 : 3 May 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. Completed 6. In Progress: The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings, management meeting). The action plan already proposed and started implementation

04/12/17 : 12 Apr 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. In Progress: the factory has completed all the list of policies and procedures to be reviewed and the factory will have meetings to review these policies/procedures in Apr 2017 6. In Progress: the factory has worked one company named Openview. 2 auditors interviewed directly 200 workers in Feb 23, 24 about HR policies (forced labor, H&A, grievance, contract, C&B, working time, HSE...) to identify improvement areas. The next step within April 2017 is the factory will survey 100% workers (harassment, toilet time, productivity target, labor contract, discipline, sick leave, OT...). The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings, management meeting)

03/06/17 : 6 March 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. In Progress: the factory has completed all the list of policies and procedures to be reviewed and the factory will have meetings to review these policies/procedures in March 2017 6. In Progress: the factory has

worked with two service providers on the plan to check effectiveness of these HR requirements implementation. The service providers will conduct employees' interview and employees' survey towards those HR requirements

02/14/17 : 1. Completed on 1st Oct 2016 2. Completed on 8th Oct 2016 3. In Progress 4. Completed on 25th Jul 2016 5. In Progress 6. In Progress

12/05/16 : many findings were complete

**Completion date:** 05/31/17

## FINDING NO.13

### TERMINATION & RETRENCHMENT

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. Termination practices do not follow the approved company regulations and the disciplinary procedures registered with the Labor Department. For example:
  - a. Factory 12 terminates workers if they bring their own needles into the factory. One employee was terminated in February 2016 for bringing needles from home to use on the production line. However, the termination records provided to assessors showed that the worker resigned due to sickness. When the worker's employment was terminated, she was asked to write a letter of resignation citing sickness.
  - b. During worker interviews, assessors learned of at least four other cases from Factory 7, Factory 8, Cutting, and Factory 12 where workers were terminated for invalid reasons, such as a dispute with management, not meeting the high production quota, and a dispute with a foreign manager. In the last case, the worker was asked to sign a letter of resignation citing a personal reason. There was also one case of dismissal, about two months before the assessment, where a worker received two warning letters due to a failure to meet the factory's high quotas. The worker's name was not disclosed to assessors.
2. The factory signs indefinite term labor contracts with workers who have worked at the factory for at least 2 years. Based on worker interviews, there were at least two cases where pregnant workers with definite term labor contracts did not have their contracts renewed upon expiry. According to factory management, the contracts of these workers were not renewed due to low performance. When asked, however, factory representatives could not provide a list of pregnant workers whose contracts were not renewed.

##### Local Law or Code Requirement

Labor Code No. 10/2012/QH13 (2013), Art. 154; FLA Workplace Code (Forced Labor Benchmark F.2; Non-Discrimination Benchmarks ND.1 and ND.2)

##### Root Causes

1. There is a lack of monitoring and governance of the compliance management system.
2. There is a lack of commitment at the management level to promote an work environment that is free from discrimination.

##### Recommendations for Immediate Action

1. Discontinue any and all employment discrimination against pregnant workers.

### COMPANY ACTION PLANS

1. Short term 1. The factory has revised the disciplinary procedure so that all disciplinary cases will be calibrated before implementation in the weekly disciplinary case review meeting (composed of the HQ executive manager, factory manager, the trade union, line manager, worker) to ensure that all disciplinary cases are implemented in accordance with the law and factory policies (compliance, fairness, consistency). The factory has not disciplined any worker due to not reaching daily production target The factory will, in good faith effort, set up a system (including communication to workers and unions) to reinstate with backpay should a former worker demonstrate termination was made without just cause. (completed 07/28/2016). 2. The factory has communicated to all workshop managers and the Human Resource team that contract renewal is solely based on job performance review (performance, attitude, team work), and it is not based on pregnancy status. The factory has renewed the contracts of 25 pregnant

workers from the period of January to June 2016. The factory will create a tracking list of contract renewals with specific reasons which will be subject to monthly review. The factory will, in good faith effort, set up a system (including communication to workers and unions) to reinstate with backpay should a former worker demonstrate termination was made without just cause. Middle Term/Ongoing 3. The factory will conduct a monthly review of the implementation of the discrimination-free contract renewals, new labor contracts, and discipline. 4. The factory will enlist a third-party to conduct a quarterly audit to check the efficiency of implementation of contract renewals, new labor contracts, and discipline. 5. The factory will provide a training to all workers (which will be emphasized in their annual training program) to reinforce the commitment to discrimination-free of contract renewals, new labor contracts, discipline, and grievance system procedure as well as report when there is violation. The factory will also have daily reminders of these benefits and requirements through their loudspeakers (completed 10/10/2016). 6. The factory will provide a training to all factory managers and supervisors (which will be emphasized in their annual training program) to reinforce the commitment to discrimination-free contract renewals, new labor contracts, and discipline (completed 10/01/2016).

**Action plan status:** Completed

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

**Progress update:** 06/08/17 : Completed

05/03/17 : 3 May 2017 1. Completed: the factory has completed providing trainings to all employees about discipline process and non-discrimination policy and has revised the disciplinary procedure so that all disciplinary cases will be calibrated weekly by a committee (HQ executive manager, Factory manager, trade union, line manager, worker) to ensure that all disciplinary cases are implemented in accordance with the law and factory policies (compliance, fairness, consistency) 2. In Progress: the factory has completed providing training about non-discrimination to all employees (workers and managers). The factory has completed and implemented new procedure for contract renewal in which all non-contract renewal must be reviewed by a committee consisting of one senior manager of management team. In April, the factory will contact 100% pregnancy workers from Nov 2015 to Oct 2016 (23 workers) to have a meeting and investigate if their non-labor contract renewal is due to pregnancy status and the factory will follow the local laws or Nike CLS if there is non-compliance case about discrimination. (All letters were sent there times and phone call to all 23 (but not 100% met). Meeting with 3 people on 14, 19, 24 (maximum 2 hours, minimum 1 hour). meeting: TU, Grievance, HR, Worker, CR. Workers agreed that non-renewal contract complied with the law. They got notification and reason why their labor contract were not renewed and workers agreed with that. Worker got notice about non-renewal is due to work performance and need of workshop. and also some workers need to take care of their baby) 3. Completed 4. In Progress: The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings, management meeting). The action plan already proposed and started implementation 5. Completed 6. Completed

04/12/17 : 12 Apr 2017 1. Completed: the factory has completed providing trainings to all employees about discipline process and non-discrimination policy and has revised the disciplinary procedure so that all disciplinary cases will be calibrated weekly by a committee (HQ executive manager, Factory manager, trade union, line manager, worker) to ensure that all disciplinary cases are implemented in accordance with the law and factory policies (compliance, fairness, consistency) 2. In Progress: the factory has completed providing training about non-discrimination to all employees (workers and managers). The factory has completed and implemented new procedure for contract renewal in which all non-contract renewal must be reviewed by a committee consisting of one senior manager of management team. In Apr, the factory will contact 100% pregnancy workers from Nov 2015 to Oct 2016 (23 workers) to have a meeting and investigate if their non-labor contract renewal is due to pregnancy status and the factory will follow the local laws or Nike CLS if there is non-compliance case about discrimination. 3. Completed 4. In Progress: the factory has worked one company named Openview. 2 auditors interviewed directly 200 workers in Feb 23, 24 about HR policies (forced labor, H&A, grievance, contract, C&B, working time, HSE...) to identify improvement areas. The next step within April 2017 is the factory will survey 100% workers (harassment, toilet time, productivity target, labor contract, discipline, sick leave, OT...). The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings, management meeting) 5. Completed 6. Completed

03/06/17 : 6 March 2017 1. Completed: the factory has completed providing trainings to all employees about discipline process and non-discrimination policy and has revised the disciplinary procedure so that all disciplinary cases will be calibrated weekly by a committee (HQ executive manager, Factory manager, trade union, line manager, worker) to ensure that all disciplinary cases are implemented in accordance with the law and factory policies (compliance, fairness, consistency) 2. In Progress: the factory has completed providing training about non-discrimination to all employees (workers and managers). The factory has completed and implemented new procedure for contract renewal in which all non-contract renewal must be reviewed by a committee consisting of one senior

manager of management team. In March, the factory will contact 100% pregnancy workers from Nov 2015 to Oct 2016 (about 100 workers) to have a meeting and investigate if their non-labor contract renewal is due to pregnancy status and the factory will follow the local laws or Nike CLS if there is non-compliance case about discrimination. 3. Completed 4. In Progress: the factory has worked with two service providers on the plan to check effectiveness of these HR requirements implementation. The service providers will conduct employees' interview and employees' survey towards those HR requirements 5. Completed 6. Completed

02/14/17 : 1. Completed on 28th Jul 2016 2. In Progress 3. Completed on 30th Nov 2016 4. In Progress 5. Completed on 10th Oct 2016 6. Completed on 1st Oct 2016

12/05/16 : many findings were complete

**Completion date:** 05/31/17

## FINDING NO.14

### INDUSTRIAL RELATIONS

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. There is no proof that the workers voted democratically on the Labor Union representative nominees or subsequently the Labor Union representatives. Currently, the Chairman and Vice Chairman of the Labor Union are Human Resources Managers.
2. Interviewed workers stated that they have not participated in the Trade Union Conference or the Quarterly and Annual Dialogues. Workers also reported that they do not choose representatives to attend these meetings with the factory management and that only the production line leaders/supervisors attend these events.
3. At the time of the assessment (July 2016), the factory had paid the Labor Union fee contribution to the Labor Union Bureau up to March 2016.
4. There were two strikes at Factory 5 in October and November 2015 as a result of confusion on the bonus policy, management's failure to act on reported grievances and, unreasonable rules (e.g., workers not allowed to bring in ice with their water, prohibition of yawning, prohibition of overtime refusal) implemented by the new factory manager. There was also a half-day strike in Factory 12 in September 2015 due to issues with the food provided in the canteen. The factory negotiated with workers on canteen improvements. On that day, workers were provided with an extra box of instant noodles and a box of fresh milk and they return to work the next day. However, when the assessors checked with the head office about the strike, no one knew about it and no records were kept on the resolution of the strike.
5. There is no Industrial Relations policy.
6. Not all employees have received a copy of the Collective Bargaining Agreement (CBA), but the factory has posted the CBA on the bulletin boards.
7. New workers are provided with information about the labor union. However, workers do not receive ongoing training on Industrial Relations.

##### Local Law or Code Requirement

Decree No. 191/2013/ND-CP, Art.6. 2; FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.1.3, ER.16.2, ER.25, and ER.26; Freedom of Association Benchmarks Freedom of Association Benchmarks FOA.1, FOA.2, FOA.10 and FOA.11)

##### Root Causes

1. FLA Comment: Vietnam has not ratified ILO Conventions 87 or 98. Under Vietnamese law, all unions are required to affiliate with the single trade union, the Vietnam General Confederation of Labor (VGCL), which is affiliated with the Communist Party. With respect to such union monopolies, the ILO Committee on Freedom of Association has stated that "the rights of workers to establish organizations of their own choosing implies . . . the effective possibility of forming . . . [trade unions] independent both of those which exist already and of any political party." Vietnam's legal framework is therefore not compatible with the ILO Principles on Freedom of Association and, as such, all factories in Vietnam fail to comply with the FLA Code standard on Freedom of Association.
2. The factory does not have the resources to handle the training and communication on Industrial Relations.
3. The factory is not committed to following the legal requirements on Labor Union fee contributions.
4. Factory management is not committed to transparency.
5. The factory is not fully aware of the FLA Workplace Code and Compliance Benchmarks. Thus, some of their procedures and policies do not fully meet the FLA requirements.

## Recommendations for Immediate Action

1. Ensure that workers are able to democratically participate in the Labor Union representative nomination and election processes.
2. Make trade union payments every month at the same time as mandatory social insurance payments.

## COMPANY ACTION PLANS

1. Short-term 1. The current Trade Union Chairman is not Senior HR Manager anymore and the HR manager has volunteered to step down from Trade Union Vice Chairman. The factory Trade Union will consult with ILO Better Work for the proper membership in the Executive Committee in the next Trade Union Executive Selection (expected to be in March 2017) to ensure there are no members of management in the Trade Union Executive Committee. The factory Trade Union has followed the procedure to vote for representatives of each workshop with the summary of votes 2. The factory currently follows the requirements about legal Democratic Policies in which factory does not impeded worker representatives to attend the Annual Employee Conference or the quarterly social dialogue. The factory trade union will reinforce awareness of the Trade Union programs with all workers via training (completed 10/30/2016). 3. The factory trade union will contribute immediately to the Trade Union fee to the Upper/National Trade Union (completed 09/26/2016). 4. There was no legally recognized strike or work stoppage in the factory 12 in Sep 2015 but the quality of food during the lunch time was unsatisfactory and the factory has reacted to this issue by providing different food on that day. The factory will reinforce the recording system to ensure all issues are well-recorded by giving a guideline to the HR and Corporate Responsibility (CR) team to record all grievances and issues. The factory will create a canteen quality survey (including food quality, service, etc.) on a monthly basis for improvement opportunities (completed 10/01/2016). 5. The current industrial relation policies in the factory include democratic policies, quarterly social dialogue, annual employee conference, and the Collective Bargaining Agreement. The factory will work with the factory trade union to create a commitment to support union activities according to the local laws (completed 10/30/2016). 6. The factory will review the contents of the Collective Bargaining Agreement and integrate it into the employee handbook so that all employees have copies of the Collective Bargaining Agreement (completed 10/30/2016). Middle Term/Ongoing 7. The factory trade union will train to all workers (which will be emphasized in their annual training program) on trade union benefits.

**Action plan status:** Completed

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

**Progress update:** 02/21/18 : 31 Oct 2017 1. Completed: completed Trade Union Election in Jan 2017 in which no person reporting directly to factory GM. All of members of Trade Union Executive boards were elected by all workers' representatives without any interference from factory management. The HR Manager has changed his position to different role and does not report directly to factory GM anymore. 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed Worker Fund The factory confirmed they will create a 750,000 USD fund to be distributed to all workers currently employed at Hansae (60 USD/each). This was distributed by 31st October, 2017.

08/03/17 : 30 June 2017 1. Completed: completed Trade Union Election in Jan 2017 in which no person reporting directly to factory GM. All of members of Trade Union Executive boards were elected by all workers' representatives without any interference from factory management. The HR Manager has changed his position to different role and does not report directly to factory GM anymore. 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed Worker Fund The factory confirmed they will create a new 500,000 USD fund to be distributed to all workers currently employed at Hansae (60 USD/each). This will be distributed by October, 2017.

05/03/17 : 3 May 2017 1. Completed: completed Trade Union Election in Jan 2017 in which no person reporting directly to factory GM. All of members of Trade Union Executive boards were elected by all workers' representatives without any interference from factory management. The HR Manager has changed his position to different role and does not report directly to factory GM anymore. 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed

04/12/17 : 12 Apr 2017 1. Completed: completed Trade Union Election in Jan 2017 in which no person reporting directly to factory GM. All of members of Trade Union Executive boards were elected by all workers' representatives without any interference from factory management. The HR Manager has changed his position to different role and does not report directly to factory GM anymore. 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed

03/06/17 : 6 March 2017 1. Completed: completed Trade Union Election in Jan 2017 in which no person reporting directly to factory GM. All of members of Trade Union Executive boards were elected by all workers' representatives without any interference from factory management. The HR Manager has changed his position to different role and does not report directly to factory GM anymore. 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed

02/14/17 : 1. In Progress 2. Completed on 30th Oct 2016 3. Completed on 26th Sep 2016 4. Completed on 1st Oct 2016 5. Completed on 30th Oct 2016 6. Completed on 30th Oct 2016 7. Completed on 9th Dec 2016

12/05/16 : many findings were complete

**Completion date:** 05/03/17

## FINDING NO.15

### WORKPLACE CONDUCT & DISCIPLINE

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. Disciplinary actions were not transparent, fair, or consistent among the factories when compared to company regulations. For example:
  - a. If a worker brings his or her own needle into the workshop, it will lead to termination in Factory 8 and Factory 12, whereas there is no such disciplinary consequence in other factories. Also, this reason for disciplining was mentioned neither in the disciplinary procedures for Factories 8 and 12 nor in the specific disciplinary records for these cases.
  - b. In addition to the improper dismissals addressed elsewhere in this report in relation to Termination issues, there was one case in Factory 5 of a worker being disciplined (worker was issued a warning letter) for sitting with other workers who had brought food into the factory. Bringing food from outside is subject to disciplinary action, but the worker in question had not violated this rule and was only in the company of other workers who had breached the regulation.
  - c. Workers receive warning letters for not reaching the factory's high daily production quota; their monthly performance bonuses are adjusted (reduced accordingly). Workers stated that the quotas are unreasonably high, but they strive to reach them to avoid the disciplinary actions. Suspension of wage increases is used as a disciplinary practice.
2. According to worker interviews, the supervisors shout at workers who use the restroom for longer than 5 minutes.
3. A worker in Factory 7 was fired after a dispute with a foreign manager over the manager physically abusing the worker. The foreign manager took the fabric bag that the worker was sewing and shouted at the worker for not reaching the quota. The worker then took the bag back to resume work and the factory manager grabbed a metal stick in an attempt to assault the worker, at which point the other workers, the line supervisor, and the production manager intervened. The worker was asked to sign a letter of resignation citing a personal reason. The worker was terminated immediately and compensated for not being given advance notice of termination. The payroll and time records provided to assessors showed that this worker's ID card was swiped in and out for 45 days following termination (the required advance notice period for termination according to the worker's indefinite term contract) and that the worker continued to receive monthly payments after termination. There was no reprimand or any other disciplinary actions taken against the manager involved in the incident.
4. Based on interviews with workers in all factories, line supervisors shout at workers for taking a long toilet break, for unmet quotas, for a high defect rate or being late after the bell to start working time. Similarly, higher ranking supervisors/management shout at line leaders if the quota is not met or there is a high defect rate.

##### Local Law or Code Requirement

Labor Code No. 10/2012/QH13 (2013), Articles 8(5) and 101; FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.27; Harassment or Abuse Benchmarks H/A.1, H/A.2, H/A.3, H/A.4, H/A.5, H/A.6, H/A.7, and H/A.8; Forced Labor Benchmark F.4.2)

##### Root Causes

1. There is no commitment to follow the company disciplinary procedure or implement fair disciplinary actions.
2. There is a lack of monitoring and governance of the implementation of the compliance management system.
3. The factory has a compliance management system in place; however, the factory is not fully aware of the requirements embodied in the FLA Workplace Code and Compliance Benchmarks. Thus, some of their procedures and policies do not fully meet FLA requirements.
4. There are language and cultural barriers between the Korean and Chinese factory managers and the local (Vietnamese) workers.
5. There is a lack of engineering study when setting the hourly and daily quota.

##### Recommendations for Immediate Action

1. Ensure that disciplinary practices are fair, transparent, and non-discriminatory.
2. Do not deduct from workers' wages or suspend wage increases as a form of discipline. (Refer to FLA's guidance on the topic:

<http://www.fairlabor.org/report/monetary-penalties-used-discipline-vietnam>).

3. Allow workers to move about freely in production areas for water or for toilet break.
4. Ensure a working environment free of any form of harassment or abuse, including physical abuse, psychological abuse, verbal abuse, and improper punishments.
5. Do not deny workers access to food, water, toilets, medical care, or other necessities as a means of maintaining discipline.

## COMPANY ACTION PLANS

1. Short term 1. The factory has revised the disciplinary procedure so that all disciplinary cases will be calibrated in the weekly disciplinary case review meeting (composed of the general manager, factory manager, HR, trade union, witness, violator) before implementation, to ensure that all disciplinary cases are implemented in accordance with the law and factory policies (compliance, fairness, consistency). The factory has reviewed disciplinary records and has not disciplined any worker when they do not reach production target. However, should the factory find disciplinary records for not reaching production target, the factory will remove such records from the workers' personnel file. The factory will provide training to both workers and management on disciplinary policies to ensure workers are not disciplined for not reaching production targets. 2, 3, 4. The factory commits to strictly implement the non-harassment and abuse policy, including freedom of movement. The factory will organise a meeting to communicate to all workshop managers to reinforce the current harassment and abuse policy; verbal and physical harassment is not allowed and violation to this policy is subject to the factory's disciplinary policies. The factory will set up a grievance system and communicate to workers how to file complaints without fear of retaliation. The factory will reach out to the worker who was fired for the dispute with a foreign manager to notify him/her of the grievance system to allow reinstatement with backpay. The factory will initiate a periodic review to measure the effectiveness of the current grievance system to identify and implement improvement opportunities (completed 09/26/2016) 5. The factory will conduct a monthly review of the implementation of Harassment & Abuse and Discipline policies. 6. The factory will enlist a third-party to conduct a quarterly audit to check the efficiency of the implementation of the Harassment & Abuse and discipline policies. Middle Term/Ongoing 7. The factory will provide training to all workers (which will be emphasized in their annual training program) to reinforce the commitment about non-harassment and abuse, discipline policies, and the grievance system procedure to report if there is violation. The factory will also have daily reminders of these benefits and requirements through their loudspeakers (completed 10/08/2016). 8. The factory will provide a training to all factory managers and supervisors (which will be emphasized in their annual training program) to reinforce the commitment to non-harassment & abuse and discipline policies (completed 09/26/2016).

**Action plan status:** Completed

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

**Progress update:** 06/08/17 : Completed

05/03/17 : 3 May 2017 1. Completed: the factory has completed providing trainings to all employees about discipline process has revised the disciplinary procedure so that all disciplinary cases will be calibrated weekly by a committee (HQ executive manager, Factory manager, trade union, line manager, worker) to ensure that all disciplinary cases are implemented in accordance with the law and factory policies (compliance, fairness, consistency). In March, the factory will conduct a review meeting on the unintended restrictions on leave revise if any improvement area. The factory still keeps the same practice as more than 90% having attendance bonus and the factory provides 2 days as sick leave (home) and 6 days (hospital). Other legal leaves are not deducted 2. Completed 3. Completed 4. Completed 5. Completed 6. In Progress: The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings, management meeting). The action plan already proposed and started implementation 7. Completed 8. Completed

04/12/17 : 12 Apr 2017 1. Completed: the factory has completed providing trainings to all employees about discipline process has revised the disciplinary procedure so that all disciplinary cases will be calibrated weekly by a committee (HQ executive manager, Factory manager, trade union, line manager, worker) to ensure that all disciplinary cases are implemented in accordance with the law and factory policies (compliance, fairness, consistency). In March, the factory will conduct a review meeting on the unintended restrictions on leave revise if any improvement area. The factory still keeps the same practice as more than 90% having attendance bonus and the factory provides 2 days as sick leave (home) and 6 days (hospital). Other legal leaves are not deducted 2. Completed 3. Completed 4. Completed 5. Completed 6. In Progress: the factory has worked one company named Openview. 2 auditors interviewed directly 200 workers in Feb 23, 24 about HR policies (forced labor, H&A, grievance, contract, C&B, working time, HSE...) to identify improvement areas. The next step within April 2017 is the factory will survey 100% workers (harassment, toilet time, productivity target, labor contract, discipline, sick leave, OT...). The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings, management meeting) 7. Completed 8. Completed

03/06/17 : 6 March 2017 1. In Progress: the factory has completed providing trainings to all

employees about discipline process has revised the disciplinary procedure so that all disciplinary cases will be calibrated weekly by a committee (HQ executive manager, Factory manager, trade union, line manager, worker) to ensure that all disciplinary cases are implemented in accordance with the law and factory policies (compliance, fairness, consistency). In March, the factory will conduct a review meeting on the unintended restrictions on leave revise if any improvement area 2. Completed 3. Completed 4. In Progress: The factory has provided trainings to all employees about harassment and abuse and grievance system. In March the factory will create a survey to some percentage of employees (around 200 to 300 workers) for improvement areas and will start implementing improvement if there is any 5. Completed 6. In Progress: the factory has worked with two service providers on the plan to check effectiveness of these HR requirements implementation. The service providers will conduct employees' interview and employees' survey towards those HR requirements 7. Completed 8. Completed

02/14/17 : 1. In Progress 2. In Progress 3. In Progress 4. In Progress 5. Completed on 30th Nov 2016 6. In Progress 7. Completed on 8th Oct 2016 8. Completed on 26th Sep 2016

12/05/16 : many findings were complete

**Completion date:** 05/31/17

## FINDING NO.16

### WORKPLACE CONDUCT & DISCIPLINE

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. The disciplinary system procedures do not include a requirement to record all warnings and disciplinary actions, and filing requirements.
2. The factories keep the disciplinary records at the head office, but not in the workers' personnel files. It takes a significant amount of time for the factory locate all the disciplinary records for all workers, and the assessors did not receive the disciplinary records until the third day of the assessment.
3. The policy and procedures on Workplace Conduct and Discipline do not include a prohibition of applying monetary penalties.
4. The Workplace Conduct and Discipline procedures do not allow for a) third-party witness during the imposition of the disciplinary action and b) an appeal process.
5. The Workplace Conduct and Discipline procedures do not include a mechanism to prevent harassment, abuse, and discrimination against employees when implementing disciplinary measures.

##### Local Law or Code Requirement

Circular No.23/2014/TT-BLDTBXH, Article 7; FLA Workplace Code (Employment Relationship Benchmarks ER.2.1 and ER.27)

##### Root Causes

1. The factory is not fully aware of the FLA Workplace Code and Compliance Benchmarks. Thus, some of their procedures and policies do not fully meet the FLA requirements.
2. There is no proper, centralized, filing system.
3. There is a lack of monitoring and governance for the implementation of Workplace Conduct & Discipline policies and procedures.
4. The findings noted above have not been brought to the attention of factory management during previous external audits.

### COMPANY ACTION PLANS

1. Short term 1. The factory HR staff previously kept disciplinary records at each factory. The factory now requires all disciplinary records to be centralized and in the main office, with specific storage ensure availability for review (completed 07/28/2016). 2. The factory has revised the disciplinary policy and procedure, further emphasizing the prohibition of applying monetary penalties for clear understanding and implementation. (completed 07/28/2016) Middle Term/Ongoing 3. The factory will conduct a semiannual audit of records of disciplinary cases to ensure they are easy to find when necessary. 4. The factory has revised the disciplinary procedures so that all disciplinary cases will be calibrated in the weekly disciplinary case review meeting (composed of the general manager, trade union, witness, worker) before implementation to ensure that all disciplinary cases are implemented in accordance with the law and factory policies (compliance, fairness, consistency). Workers have the right to designate witnesses and have them present at the meeting. (completed 07/28/2016) 5. The factory conducts Orientation training and Annual Refresh training for all line

leaders, local supervisors, foreign supervisors, factory managers and all workers on labor law and factory regulation in which disciplinary policy and procedure are included (completed 09/15/2016). 6. Workers will be informed of and trained on new and updated policy and procedure that are relevant. (completed 10/28/2016) 7. A review of current policy and procedure will be periodically conducted to ensure compliance with local law and regulations (completed 10/28/2016) 8. The factory will conduct a quarterly self-audit of all steps in HR management in every aspect of HR activities such as recruitment, working hours, compensation and benefit, training and development, termination, etc.

**Action plan status:** Completed

**Planned completion date:** 12/28/16

**Progress update:** 06/08/17 : Completed

05/03/17 : 3 May 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. In Progress: The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings, management meeting). The action plan already proposed and started implementation 8. In Progress: The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings, management meeting). The action plan already proposed and started implementation

04/12/17 : 12 Apr 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. In Progress: the factory has worked one company named Openview. 2 auditors interviewed directly 200 workers in Feb 23, 24 about HR policies (forced labor, H&A, grievance, contract, C&B, working time, HSE...) to identify improvement areas. The next step within April 2017 is the factory will survey 100% workers (harassment, toilet time, productivity target, labor contract, discipline, sick leave, OT...). The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings, management meeting) 8. the factory has worked one company named Openview. 2 auditors interviewed directly 200 workers in Feb 23, 24 about HR policies (forced labor, H&A, grievance, contract, C&B, working time, HSE...) to identify improvement areas. The next step within April 2017 is the factory will survey 100% workers (harassment, toilet time, productivity target, labor contract, discipline, sick leave, OT...). The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings, management meeting)

03/06/17 : 6 March 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. In Progress: the factory has worked with two service providers on the plan to check effectiveness of these HR requirements implementation. The service providers will conduct employees' interview and employees' survey towards those HR requirements 8. In Progress: the factory has worked with two service providers on the plan to check effectiveness of these HR requirements implementation. The service providers will conduct employees' interview and employees' survey towards those HR requirements

02/14/17 : 1. Completed on 28th Jul 2016 2. Completed on 28th Jul 2016 3. Completed on 1st Oct 2016 4. Completed on 28th Jul 2016 5. Completed on 15th Sep 2016 6. Completed on 28th Oct 2016 7. In Progress 8. In Progress

12/05/16 : Many findings were complete

**Completion date:** 05/31/17

## FINDING NO.17

### GRIEVANCE SYSTEM

#### FINDING TYPE: Sustainable Improvement Required

#### Finding Explanation

1. The Grievance System policy forbids retaliation against workers who raise grievances; however, the current grievance form and procedures require the worker name and ID number, even for those grievances reported through suggestion boxes. As a result, workers do not trust the Grievance system.
2. Many grievance letters, dating as far back as May, were still inside of a suggestion box.

- Suggestion boxes are not placed in locations that would protect anonymity (e.g. locker rooms, restrooms), but in production areas.

### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.25.3)

### Root Causes

- The factory is not fully aware of the FLA Workplace Code and Compliance Benchmarks. Thus, some of their procedures and policies do not fully meet the FLA requirements.
- There is a lack of monitoring and governance for the implementation of the Grievance System.
- The Grievance Department is new, and has been working on establishing additional grievance channels. There are currently 7 channels: Suggestion Boxes, Grievance Letter, Direct report to the Union Leader/Grievance Manager, Worker Hotline, Opinion Room, Better Work-PICC, and Meeting with General Manager.

## COMPANY ACTION PLANS

1. Short term 1. Grievance policy (completed 09/30/2016) a. The factory adjusted the grievance form in which the worker's name and ID number are no longer not shown to prevent the workers from the misunderstanding that putting their names on the form is mandatory. b. The factory posted a short notice at the suggestion boxes reminding workers that it is not mandatory to write their names and ID numbers on the form. c. Set up a separated grievance room in main office to make it easy for workers to express their concerns. d. The factory will initiate a periodic review to measure the effectiveness of the current grievance system (channel, solution, feedback...) to identify improvement opportunities and implement the improvement. 2. Grievance dept continuously collects grievance letters from suggestion box every Friday and hold grievance meetings every Saturday (For clarification: The document which auditor found is not a grievance letter and it was put inside Recruitment box at factory, not the Suggestion box) (completed 09/30/2016) 3. Factory provided suggestion boxes at each restroom inside factory ensure to protect workers' anonymity. Some suggestion boxes at production areas will be removed (completed 09/30/2016) Middle Term/Ongoing 4. Conduct training for all workers on Grievance procedure and locations of suggestion boxes on a quarterly basis and during annual training (completed 09/30/2016) 5. The factory assigned a senior manager to be accountable to implement the Grievance System with proper monitoring and governance. The factory has assigned a senior manager to be accountable to implement a grievance system with proper monitoring and governance. Those managers implicated in a reported grievance will be held to the said governance of the grievance systems. (completed 09/30/2016) 6. A review of current policy and procedure will be periodically conducted to ensure compliance with local law and regulations. 7. The factory will conduct a semiannual self-audit of all steps in HR management in every aspect of HR activities such as recruitment, working hours, compensation and benefit, training and development, termination, etc.

**Action plan status:** Completed

**Planned completion date:** 12/28/16

**Progress update:** 06/08/17 : Completed

05/03/17 : 3 May 2017 1. Completed: the factory has revised the grievance form in which the worker name and ID number are not shown any more to prevent the workers from the misunderstand that filling their names in the form is mandatory. The factory posted the short notice at the suggestion boxes which remind workers to be unnecessary to write their name and ID number on this form. In March the factory will create a survey to some percentage of employees (around 200 to 300 workers) for improvement areas and will start implementing improvement if there is any. 2. Completed 3. Completed 4. Completed 5. Completed 6. In Progress: The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings, management meeting). The action plan already proposed and started implementation 7. In Progress: The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings, management meeting). The action plan already proposed and started implementation

04/12/17 : 12 Apr 2017 1. Completed: the factory has revised the grievance form in which the worker name and ID number are not shown any more to prevent the workers from the misunderstand that filling their names in the form is mandatory. The factory posted the short notice at the suggestion boxes which remind workers to be unnecessary to write their name and ID number on this form. In March the factory will create a survey to some percentage of employees (around 200 to 300 workers) for improvement areas and will start implementing improvement if there is any. 2. Completed 3. Completed 4. Completed 5. Completed 6. In Progress: the factory has worked one company named Openview. 2 auditors interviewed directly 200 workers in Feb 23, 24 about HR

policies (forced labor, H&A, grievance, contract, C&B, working time, HSE...) to identify improvement areas. The next step within April 2017 is the factory will survey 100% workers (harassment, toilet time, productivity target, labor contract, discipline, sick leave, OT...). The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings, management meeting) 7. In Progress: the factory has worked one company named Openview. 2 auditors interviewed directly 200 workers in Feb 23, 24 about HR policies (forced labor, H&A, grievance, contract, C&B, working time, HSE...) to identify improvement areas. The next step within April 2017 is the factory will survey 100% workers (harassment, toilet time, productivity target, labor contract, discipline, sick leave, OT...). The factory plans to implement some activities to improve problems identified from Openview interview (employee trainings, management meeting)

03/06/17 : 6 March 2017 1. Completed: the factory has revised the grievance form in which the worker name and ID number are not shown any more to prevent the workers from the misunderstand that filling their names in the form is mandatory. The factory posted the short notice at the suggestion boxes which remind workers to be unnecessary to write their name and ID number on this form. In March the factory will create a survey to some percentage of employees (around 200 to 300 workers) for improvement areas and will start implementing improvement if there is any. 2. Completed 3. Completed 4. Completed 5. Completed 6. In Progress: the factory has worked with two service providers on the plan to check effectiveness of these HR requirements implementation. The service providers will conduct employees' interview and employees' survey towards those HR requirements 7. In Progress: the factory has worked with two service providers on the plan to check effectiveness of these HR requirements implementation. The service providers will conduct employees' interview and employees' survey towards those HR requirements

02/14/17 : 1. Completed on 30th Sep 2016 2. Completed on 30th Sep 2016 3. Completed on 30th Sep 2016 4. Completed on 30th Sep 2016 5. Completed on 30th Sep 2016 6. In Progress 7. In Progress

12/05/16 : Many findings are complete

**Completion date:** 05/31/17

## FINDING NO.18

### ENVIRONMENTAL PROTECTION

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. Hazardous waste from the printing plate cleaning process at Factory 5 is not properly separated.
2. Industrial waste (hazardous and non-hazardous) from production at Factories 2, 6, 7 and 10 is not classified by source at the waste storage areas.
3. A chemical spill response drill has not been conducted for workers who work with chemicals.
4. Hazardous chemicals used at the printing area of the factory 5 are not properly labeled with the chemical names and are kept in soft drink bottles, instead of proper containers.
5. Water faucets at the canteen and rest room of Factory 6, Factory Mini, Factory 12, Factory 12 canteen, Factory 5, and Factory 11 were not turned off when not in use.

##### Local Law or Code Requirement

Decree No. 38/2015/ND-CP on Management of Waste and Discarded Materials (2015), Art. 16; Circular No. 04/2012/TT-BCT on Category Regulations and Chemical Labelling (2012), Art. 7; Environmental Law 55/2014/QH13, Article 4; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.9.1)

##### Root Causes

1. There is a lack of monitoring and governance of the waste management and chemical safety system.

##### Recommendations for Immediate Action

1. Separate hazardous wastes from the printing plate cleaning process from other industrial waste.
2. Classify the Industrial waste at the waste storage areas.

3. Properly label all chemical containers, and provide proper containers for chemical storage.

## COMPANY ACTION PLANS

1. Short term 1. The factory provided the hazardous waste bin to separately store the contaminated rags from other garbage, with posted signs and an instruction board that visualized how to ensure the waste is appropriately classified (completed 07/28/2016). 2. The factory re-arranged the non-hazardous waste house and clearly separated each section for waste (completed 07/28/2016). 3. The factory conducted a chemical spill response drill. (completed 07/28/2016) 4. The factory has checked and reminded workers to post a label in Vietnamese and provide a secondary container for all chemicals. (completed 07/28/2016) 5. The factory has replaced all automatic faucets in the canteen and toilets for a long time. Only one water faucet, which was not an automatic one, in each toilet area was used for cleaning. The maintenance team will check daily to prevent the water leakage. (completed 08/27/2016) Middle Term/Ongoing 6a. The factory will conduct a training every six months to whoever is handling chemicals on proper identification and classification of hazardous and non-hazardous waste. 6b. The factory will improve training plan to include training course name, estimated time, and deadline to make sure all training is timely and sufficient. The factory will also review and update of the training plan quarterly. 7a. The factory conducted the annual specific training about classifying waste for the persons in charge. The factory also conducted the annual Occupational Health & Safety training on this topic for all workers. (completed 07/28/2016). 7b. The factory will remind workers on waste classification and make sure all waste is properly classified at the source (completed 07/28/2016). 8. The factory has created a target to reduce water use (completed 07/28/2016).

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	03/28/17
<b>Progress update:</b>	02/14/17 : 1. Completed on 28th Jul 2016 2. Completed on 28th Jul 2016 3. Completed on 28th Jul 2016 4. Completed on 28th Jul 2016 5. Completed on 28th Jul 2016 6. Completed on 28th Jul 2016 7. Completed on 28th Jul 2016 8. Completed on 28th Jul 2016  12/05/16 : many findings were complete
<b>Completion date:</b>	07/28/16

## FINDING NO.19

### ENVIRONMENTAL PROTECTION

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. The factory has not conducted an environmental emergency drill (such as a chemical spill or gas leakage).
2. The Environmental Protection policy and related procedures were established in January 2016. No review period is specified in the policy.

##### Local Law or Code Requirement

Law No. 06/2007/QH12 on Chemicals (2007), Art. 30; FLA Workplace Code (Employment Relationship Benchmarks ER.1.3)

##### Root Causes

1. There is a lack of monitoring and governance of the Environmental Protection system.
2. The factory lacks the resources to ensure that policy and procedures are reviewed on a yearly basis.

## COMPANY ACTION PLANS

1. Short term 1. The factory has conducted a chemical spill drill and will conduct a gas leaking drill (completed 08/27/2016). 2. The factory will develop a periodic review policy and apply for all procedure in the factory. Middle Term/Ongoing 3. The factory has developed an Environment Management System (EMS). The management will review the effectiveness of the EMS and its continual improvement.

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	03/28/17
<b>Progress update:</b>	03/06/17 : 3/3/17: 1. Completed on 27th Aug 2016 2. Completed on 20th Feb 2017 3. Completed on Oct 2016
	02/14/17 : 1. Completed on 27th Aug 2016 2. In Progress 3. Completed In Oct 2016
	12/05/16 : many findings were complete
<b>Completion date:</b>	02/20/17

## FINDING NO.20

### HEALTH & SAFETY

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. The Health & Safety policy and procedures were created in January 2016. However, there is no guidance on the review procedure.
2. The factory does not have staff that is responsible only for Health & Safety issues at each factory. Currently, the Health, Safety & Environment work at each factory is handled by the Compliance Factory Officer (CFO) who spends about 15 minutes on compliance work each day.
3. The tagging guns were labeled with workers' names. However, they were being using by other workers in Factory 2.
4. No operational procedures are posted at the pocket making machines, the printing machines, or the hot pressing machines.
5. There are no warning signals or operation instructions in the local languages for the machines inside the needle detector sections in Factory 2 or 6.
6. There are no procedures to manage the risks posed by the laser machines.
7. There are no procedures on the safe handling of compressed gas cylinders
8. [Finding from the FLA-WRC joint visit in October, 2016] Butane gas cylinders are located in a separate room next to the kitchen accessed from the outside. The cylinders are manifolded to one pipe with a manual shut-off button to turn off gas flow in an emergency. However, a one gas line does not go through the manifold connected to the shut off button. The gas cylinder storage room is kept locked and cannot be accessed quickly in the event of a fire. Additionally, the cylinders are not secured with chains in the canteens.
9. The Health & Safety policy does not include protection for special categories of employees (pregnant workers, elderly workers, etc.).
10. [Finding from the FLA-WRC joint visit in October, 2016]The two assigned OHS staff do not work full-time in safety as required by regulation. One is 50% OHS, and 50% maintenance, and the other is 25% environmental and 75% safety. OSH staff do not participate in accident investigations or regular factory safety inspections, in the preparation of reports to the government Department of Labor, which includes the company's risk assessments, or receive monthly illness and injury report, and are not members of the OHS Committee, although they attend the quarterly Labor-Management safety Committee meetings.
11. [Finding from the FLA-WRC joint visit in October, 2016]Comprehensive risk assessments of health hazards have not been conducted at the facility. Hansae relies exclusively on very limited snapshot annual inspection by government auditors of temperature, humidity, noise, lighting, and airborne chemical and dust levels.
12. [Finding from the FLA-WRC joint visit in October, 2016]Each of the two assigned OHS staff have received less than 14 hours of function-specific training from Hansae, Hansae's client brands, or government agencies all together since establishing the Safety Department three years ago. Current Safety Department employees did not receive any OHS training until their second year in the department, and the total hours are well below what is required by Vietnamese law.

##### Local Law or Code Requirement

H&SE Law No. 84/2015/QH13, Articles 18 and 19; TCVN 6713:2013, art. 6.13; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.31.1, and ER.31.2; Nondiscrimination Benchmark ND.8; Health, Safety & Environment Benchmarks HSE.1 and HSE.14)

##### Root Causes

1. The factory has a compliance management system in place; however, the factory is not fully aware of the requirements embodied in the FLA Workplace Code and Compliance Benchmarks. Thus, some of their procedures and policies do not fully meet FLA requirements.
2. The factory did not conduct a risk assessment properly to identify all the risks and hazards in the factory.

3. Because the risks in the factory were not properly identified, the scope of the emergency response procedures was too narrow.

## COMPANY ACTION PLANS

1. Short term 1. The factory will develop a periodic review policy and apply for all procedures in the factory. 2. The current number of HSE staff complies with the local law (article 36, Decree 39/2016/NĐ-CP), the factory has two responsible persons in charge of health, environment and safety. The factory has also set up the ESH committee and hygiene & safety network. In addition, the factory has also developed a factory compliance officer (FCO) at each factory who is responsible to check the working condition in the workplace. The compliance team will conduct a monthly-unannounced audit all factories and require remediation (completed 08/20/2016). 3. The factory has designed separate areas to store tag guns with workers' name posted clearly (completed 07/18/2016). 4. The factory has established Safe Operating Procedures for the pocket making machines, printing machines and hot pressing machines. The factory has trained for all relevant workers (completed 07/30/2016). 5. The factory has posted warning signs and usage instruction for the needle detector machine. The factory has also checked the warning sign, usage instructions, risk assessment and safety guard for all machines in the factory (completed 07/30/2016). 6. The factory performed a risk assessment for the laser machines and posted the results in the workplace (completed 07/30/2016). 7. The factory has revised the policy in the canteen to include gas cylinder management. The factories also organized a meeting to remind all canteen staff to ensure gas cylinders are always secured by chains (completed 07/18/2016). 8. Each canteen assigned one staff member in charge of gas storage and usage management to ensure that all gas lines go through the manifold connected to the shut off button. Gas storage must be opened to be accessed quickly in the event of fire. The canteen will post "Canteen Employees Only" sign at gas storage area. The canteen maintains monthly gas inspection (pipes, valves, leakage detector, etc.). The HR staff is responsible for daily checks and the compliance team is responsible for monthly checks to ensure all requirements in the canteen are well implemented. 9. The factory will revise the Health & Safety policy to include protection for special categories of workers (pregnant workers, elderly workers, etc.) (completed 08/30/2016) 10. The factory plans to recruit a full time Occupational Health & Safety (OHS) staff and the factory will reorganize role and responsibilities to ensure OSH staff is full time and dedicated to all safety activities, including incident investigation, risk assessment, safety inspection, and the OHS committee. The new recruitment and responsibility adjustment will ensure there are two full-time OHS workers. 11. Besides the annual inspection by government auditors, the factory has conducted a comprehensive risk assessments including physical, chemical, biological, physiological, ergonomic and health hazards. The factory will review the current risk assessment to ensure proper hazards (including chemical, ergonomics, etc.) are identified and proper control measures are set up to reduce the risk of injury and promote occupational health. The factory will continue to conduct an annual comprehensive risk assessment of health hazards. 12. The factory will review the training plan for "group 2" workers and provide OHS training according to the law (Article 17, 18 & 19 decree 44/2016/ NĐ-CP)

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	03/28/17
<b>Progress update:</b>	<p>06/08/17 : Completed</p> <p>05/03/17 : 3 May 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed 8. Completed 9. Completed 10. Completed 11. Completed 12. Completed</p> <p>04/12/17 : 12 Apr 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed 8. Completed 9. Completed 10. Completed 11. Completed 12. Completed</p> <p>03/06/17 : 6 March 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed 8. Completed 9. Completed 10. In Process: The factory already started to recruit a full time OHS staff, one candidate passed 2 rounds of recruitment process and is waiting for the third round. The onboarding plan for this guy is end of March. 11. Completed 12. Completed</p> <p>02/14/17 : 1. In Progress 2. Completed on 20th Aug 2016 3. Completed on 18th Jul 2016 4. Completed on 30th Jul 2016 5. Completed on 30th Jul 2016 6. Completed on 18th Jul 2016 7. Completed on 30th Jul 2016 8. Completed on 28th Jul 2016 9. Completed on 30th Aug 2016 10. In Progress 11. In Progress 12. Completed on 17th Oct 2016</p> <p>12/05/16 : many findings were complete</p>
<b>Completion date:</b>	04/12/17

2. Middle Term/Ongoing

13. The factory will continuously provide OSH training to all workers by a qualified trainer to enhance their awareness on health safety and the environment.
14. The factory will develop the Behavior Observation & Feedback system to improve the safety behavior of workers.
15. The Compliance Department from the main office is in charge of conducting monthly self-audits to check implementation.
16. The factory will review the current roles, responsibilities, and performance metrics of all workshop managers to ensure compliance is their responsibility (not the compliance team's) in addition to creating a culture of safety.

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	03/28/17
<b>Progress update:</b>	<p>08/03/17 : 30 June 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed 8. Completed 9. Completed 10. Completed 11. Completed 12. Completed 13. Completed 14. Completed 15. Completed 16. Completed</p> <p>06/08/17 : 16. In Progress: The HSE team already added in the HSE topic in monthly Leadership meeting. The factory will review current role and responsibility and performance metric of all workshop managers to ensure compliance is their ownership to create a culture of safety, not compliance team</p> <p>05/03/17 : 3 May 2017 13. Completed 14. Completed 15. Completed 16. In Process: The HSE team already added in the HSE topic in monthly Leadership meeting. The factory will define the method to raise safety ownership for all workshop managers.</p> <p>04/12/17 : 12 Apr 2017 13. Completed 14. In Process: The factory developed the Behavior Observation system to drive safe behavior for all employees. The first gemba will conduct by middle of Apr 2017. 15. Completed 16. In Process: The HSE team already added in the HSE topic in monthly Leadership meeting. The factory will define the method to raise safety ownership for all workshop managers.</p> <p>03/06/17 : 6 March 2017 13. Completed 14. In Process: The factory is developing the Behavior Observation system to drive safe behavior for all employees. The first gemba will conduct by middle of Apr 2017. 15. Completed 16. In Process: In this week, the HSE team will have a meeting with leadership team to align about how to raise safety ownership for all workshop managers.</p> <p>02/14/17 : 13. Completed on 8th Oct 2016 14. In Progress 15. Completed in Aug 2016 16. In Progress</p> <p>12/05/16 : In Progress</p>
<b>Completion date:</b>	06/30/17

## FINDING NO.21

### HEALTH & SAFETY

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. The temperature is too high during the summer months to work in the factories that do not have a ventilation system (Factories 5, 6, 8, 9, 10, 12, and Mini). Based on interviews, workers have fainted in these factories due to the heat, but the clinic room has not recorded these cases. In Factory 5, workers feel the need to bring their own fans to the work floor due to the ambient heat.
2. Workers handling hazardous chemicals in the stain removal area are not equipped with the proper PPE (respirators). The factory only provides workers exposed to chemicals with dust masks.
3. There are metal mesh gloves with holes in use in Factories 5 and 8.
4. Medical masks are provided to sewing, and cutting workers, instead of the preferred dust masks. In addition, the factory does not

- provide a sufficient number of masks; each worker is provided with only one per quarter.
5. About 50% of sewing workers and cutters do not wear masks when working. 10% to 30% of the workers in each factory, especially workers working on over-lock machines, do not wear dust masks. About 80% of workers working on the high-speed machines do not use eye guards.
  6. Electricians are not provided with electrical hazard safety shoes and insulated gloves.
  7. Workers at the stain removing area in Factory 5 do not use the exhaust fans when working with hazardous chemicals.
  8. The eyewash station at the stain removing area of Factory 5, is blocked by various obstacles such as materials.
  9. Workers are not properly instructed on how to safely use laser machines. Laser machines do not have the appropriate guards and shields.
  10. There is no procedure for hot work. An unattended welding torch at Factory 5 was kept lit throughout the time that the inspectors observed the facility.
  11. The first step of the stairs from the top of the old stock warehouse does not have supporting reinforcements.
  12. Goods in the mezzanine of the old stock warehouse at Factory 5 are not stacked using an interlock mechanism.
  13. Needle guards are not properly maintained for about 30% of the sewing machines in Factory 5. They are too high or too low and do not protect the workers. Needle guards are missing and/or not in the right position on sewing machines in Factory 6. Improper guards are installed on at least three buttoning machines in Factory Eight.
  14. 20% of the ironing plates were missing or not in use at the ironing lines of each factory.
  15. The emergency buttons on the fabric testing machines are not marked in local language in Factory Eight.
  16. The eye guards on the high-speed machines are not sufficient to protect workers; they are too thin and elastic. Additionally the exiting guards are non-functional on 15% of the high-speed machines at Factory 2 and Factory 5. Furthermore they are non-functional on 10 overlock machines at Factory 6, Factory Mini, and Factory 12. Pulley guards were either missing or not fully covered on the Kansai machines and standing over-locking machine at Factory 2 and Factory 10.
  17. Sewing workers at the beginning of the sewing lines in Factory 5 are arranged in such a way that they do not have proper space and do not have correct seating positions at their work place. Two workers are seated in a space suitable for one, and their seats do not directly face their stations, and are at a 30-45 degree angle to it. Also, the work station of one of the workers is blocking the other worker.
  18. Individual workstations are not adjustable to fit workers and the seats do not have back rests.
  19. [Finding from the FLA-WRC joint visit in October, 2016] Compressed air guns used for cleaning spots operate at between 4-6 kg/cm<sup>2</sup> pressure (56-85 psi). The nozzles do not have pressure reducers or relief devices to lower outlet pressure to 30 psi or less to prevent injury to workers.
  20. [Finding from the FLA-WRC joint visit in October, 2016] Grinding wheels in some maintenance shops did not have shield protectors, tongue guards, or tool rests, and in those that did the tool rest was more than 1/8" from the wheel. The grinder tables were not bolted to the floor.
  21. [Finding from the FLA-WRC joint visit in October, 2016] Unbolted drill presses were not secured to the floor, and can tip over onto workers.
  22. [Finding from the FLA-WRC joint visit in October, 2016] Workers in the shipping area use pallet jacks to move plastic pallets load with incoming materials and outgoing product. Shipping dock workers also used rolling conveyors to load boxes into trucks. The workers are wearing only open-toed sandals. Jacks, pallets and materials that can fall from the conveyor represent a crush hazard on unprotected feet. Reportedly, loading operations and jacks are used intermittently, at most 2 hours a day.

#### Local Law or Code Requirement

Law No. 84/2015/QH13, Articles 7, 15, 72, 73, and 74; TCVN 6713:2013, Art. 5.2; Decree No.85/2015/NĐ-CP, Article 7.4; Law No. 84/2015/QH13, Article 7; FLA Workplace Code (Employment Relationship Benchmarks ER.1.1 and ER.1.2, and ER.31; Health, Safety & Environment Benchmark HSE.1, HSE.7, HSE.8, HSE.13, HSE.14, and HSE.17)

#### Root Causes

1. There is an overall lack of monitoring and governance of the Health, Safety & Environment system.
2. The factory lacks the manpower and resources to properly monitor the implementation of the Health, Safety & Environment policies and procedures.
3. The procedures for the procurement of PPE are not effective and the designated staff are not properly trained. The staff member in charge of purchasing PPE does not have the expertise to select the appropriate PPE.
4. The factory has not properly conducted a risk assessment to identify the risks and hazards in the factory and establish the necessary Health & Safety policies and procedures.
5. The factory representatives explained that they have a procedure in place to periodically check the metal gloves and replace them if torn or worn-out and that the procedure is communicated to the workers. When asked to show the procedure, factory representatives were not able to locate it.
6. The factory representatives explained that the factory has the ambient temperature measured once per year by an external agency. It is also measured internally, but the factory's devices are not calibrated.
7. The factory does not focus on Health & Safety issues in the old stock warehouse.

#### Recommendations for Immediate Action

1. Ensure all production areas are properly ventilated.

2. Ensure that all instances of fainting because of high ambient temperature and improper ventilation are accurately recorded by the clinic.
3. Ensure workers in the stain removal area are provided proper PPE.
4. Ensure torn and worn-out mesh gloves are replaced.
5. Ensure sewing and cutting workers are provided with dust masks and that they are replaced with sufficient frequency. Monitor use of masks by workers.
6. Provide electricians with the correct kind of safety shoes and gloves.
7. Ensure eyewash stations are free of any blockage at all times.
8. Establish safe handling procedures for machines with laser sources and communicate these procedures to workers.
9. Establish hot work procedures. Ensure proper welding torch handling by the maintenance staff.
10. Establish procedures to ensure that all stock is stored using an interlock mechanism.
11. Monitor the old stock warehouse for Health & Safety issues and replace the stair supports to protect workers from falls.
12. Ensure needle guards, eye guards and pulley guards are properly installed and used.
13. Ensure ironing plates are available and in use on each ironing line.
14. Install an inline air pressure reducer in the room main air line or provide pressure reducer tips to each nozzle to keep air gun outlet pressure to 30 psi or less.
15. Mark the emergency buttons on fabric testing machines in the local language of workers.
16. Ensure the two workers at the beginning of a sewing line in Factory 5 have sufficient work space and are not blocking each other in. Ensure they are seated perpendicular to their work stations.
17. Install appropriate guards to cover all hazard points from moving parts and secure them to the floor. *Portions of this finding were corrected after the audit subject to verification of photographic documentation provided.*
18. To prevent tipping over, the drill press in FA 9 used as mobile tool can be bolted to a sturdy wood platform that can be moved, and the FA 12 drill press must be bolted to the table in its permanent location.
19. Install appropriate guards to cover all hazard points from moving parts. *This finding was corrected after the audit subject to verification of photographic documentation provided.*
20. Provide protective footwear, such as steel-toed shoes, or removable toe guards that can be slipped on and off and used just for the period of time the jacks are used and loading operations take place when feet are exposed to potential crush hazard. Correct fitting footwear must be individually assigned to each employee that requires it, or toe guards of various sizes that can be for common use may be made available.

## COMPANY ACTION PLANS

1. Short term 1. The factory has a water-cooling system at factory 2, 3, 6, 11 and will expand this system to all others factories. In addition, factory had reminded clinic staff to record all accidents / illnesses that occur in factory. The factory will continue to monitor the workshop temperature and install the water-cooling system at all factories. The factory will contact the supplier before installing water-cooling system for the other factories to make sure functional efficiency. The factory will explore other options to reduce working temperature, such as plan to rearrange the layout to provide more fans at the workplace. Drinking water and frequent breaks will be provided for employees. 2. The factory has provide activated carbon mask for workers working with chemicals. In addition, factory will refresh training about personal protective equipment (PPE) for all workers (completed 07/28/2016). 3. The factory has checked and replaced all damaged metal mesh gloves. The factory will develop a One Point Lesson to train workers to identify unsafe PPE and how they can proactively change to a new one. Factory has assigned the FCO and cutting leader) to daily check and monitor this problem (completed 07/28/2016). 4. The factory will increase the frequency of delivering dust mask for workers. The factory will conduct the survey to understand worker needs and provide them a sufficient number of masks. Factory has defined the owner (FCO) to daily check and monitor this problem ensure worker wear the right masks. 5. FCO and line leaders will remind workers to wear mask when sewing, cutting, also to use eye guards when working with high speed machines (completed 10/28/2016). 6. The factory has provided electrical hazard safety shoes for electricians. The worker who the auditor interviewed was wearing the right type of safety shoes. Factory will provide insulated gloves as auditor comment (completed 07/28/2016) 7. Factory has reminded workers to use exhaust fan when working. Additionally, the factory will review risk assessment document and ensure factory have clear guidelines for worker in SOP about using the exhaust fans ( (completed 09/28/2016) 8. Factory has reminded worker not to put obstacles near eye wash stations. Factory will check all eyewash locations to ensure they are in the right locations. (completed 07/18/2016) 9. The factory will conduct a risk assessment for the class II laser machines and ensure all class II laser machines have sufficient warning signs. After that, factory will train for all related workers (completed 07/18/2016). 10. The factory already has the SOP, policies for hot work, welding torch. Factory has reminded workers not to connect hand tools to the electric source when not in use (completed 07/23/2016). 11. The factory has fixed the first step of the stair at stock warehouse factory #5. The factory has checked all stair in factory and fixed them where needed. The factory has defined the owner ( FCO) to daily check and monitor all safety problems (completed 07/18/2016). 12. The factory has arranged the stock warehouse, posted the limit height, and warning sign not to stack too high as this area. The factory will train all warehouse employees on this requirement (completed 07/18/2016). 13. The factory will develop the training material to guide workers how to properly use the needle guards, and clarify the feedback procedures in case those guard are broken. After that, factory will train all related workers. The factory will check the needle guard as their safety checklist according to their internal audit procedure (completed 07/18/2016).

**Action plan status:** Completed  
Planned

**completion date:** 12/28/17

**date:**

**Progress update:** 11/16/17 : 30 Sep 2017 1. Completed - Installation & Improvement: the factory completed installation and improvement for 9 workshops: 2, 3, 6, 7, 8, 9, 10, 11, 12. - New Update: the factory decided to install cooling system for workshop M, Cutting starting today and plan to complete by mid of Dec 2017. The reason why the factory changed their plan was because after investigating more about how to ensure product quality, they found that it is still possible to install cooling system for these workshops 2. Completed 3. Completed 4. Completed . 5. Completed 6. Completed 7. Completed 8. Completed 9. Completed 10. Completed 11. Completed 12. Completed 13. Completed

09/15/17 : 30 Aug 2017 1. In Progress: • Installation: only workshop to be complete is workshop 5 because waiting for renovation but will be complete within Sep 2017 •Improvement: completed (7, 9, 10, 11, 12); to be completed (2,3, 6, 8 – Sep) 2. Completed 3. Completed 4. Completed . 5. Completed 6. Completed 7. Completed 8. Completed 9. Completed 10. Completed 11. Completed 12. Completed 13. Completed

08/03/17 : 30 June 2017 1. In Progress: • Complete: the factory has completed the system installation for workshops 2, 3, 6, 7, 8, 9, 10, 11, 12 • To Be Complete: Workshop 5. Currently the workshop 6 has cooling system but it will be renovated until the end of Sep so after completion, all workers from workshop 5 will move to workshop 6 and the workshop 6 (physical location) will change its name to be workshop 5 (this is because some buyers don't keep the same workshop name even it moves to different locations). Workshop 5 (current physical location) will be used as the training center for self-skill and technical skill So: by the end of Sep 2017, all workshops will be installed with cooling system In addition to installing the cooling system, the factory has also made additional effort to improve its effectiveness by making improvement for better temperature reduction for workshop 10 and 9, the factory plan to scale this improvement to other workshops and complete within Sep 2017 (July Workshop 12; Aug: workshop 3, 7, 8, 11; Sep: workshops 2, 5) 2. Completed 3. Completed 4. Completed . 5. Completed 6. Completed 7. Completed 8. Completed 9. Completed 10. Completed 11. Completed 12. Completed 13. Completed

06/08/17 : 1. In Progress: The factory has installed evaporate cooling system for workshop 2, 3, 6, 8, 9, 11 (6 workshops) and being trialed for better temperature reduction in workshop 10 and will proliferate this improvement to other workshops depending on the trial results. The factory will continue to install evaporate cooling systems for workshops 12 (will be completed in June) and workshop 7 (will be completed in July)

05/03/17 : 3 May 2017 1. In Process: Factory already installed cooling system for factory 2,3,6,7,8,9,10 and the temperature is below local limit for workshops installed with the system. Current plan for other workshops o Workshop 5 – Aug o Workshop 12 – June o Workshop 7 – June 2. Completed 3. Completed 4. Completed . 5. Completed 6. Completed 7. Completed 8. Completed 9. Completed 10. Completed 11. Completed 12. Completed 13. Completed

04/12/17 : 12 Apr 2017 1. In Process: Factory already installed cooling system for factory 2,3,6,7,8,9,10 and the temperature is below local limit for workshops installed with the system. Current plan for other workshops o Workshop 5 – Sep; o Workshop 12 – Nov; o Workshop 7 – under discussion with other buyers as it impacts product quality (humidity) 2. Completed 3. Completed 4. Completed . 5. Completed 6. Completed 7. Completed 8. Completed 9. Completed 10. Completed 11. Completed 12. Completed 13. Completed

03/06/17 : 6 March 2017 1. In Process: Factory already installed cooling system for factory 2,3,6,7,8,9,10 and the temperature is below local limit for workshops installed with the system. In March, the factory will install cooling system for factory 5, 7, 12. 2. Completed 3. Completed 4. In process: The factory already increased the frequency of delivering dust mask for worker. End of Feb 2017, the factory will conduct the survey to understand exactly worker's demand then provide a sufficient number. 5. Completed 6. Completed 7. Completed 8. Completed 9. Completed 10. Completed 11. Completed 12. Completed 13. Completed

02/14/17 : 1. In Progress 2. Completed on 28th Jul 2016 3. In Progress 4. In Progress 5. Completed on 28th Oct 2016 6. Completed on 28th Jul 2016 7. Completed on 28th Sep 2016 8. Completed on 18th Jul 2016 9. Completed on 18th Jul 2016 10. Completed In Oct 2016 11. Completed on 18th Jul 2016 12. In Progress 13. Completed on 18th Jul 2016

12/05/16 : many findings were complete

**Completion date:** 09/30/17

2. 14. The factory has checked all ironing plates at workplace and provide enough for workers. The factory regularly reminds workers to use ironing plates (completed 07/18/2016). 15. Factory #8 has labeled the emergency button on the fabric-testing machine. Besides, factory will check the labels of all the emergency buttons on the machines to ensure they are marked in the local language. 16. The factory has checked and installed the safety guards for all production machines and equipment (completed 07/16/2016) 17. The factory arranged for proper seats for the workers at the sewing line and ensured that they are always free and comfortable. 18. The factory will require ergonomic exercises during break time. The factory will review the risk assessment to ensure ergonomic factors are well-captured and implements necessary control measure based on the updated risk assessment (completed 07/18/2016) 19. The factory will install a pressure reducer device for the compressed air guns at the cleaning room to reduce pressure of compressed air guns when they are in use. Monitoring checklist for spot cleaning room will include detailed requirements on the air gun outlet pressure. 20. The factory checked and installed the proper devices for the grinder, such as shield protector, tongue guard, and the tool rest 1/8" from the wheel. The factory will add more safety standards for the grinder machines into daily health and safety checklist, and factory compliance officer will be in charge to conduct self checking everyday. The compliance team will conduct a monthly internal audit to follow up on this issue. 21. Mechanics in all factories will check and attach the drill presses to the ground to ensure they will not tip over onto workers. Maintenance department will make maintenance plan and conduct training to guide mechanics at the factory. After training, mechanics will conduct quarterly checks of all machines at their respective factories. 22. The factory will review the current risk assessment for operations in the warehouse with the focus on suitable PPE, and will implement proper PPE according to the revised risk assessment and employees' opinions. The factory continues to raise employees' awareness through ongoing training about hazards, and hand pallet truck safety. Middle Term/Ongoing 23. The factory will provide continuous OSH training for all workers by a qualified trainer to enhance their awareness on using PPE and machine guards. 24. The factory will review the PPE matrix to ensure workers are used the right type of PPE , and are issued the right number of PPE. 25. The factory will develop a Behavior Observation & Feedback system to improve the safety of workers. 26. The factory has provided chair with backrests for pregnant workers at factory #6. Factory will consider providing the chair with backrests for all workers.

**Action plan status:** Completed

**Planned completion date:** 12/28/17

**Progress update:** 02/21/18 : Feb 2018 14. Completed 15. Completed 16. Completed 17. Completed 18. Completed 19. Completed 20. Completed 21. Completed 22. Completed 23. Completed 24. Completed 25. Completed 26. Completed • After completing a survey with employees' representatives and working with WRC, the factory has confirmed a purchase order with an external vendor for 3500 chairs for all sewing workers. • The vendor will deliver chairs in 4 batches to the factory, starting with 1000 chairs by March 10th 2018 and finishing the complete delivery and installation before April 16th 2018 (total of 3500 chairs)

11/17/17 : 31 Oct 2017 1. Completed • Installation & Improvement: the factory completed installation and improvement for 10 workshops: 2, 3, 6, 7, 8, 9, 10, 11, 12, M • Installation of cooling system for workshop M, Cutting: completed installation of cooling system for workshop M; installation for workshop cutting is under progress and will be completed by 15th Nov 2017 • New Update on installation of cooling system for workshop 5: the factory changed their plan by installation of cooling system for workshop 5 and they combined two workshops 5 and 6 (which is already installed with cooling system) into one workshop (they are interconnected each other) – they call workshop 5 – installation for the cooling system for workshop 5 is under progress and will be completed in Nov 2017 • New Update on Temperature Improvement: the factory is trying to improve their compliance to temperature by adding additional air conditioners and humidity reduction machines in finished warehouse of each workshop. In one workshop, there are 3 areas (material warehouse, production area, finished warehouse). 3. Completed 4. Completed . 5. Completed 6. Completed 7. Completed 8. Completed 9. Completed 10. Completed 11. Completed 12. Completed 13. Completed 14. Completed 15. Completed 16. Completed 17. Completed 18. Completed 19. Completed 20. Completed 21. Completed 22. Completed 23. Completed 24. Completed 25. Completed 26. In Progress: What have been done • Two chair samples were tested for workshop 2, 3, 7 – 2 lines/workshop for 4 days (2 days for type A and 2 days for type B) • Survey after this batch to 282 workers from workshop 2, 3,7 confirmed that 72% workers like type A (the sample coming from Korean vendor), 28% workers like type B (MXP chair) • Initial feedbacks from our worker interview: some of they said that it is not convenient (feel dizzy, some vomited) What are next steps • While waiting for direction from their HQ on the clear plan on which type of chair will be purchased based on current state (72% like type A, 28% like type B) , in the mean time, they continue trial with other workshops in Nov – expected to completed trial and survey within Nov 2017. The reason why they want to test with all workshop is to ensure having sufficient data to convince their employees

11/16/17 : 31 Oct 2017 14. Completed 15. Completed 16. Completed 17. Completed 18. Completed 19. Completed 20. Completed 21. Completed 22. Completed 23. Completed 24. Completed 25. Completed 26. In Progress: What have been done • Two chair samples were tested for workshop 2, 3, 7 – 2 lines/workshop for 4 days (2 days for type A and 2 days for type B) • Survey after this batch to 282 workers from workshop 2, 3,7 confirmed that 72% workers like type A (the sample coming

from Korean vendor), 28% workers like type B (MXP chair) • Initial feedbacks from our worker interview: some of them said that it is not convenient (feel dizzy, some vomited) What are next steps • While waiting for direction from their HQ on the clear plan on which type of chair will be purchased based on current state (72% like type A, 28% like type B) , in the mean time, they continue trial with other workshops in Nov – expected to complete trial and survey within Nov 2017. The reason why they want to test with all workshop is to ensure having sufficient data to convince their employees

09/15/17 : 30 Aug 2017 14. Completed 15. Completed 16. Completed 17. Completed 18. Completed 19. Completed 20. Completed 21. Completed 22. Completed 23. Completed 24. Completed 25. Completed 26. In Progress: • First trial from 5th Aug to 17th Aug 2017 (from 4 hours to 3 days as seating time because workers did not like and gave back to the factory) for 10 workshops for 670 users with WRC approved chair resulted in failed result because 96% users did not like it because of many reasons (tight, uncomfortable, low, dizziness, headache, vomit, poor ventilated seat, not appropriate to the task of sewing). The survey has done for 484 users • Second trial: the factory after collecting feedbacks from surveys from workers, the factory has worked with the Korean vendor to make three samples of chair and tested with about 20 supervisors. The new sample chairs have been modified with height, provision of separate mat above the chair for better ventilation (the revoking function can not be fixed due to technical challenges – the chair can not function both fixed and adjustable functions). After survey with supervisors, the factory has selected the best chair and already ordered 50 chairs from Korean vendors and they will arrive one month later (1st Oct) and the factory plan to test 50 chairs for each workshop for 3 days

08/03/17 : 30 June 2017 14. Completed 15. Completed 16. Completed 17. Completed 18. Completed 19. Completed 20. Completed 21. Completed 22. Completed 23. Completed 24. Completed 25. Completed 26. In Progress: • WRC reviewed proposed chair sample and provided feedback in support of it • Purchase Order: the factory already ordered 450 chairs from the vendor in Korea for the workshop # 12 and the chair will arrive in the beginning of Aug • Worker Feedback: within two weeks after chair's arrival, the factory will test worker's feedbacks on whether they like this type of chair and try to convince workers. • Purchasing and Provision Plan: If majority of workers in the workshop # 12 like the chair, the factory will start to purchase for all workshops for all sewing workers (around 4500 workers): around at the end of Aug, they will start order 500 chairs and this 500 chair will come in around 1 month. After the first 500 chairs, at every two weeks, each batch of 500 chairs will come to the factory until completion. The reason to take so long like this is because the vendor needs to prepare to manufacture (this was discussed between the factory and the vendor). So for now, the factory does not have specific plan on how many chair for which workshop, this is just their direction

06/08/17 : 26. In Progress: The factory has completed providing chairs with back support and suitable height (from surface of chair to table) to all pregnant nonsewing workers (104 chairs) – they sit instead of standing on these chairs to work. The factory has surveyed 5 types of chairs (samples) with 54 employees (representatives of workers and supervisors from all workshops) and workers have indicated preference for one type. After the survey, the factory sent WRC information on the chair selected, but WRC did not agree and recommended two of the other 4 types of chairs initially identified. WRC asked for better pictures of those two types of chairs. The factory has sent detailed pictures to WRC and are waiting for final feedback. The factory is still consulting with WRC on the type of chair WRC recommend. Once they receive a response from WRC, the factory will explain the benefits of the chair WRC recommended to all sewing workers of one workshop. The factory is not clear on what are next steps if workers don't agree. Purchasing process takes around 2-3 months after all (WRC, workers) agreed

05/03/17 : 3 May 2017 14. Completed 15. Completed 16. Completed 17. Completed 18. Completed 19. Completed 20. Completed 21. Completed 22. In process: The factory completed to revise the risk assessment for operations task in the warehouse with focus on suitable PPE. Base on risk assessment, the factory are ordering safety shoes and will deliver for worker end of Apr 2017. 23. Completed 24. Completed 25. Completed 26. In Process: - Chairs for standing pregnant workers: the factory has completed providing chairs to all pregnant standing workers (104 chairs) – they sit instead of standing on these chairs to work - Chairs for the rest of workers: 1) the factory is looking for chair sample by working with several vendors (two vendors in Vietnam and one vendor in Korea) and 2) will have worker's survey on chair (around 3,4 types of chair) to 100% workers (4500 sewing workers) in the mid of May and will complete survey end of May. After that, they will share with us if we have any concern and they can start purchase. Depending on material availability, it can complete sooner or later but will be completed in Sep 2017

04/12/17 : 12 Apr 2017 14. Completed 15. Completed 16. Completed 17. Completed 18. Completed 19. Completed 20. Completed 21. Completed 22. In process: The factory completed to revise the risk assessment for operations task in the warehouse with focus on suitable PPE. Base on risk assessment, the factory are ordering safety shoes and will deliver for worker end of Apr 2017. 23. Completed 24. Completed 25. In Process: The factory developed the Behavior Observation system to drive safe behavior for all employees. The first gemba will conduct by middle of Apr 2017. 26. In

Process: - Chairs for standing pregnant workers: the factory has completed providing chairs to all pregnant standing workers (104 chairs) – they sit instead of standing on these chairs to work - Chairs for the rest of workers: 1) the factory is looking for chair sample by working with several vendors (two vendors in Vietnam and one vendor in Korea) and 2) will have worker's survey on chair (around 3,4 types of chair) to 100% workers (4500 sewing workers) in the mid of May and will complete survey end of May. After that, they will share with us if we have any concern and they can start purchase. Depending on material availability, it can complete sooner or later but will be completed in Aug 2017

03/06/17 : 6 March 2017 14. Completed 15. Completed 16. Completed 17. Completed 18. Completed 19. Completed 20. Completed 21. Completed 22. In process: The factory completed to revise the risk assessment for operations task in the warehouse with focus on suitable PPE. Base on risk assessment, the factory are ordering safety shoes and will deliver for worker end of Apr 2017. 23. Completed 24. Completed 25. In Process: The factory is developing the Behavior Observation system to drive safe behavior for all employees. The first gemba will conduct by middle of Apr 2017. 26. In Process: the factory already provided 20 chairs with back support for pregnant employees in the factory 6. In March, the factory will provide 425 chair for sewing workers in factory 2. And factory will provide 4500 chairs for all sewing workers by Dec 2017 to meet ergonomic requirements (chair with back support).

02/14/17 : 14. Completed on 18th Jul 2016 15. Completed on 18th Jul 2016 16. Completed on 16th Jul 2016 17. Completed in Sep 2016 18. Completed on 18th Jul 2016 19. Completed on 30th Nov 2016 20. Completed on 31st Oct 2016 21. In Progress 22. In Progress 23. In Progress 24. In Progress 25. In Progress 26. In Progress

12/05/16 : many findings were complete

**Completion date:** 02/15/18

## FINDING NO.22

### HEALTH & SAFETY

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. One exit sign in Factory 11 is not illuminated.
2. Two of eight emergency lights did not work when tested in Factory 5. Emergency lights were not properly installed above the staircases for emergency exit from the 1st floor to the ground floor of the main material warehouse.
3. Exits in the packing section and accessory warehouse do not open outward. They are sliding doors and they are not kept open during working hours. At the time of the assessment, one exit in the main production building of Factory 5 and the main exit of the old stock warehouse opened inwards. (Note: The factory removed these doors after being advised by the assessors during the walkthrough.)
4. Two exits were blocked at the material warehouse for Factories 2, 6, 7, and 10. Blocked aisles were found at the cutting area, fabric warehouse, old stock warehouse, and packing section. Ten to fourteen employees were blocked in by workstations in the sewing lines and finishing lines of Factories 2, 6, and 7. In the warehouse for Factory 9 and Factory 12, 30% of aisles were obstructed. The clothes' hanging system at the ironing lines and finishing lines were too low, and would obstruct evacuation. One exit was blocked and another exit was locked at Factory 5.
5. The following deficiencies were observed with fire extinguishers:
  - a. Fire extinguishers in the materials warehouse are blocked by materials and cartons.
  - b. One marked fire extinguisher location at the hanging warehouse for Factory 2 is missing a fire extinguisher.
  - c. There were no fire extinguishers at the maintenance room of Factory 9. Note: the factory corrected this during the assessment.)
  - d. Each factory only provides two small fire extinguishers at the security station for the parking areas; these 1,100 square meter areas are used daily by more than 600 motorcycles.
6. Workers were observed sitting around in front of the materials warehouse smoking.
7. There are no signs at the evacuation assembly points. (Note: the factory installed signs and showed proof of the improvement on the last day of the assessment.)
8. There is an evacuation plan provided for the final warehouse for Factory 7. The plans at the production building of Factory 7 have no evacuation arrows, and the "You Are Here" signs are not visible.
9. The emergency response procedures do not include steps to ensure that all visitors, contractors, service providers, and special categories of workers are safely evacuated.

10. The emergency response procedures do not cover what to do in case of terrorist threats or public unrest.
11. [Finding from the FLA-WRC joint visit in October, 2016] The emergency exit sign and light are plugged in to wall outlets instead of being hardwired.
12. [Finding from the FLA-WRC joint visit in October, 2016] The emergency light cord has been patched. The emergency exit doors in all of the buildings inspected had panic bar devices and also locking bolts that were bolted from the inside, or hasps with eyelets to fit a padlock.

#### Local Law or Code Requirement

TCVN 2622 on Fire Prevention and Protection for Buildings and Structures - Design Requirements (1995), Art. 7.24; TCVN 3890:2009 on Fire Protection Equipment for Construction and Building – Providing, Installation, Inspection, Maintenance (2009), Art. 10.1.5; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.5 and HSE.6)

#### Recommendations for Immediate Action

1. Update the emergency response procedures to ensure that all visitors, contractors, service providers, and special categories of workers can be evacuated safely in the event of an emergency.
2. Update the emergency response procedures to cover what to do in the case of a terrorist threat or public unrest.
3. Ensure that fire extinguishers are accessible at all times and available in required production and parking areas.
4. Ensure exit signs are illuminated, emergency lights are properly installed and operational at all times.
5. Ensure exit doors open outwards without any obstruction and access to them is clear at all times.
6. Ensure aisles are not blocked.
7. Ensure smoking and non-smoking areas are strictly enforced.
8. Ensure evacuation plans are accurate, provide complete emergency and fire safety details.
9. Permanent equipment such as emergency lighting and exit signs must be hard wired to the electrical system. Patched electrical cables must be removed and replaced.
10. Remove all bolts that can obstruct immediate exit in the event of a fire. *This finding was corrected in some of the buildings inspected.*

### COMPANY ACTION PLANS

1. Short-term 1. The factory has replaced the exit sign at factory #11 and has checked and fixed all exit signs (completed 08/29/2016) 2. The factory has checked and fixed all emergency lights (completed 08/29/2016) 3. The factory keeps the exit door at the packing and accessory warehouse open during the working hour by fixed devices. In addition, factory has organized the meeting to remind all employee about to not lock the exit door during the working hours (completed 08/29/2016) 4. The factory has removed all obstacles in the evacuation routes. Line leaders check everyday to maintain the safe condition. The factory has posted warning signs for worker's attention when working the clothes' hanging system at ironing and finishing lines (completed 07/18/2016). 5. a. The factory has moved the obstacles from the fire extinguishers at material warehouse. The factory will organize a meeting to communicate with all workers to remind they follow safety requirements. Factory has assigned the owner ( FCO) to check and monitor this problem daily (completed 07/18/2016) b. The factory has removed the Fire extinguisher mark on the floor at factory #2 (completed 07/18/2016) c. The factory has provided Fire Extinguishers at maintenance room on the audit date (completed 07/18/2016) d. The factory has checked and provided fight extinguishers at the packing area (completed 07/18/2016) 6. The factory has designated a proper place for worker to smoke. In addition, the factory has communicated with all workers that there is no smoking at the production area. The factories has assigned persons to check and monitor this problem daily. (completed 07/18/2016) 7. The factory has posted signs at the evacuation assembly points (completed 07/18/2016) 8. The factory has posted more arrow marks and "you are here" signs for the evacuation plan at the final warehouse of factory #7 (completed 07/18/2016) 9. The factory will revise the emergency response procedures to include scope of application to include all visitors, contractors, service providers, and special categories of workers completed 10/31/2016) 10. The factory will revise the emergency response procedures to include cases such as terrorist threats, public unrest, plague, strike, outbreak, etc.(completed 10/31/2016) 11. The factory will ensure available energy for emergency light and exit signs (electrical system from wall outlets and back-up battery) in an emergency. The factory will remove patched electrical cables. The factory will conduct electrical safety training for relevant employees to ensure the electric wires re not being patched. The factory will monitor emergency lights, exit signs, and electrical cables in their internal check to ensure these requirements are met. 12. The factory will install the proper locking devices and remove all eyelets from the exit door so that they can not be fitted with padlock. Middle Term/Ongoing 13. The factory will make weekly review of health and safety (factory walkthrough) to ensure all exit lights, exit doors, warning signs, no obstacle are properly implemented. The factory will review the current role, responsibility, and performance metric of all workshop managers to ensure compliance is their responsibility in addition to the compliance team. 14. The factory compliance team is in charge of conducting monthly self-audit to check the implementation and all factory compliance performance reports. The results will be reported to the factory General Director to ensure alignment and reinforcement of leadership of sustainability 15. The factory will continue providing training on safety to all employees

**Action plan status:** Completed

**Planned completion** 03/28/17

**date:**

**Progress update:**

08/03/17 : 30 June 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed 8. Completed 9. Completed 10. Completed 11. Completed 12. Completed 13. Completed 14. Completed 15. Completed

06/08/17 : 13. In Progress: The factory have weekly review of health and safety (factory walkthrough) to ensure all exit lights, exit doors, warning signs, no obstacle are properly implemented. The HSE team already added in the HSE topic in monthly Leadership meeting. The factory will review current role and responsibility and performance metric of all workshop managers to ensure compliance is their ownership to create a culture of safety, not compliance team

05/03/17 : 3 May 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed 8. Completed 9. Completed 10. Completed 11. Completed 12. Completed 13. In Process: The factory have weekly review of health and safety (factory walkthrough) to ensure all exit lights, exit doors, warning signs, no obstacle are properly implemented. The HSE team already added in the HSE topic in monthly Leadership meeting. The factory will define the method to raise safety ownership for all workshop managers. 14. Completed 15. Completed

04/12/17 : 12 Apr 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed 8. Completed 9. Completed 10. Completed 11. Completed 12. Completed 13. In Process: The factory have weekly review of health and safety (factory walkthrough) to ensure all exit lights, exit doors, warning signs, no obstacle are properly implemented. The HSE team already added in the HSE topic in monthly Leadership meeting. The factory will define the method to raise safety ownership for all workshop managers. 14. Completed 15. Completed

03/06/17 : 6 March 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed 8. Completed 9. Completed 10. Completed 11. Completed 12. In Process: All exit doors always open during working hours. Because the factory only have one shift ( from 7:30 to 4:30), so end of shift, the eyelets of exit door need to use to close the workshop. 13. In Process: The factory have weekly review of health and safety (factory walk-through) to ensure all exit lights, exit doors, warning signs, no obstacle are properly implemented. In this week, the HSE team will have a meeting with leadership team to align about how to raise safety ownership for all workshop managers. 14. Completed 15. Completed

02/14/17 : 1. Completed on 29th Aug 2016 2. Completed on 29th Aug 2016 3. Completed on 29th Aug 2016 4. Completed on 18th Jul 2016 5. Completed on 18th Jul 2016 6. Completed on 18th Jul 2016 7. Completed on 18th Jul 2016 8. Completed on 18th Jul 2016 9. Completed on 31th Oct 2016 10. Completed on 31th Oct 2016 11. Completed on 31th Oct 2016 12. In Progress 13. In Progress 14. Completed in Nov 2016 15. In Progress

12/05/16 : many findings were complete

**Completion date:**

06/30/17

## FINDING NO.23

### HEALTH & SAFETY

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. Non-potable water sources are not labeled.
2. There is an insufficient number of toilets for male workers at Factories 2, 3, 5, 8, 9, 10, 11, and 12. There is no soap in the male toilets of Factory 6 and Factory Mini. There are no bathrooms or menstruation bathroom, or breastfeeding room/place to store mothers' milk at any of the factories.
3. Only one roll of toilet paper per month is supplied to each worker.
4. During the facility walkthrough, the toilets in Factory 11 had a strong foul smell.

##### Local Law or Code Requirement

Labor Code No. 10/2012/QH13 (2013), Art. 154; Circular No. 9/TT-BYT, Art. 3(11); Decision No. 3733/QĐ-BYT, Art. I(4); FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.19, HSE.20, and HSE.23)

## Root Causes

1. The factory has a compliance management system in place; however, the factory is not fully aware of the requirements embodied in the FLA Workplace Code and Compliance Benchmarks. Thus, some of their procedures and policies do not fully meet FLA requirements.
2. There is a lack of monitoring and governance in the Health, Safety, and Environment program.

## Recommendations for Immediate Action

1. Install a sufficient number of toilets, breastfeeding, and menstruation rooms in each factory, as per legal requirements:
  - a. Toilets: 11-20 persons/toilet for workplaces with 101 to 500 workers; 21-30 persons/toilet for workplaces with more than 500 workers
  - b. Bathrooms: 1-2 person/room if organization has fewer than 300 workers; 21-30 persons/room if organization has from 301-600 workers; 30 persons/room if organization has more than 600 workers.
  - c. Menstruation bathroom: 1- 30 women/room if organization has fewer than 300 workers; more than 30 women/room if organization has more than 300 workers.
2. Clearly label the non-potable water source as such.
3. Provide enough toilet supplies and ensure toilet hygiene is properly maintained.

## COMPANY ACTION PLANS

1. Short term 1. The factory will check and label all non-potable water sources for easy recognition (completed 10/01/2016) 2. The factory will re-calculate and provide a sufficient number of toilets in each factory as per legal requirement. The factory will set up a breastfeeding room/place to store mothers' milk as requirement. The factory has provided the soap for every toilets and reminded cleaners to check regularly to ensure soap available. 3. The factory has provided more toilet paper for workers. In addition, the factory will conduct the survey to understand worker's needs and provide a sufficient amount 4. The factory has asked the licenses agency to clean the toilet of factory #5 immediately. In addition, the factory will increase cleaning frequency to ensure toilet hygiene is properly maintained (completed 10/01/2016) Middle Term/Ongoing 5. The factory will develop a patrol program to frequency check all safety and hygiene items (completed 10/28/2016)

**Action plan status:** Completed

**Planned completion date:** 05/28/17

**Progress update:** 06/08/17 : Completed

05/03/17 : 3 May 2017 1. Completed 2. In process: The factory completed to order all equipment for breastfeeding room. The location of breastfeeding room will be finalized by leadership team end of Feb and can start to use on June 2017 3. Completed 4. Completed 5. Completed

04/12/17 : 12 Apr 2017 1. Completed 2. In process: The factory completed to order all equipment for breastfeeding room. The location of breastfeeding room will be finalized by leadership team end of Feb and can start to use on Apr 2017. 3. Completed 4. Completed 5. Completed

03/06/17 : 6 March 2017 1. Completed 2. In process: The factory re-calculated and provided the sufficient number of toilets in each factory as per legal requirement. The factory completed to order all equipment for breastfeeding room. The location of breastfeeding room will be finalized by leadership team end of Feb and can start to use on Apr 2017. 3. In process: The factory has provided more toilet papers for workers. End of Mar 2017, the factory will conduct the survey to understand exactly worker's demand then provide a sufficient number. 4. Completed 5. Completed

02/14/17 : 1. Completed on 1st Oct 2016 2. In Progress 3. In Progress 4. Completed on 1st Oct 2016

12/05/16 : many findings were complete

**Completion date:** 05/31/17

## FINDING TYPE: Immediate Action Required

### Finding Explanation

1. The following food hygiene issues were observed:
  - a. Raw food sources are not controlled well to ensure food safety and hygiene.
  - b. The factory does not control the reuse of cooking oil. Very dark cooking oil (reused many times) was observed in use in the kitchens for frying.
  - c. Cooked food is not covered at the cooking areas during the display and distribution times at Canteens 1, 2, 4, and 5.
  - d. Knives used in the canteens at Factories 8 and 9 are not made of stainless steel.
2. There is not enough food for workers in the canteens, especially for male workers, who find the portions inadequate. There was a strike reported at Factory 12 last year related to the quantity and quality food.
3. While food samples are maintained for 24 hours in line with the requirements, it is recommended that the factory keep them for up to 72 hours against the risk of food poisoning that might manifest itself after a couple of days.
4. [Finding from the FLA-WRC joint visit in October, 2016] Fluorescent light tubes on the kitchen ceiling are not protected to keep them from dropping glass shards and possibly mercury if they break over food preparation areas.
5. [Finding from the FLA-WRC joint visit in October, 2016] The floor in the food preparation area is very slippery and there are no anti-slip mats next to the stove where workers handle pots with hot oil or boiling water.
6. [Finding from the FLA-WRC joint visit in October, 2016] Some injured and ill workers must wait for an excessive period of time before receiving treatment.

### Local Law or Code Requirement

Decree No: 15/2012/TT-BYT, Art 5 and 6; Law No: 55/2010/QH12, Art. 10, 11, and 12; FLA Workplace Code (Health, Safety & Environment Benchmark HSE.22)

### Root Causes

1. The factory has a compliance management system in place; however, the factory is not fully aware of the requirements embodied in the FLA Workplace Code and Compliance Benchmarks. Thus, some of their procedures and policies do not fully meet FLA requirements.
2. Factory does not adequately monitor the performance of the catering service provider (catering service is provided by an outside contractor).
3. These issues have not been brought to the attention of the factory management during previous external audits.

### Recommendations for Immediate Action

1. Control the source of raw foods used by the canteen contractor and the reuse of cooking oil.
2. Cover the cooked foods at the canteen.
3. Quantify the food provided for each meal for each worker. Work with the catering service provider to provide sufficient amounts of food of better quality.
4. Install slip covers or other shielding on fluorescent lamps in food preparation areas.
5. Install anti-slip mats in front of the stove, and where there is a risk of slipping and injury from hot liquids.

## COMPANY ACTION PLANS

1. Short term 1. a. The factory will choose a reputable supplier to provide raw foods, which are bought directly from the local market. b. The factory will organize a meeting to communicate to all Canteen staff and Canteen manager about not reusing cooking oil. In addition, the factory will add checking the oil in the daily canteen check form, so the clinic department and HR staff can check and ensure canteen is not reusing cooking oil. c. The factory will organize a meeting to reinforce safety requirements for all Canteen staff and Canteen Manager, especially to cover cooked food at the cooking area. d. The factory will check and replace all non-stainless steel knives. 2. The factory will re-calculate the food portions for workers, and assign one HR staff conducting a daily check of the food distribution process, to ensure the food quantity and quality for workers. 3. According to the local law (Circular 30/2012 BYT (item 5, circle 3, chapter II)): sample food stored must be at least 24 hours from the cooked time. Therefore factory keep sample food within 24 hours, accordingly (completed 07/24/2016) 4. Canteen management will replace the fluorescent light tubes by anti-explosive lights and shield lighting over food preparation area against risk of breakage. The canteen checklist will include a requirement on explosion-proof lights on the kitchen ceiling. The factory will update their training for all canteen management and related persons. 5. Canteen management will provide anti-slip mats next to the stove and clean all areas to ensure not slippery especially at the food preparation area and reminds canteen staffs to wear provided boots. The canteen checklist will include a requirement on anti-slip mat to ensure safe working area. The factory will update their training for all canteen management and related persons. 6. The factory will review the current incident management procedure to ensure effective response in an emergency (accident). The factory will provide training to first aid team and clinic staffs for first aid procedure. The factory will

monitor time from incident occurs to clinic to improve time response efficiency Middle Term/Ongoing 7. The factory will conduct daily checks of the canteen. 8. The factory will organize quarterly canteen performance review meeting to evaluate and improve canteen management system. 9. The factory will involve canteen management in the grievance meeting in case of any grievance related to canteen food service.

**Action plan status:** Completed

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

**Progress update:** 05/03/17 : 3 May 2017 1. Completed 2. Completed. 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed 8. Completed 9. Completed

04/12/17 : 12 Apr 2017 1. Completed 2. In- process: The factory already assigned one HR staff conducting the daily checking food distribution process to ensure the food quantity and quality for workers. Besides, the factory is inviting the expert to conduct the re-calculate the food portion of worker. 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed 8. Completed 9. Completed

03/06/17 : 6 March 2017 1. Completed 2. In- process: The factory already assigned one HR staff conducting the daily checking food distribution process to ensure the food quantity and quality for workers. Besides, the factory are inviting the expert to conduct the re-calculate the food portion of worker. 3. Completed 4. Completed 5. Completed 6. In Process: The factory had meeting with related department to develop the new incident management procedure and will establish the new procedure on middle of March. 7. Completed 8. In Process: The factory already establish the procedure for quarterly canteen performance review meeting. The first meeting will be conducted in March. 9. Completed

02/14/17 : 1. Completed in Oct 2016 2. In Progress 3. Completed on 24th Jul 2016 4. Completed on 16th Oct 2016 5. Completed on 30th Nov 2016 6. In Progress 7. Completed in Nov 2016 8. In Progress 9. Completed in Nov 2016

12/05/16 : many findings were complete

**Completion date:** 05/03/17

## FINDING NO.25

### HEALTH & SAFETY

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. Two of the sampled first aid kits in Factory 5 were missing the elastic bandages, triangle bandages, scissors, and forceps. The first aid kit examined in Factory 2 and 6 did not have forceps, scissors, absorbent cotton, or burn ointment.
2. The first aid kit in the cutting section of Factory 5 was locked.
3. [Finding from the FLA-WRC joint visit in October, 2016] A wet cloth mat placed underneath the emergency eyewash presents an immediate slipping hazard on tile floor. None of the cleaning rooms inspected have drains at the eyewash stations.
4. [Finding from the FLA-WRC joint visit in October, 2016] One of the men's toilets in factory 12 was out of operation and covered with wet rags. The toilet paper holders in two of the women's stalls in factory 5 were empty.
5. [Finding from the FLA-WRC joint visit in October, 2016] There is an insufficient number hand washing taps below the required 30 workers/tap: FA 9 has 164 men, and only 3 functioning taps, or 55 men per tap. FA 12 has 200 men, and 4 faucets or 50 men per tap.

##### Local Law or Code Requirement

Law No. 84/2015/QH13, Article 7; Circular No. 9/TT-BYT, Appendix 2; Law No. 84/2015/QH13, Article 37; FLA Workplace Code (Health, Safety & Environment Benchmark HSE.1, HSE.6.1, HSE.19, and HSE.20)

##### Root Causes

1. There is a lack of monitoring and governance in the HS&E program and a lack of resources allocated in each factory to ensure

- proper monitoring of the HS&E program.
- The designated employee to conduct accident investigations was not trained on root cause analysis.

## COMPANY ACTION PLANS

1. Short term 1. The factory will conduct a daily check of the first aid boxes and ensure that they are fully equipped (completed 07/28/2016) 2. The factory will assign first aid box keepers to monitor the first aid kits to ensure that they are not locked during working hours (completed 07/28/2016) 3. Factory will check and provide the proper mat underneath the emergency eye wash stations to prevent slipping and install carpet to capture any water to keep the area dry. 4. The factory repaired the broken toilet at factory 12. The factory provides toilet paper directly to each worker. The factory conducts daily checks of the toilets by maintenance team/compliance team to ensure immediate repair if any toilet is broken and provide sufficient toilet paper. 5. The factory will review the number of hand washing taps in all restrooms and install new taps accordingly. The factory will develop a patrol program to frequently check all safety and hygiene items, including hand washing taps. Middle Term/Ongoing 6. The factory will conduct annual first aid training for all workers and the first aid team. 7. The factory will conduct an accident investigation meeting with EHS committee, clinic department, and compliance department. EHS manager will conduct a quarterly check for all accident investigation reports to double check the quality of the reports.

**Action plan status:** Completed

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

**Progress update:** 05/03/17 : 3 May 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed

04/12/17 : 12 Apr 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. In Progress: The factory had meeting with related department to develop the new incident management procedure and will establish the new procedure on middle of Mar 2017. Then HS manager will conduct the quarterly check for all accident investigation reports to double check the quality of report by end of March 2017.

03/06/17 : 6 March 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. In Progress: The factory had meeting with related department to develop the new incident management procedure and will establish the new procedure on middle of Mar 2017. Then HS manager will conduct the quarterly check for all accident investigation reports to double check the quality of report by end of March 2017.

02/14/17 : 1. Completed on 28th Jul 2016 2. Completed on 28th Jul 2016 3. In Progress 4. Completed in Nov 2016 5. Completed in Nov 2016 6. In Progress 7. In Progress

12/05/16 : many findings were complete

**Completion date:** 05/03/17

## FINDING NO.26

### HEALTH & SAFETY

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

- Hazardous chemicals used at the printing area are not properly labeled with the chemical name and not kept in the proper container.
- [Finding from the FLA-WRC joint visit in October, 2016] No personal or area air monitoring for acetone has been conducted of cleaning room operators.
- [Finding from the FLA-WRC joint visit in October, 2016] The cleaning rooms where acetone is sprayed in the open do not have local exhaust ventilation (LEV) systems to capture the vapors. Wall-mounted fans installed to exhaust air from the room do not provide adequate ventilation.
- [Finding from the FLA-WRC joint visit in October, 2016] Emergency eye wash stations electric water pump motors are placed directly below the eye wash. The electric motor is not connected to a GFCI outlet. There is no floor drain to capture water stream

- presenting an electric shock hazard to users from energized equipment.
5. [Finding from the FLA-WRC joint visit in October, 2016] Open spraying of a Class 1B flammable liquid acetone with no local exhaust ventilation occurring immediately below non-explosion-proof lighting represents a possible explosion and fire hazard.
  6. [Finding from the FLA-WRC joint visit in October, 2016] 30-liter (7.9 gallon) containers of acetone are stored in the open inside plastic totes, not in flammable cabinets. Inventories observed ranged from one to three containers per room.
  7. [Finding from the FLA-WRC joint visit in October, 2016] Access to the emergency eye wash station is blocked in the cleaning room.
  8. [Finding from the FLA-WRC joint visit in October, 2016] The emergency eye wash paddle lever in the cleaning room has been replaced with a valve handle that is difficult to find and open in an emergency.
  9. [Finding from the FLA-WRC joint visit in October, 2016] The diesel tank for the back up generator located in the fire pump gouse does not have a hazard label, or container capacity. The tank has no secondary containment or diking to capture spills.

#### Local Law or Code Requirement

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

#### Root Causes

1. There is a lack of monitoring and governance in the HS&E program in the factory.

#### Recommendations for Immediate Action

1. Properly label all chemicals and provide the proper containers for them.
2. Conduct personal air monitoring to establish acetone concentrations and provide adequate respiratory protection, as needed.
3. Install spray booths with LEV to capture acetone emissions from spray guns, and conduct acetone spraying inside enclosure hoods to prevent build-up of potentially toxic and flammable atmospheres in the room.
4. Relocate electric pump away from the eyewash station to keep water from contacting energized equipment, and install pipe to floor drain or bucket to capture water stream to keep area dry. Plug electric motor to GFCI outlet.
5. Store flammable liquids inside approved or listed metal flammable containers with adequate secondary containment capacity, tight sealing doors, and properly grounded.
6. Install spray booths with LEV to prevent open air spraying that creates airborne mist of flammable liquid, and install appropriate explosion proof lighting and electrical wiring in the rooms.
7. Maintain clear access to all emergency eyewash stations.
8. Replace eyewash handles with paddles for easy activation.
9. Apply the required placarding and install secondary containment. *This finding was corrected after the audit subject verification of photographic documentation provided.*

## COMPANY ACTION PLANS

1. Short term 1. The factory has checked all chemical containers to make sure they have proper labels. The HR team will organize the refresher training about chemical safety for all workers who are using and storing chemicals, to reinforce they use proper labels and proper chemical containers (completed 07/28/2016) 2. The factory currently measures acetone concentration in the cleaning room and the result meets legal requirement (3733/2002/QD-BYT). The factory will continue to monitor PPE implementation for cleaning room operators, and will provide separate cabinets to store acetone for daily use at the spot cleaning room. 3. The factory has a plan to set up a small spray booth with local exhaust ventilation and to measure acetone concentration inside the enclosure to prevent build-up of potentially toxic and flammable atmospheres in the room. The factory will ensure that acetone spraying is conducted in the booth 4. The factory will install ground fault circuit interrupt (GFCI) electrical outlets for plugging in emergency eye wash station to prevent electric shock to workers. The factory will cover the electric pump from the eyewash station to keep water from contacting energized equipment and install carpet to capture any water stream (if any) and have schedule to replace carpet to ensure dry working area. The maintenance staff will check the emergency eye wash station bi-monthly to ensure GFCI outlets and dry area 5. The factory has a plan to set up a small spray booth with local exhaust ventilation and to measure acetone concentration inside the enclosure to prevent build-up of potentially toxic and flammable atmospheres in the room. The factory will ensure that acetone spraying is conducted in the booth. The factory compliance team conducts a daily check of the non-explosion proof lighting in the spot cleaning room. 6. The factory will review the current chemical (acetone) storage practice in the cleaning room to ensure just enough amount for daily use, adequate secondary containment, proper storage area, and reduce the risk of fire. The factory will train cleaning room workers about new chemical (acetone) storage practices. 7. The factory has reminded workers not to put obstacles near the eyewash station. Compliance team will check and re-layout all eyewash location to ensure they are designed in an accessible location. 8. The valve handle of the eye wash machine is the original design. Through interviews with workers at the spot cleaning room, they are familiar with that design. The factory will post a visual display to show location of the valve handle for easy activation in an emergency. 9. The factory corrected the issue immediately with the secondary container and added hazard labeling. Middle Term/Ongoing 10. The factory will conduct the bi-annual chemical safety training for all workers who are using and storing chemicals (completed 08/28/2016)

**Action plan status:** Completed

**Planned completion** 03/28/17

**date:**

**Progress update:** 02/21/18 : 30 Aug 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed 8. Completed 9. Completed 10. Completed

08/03/17 : 30 June 2017 1. Completed 2. In progress: • Complete installation: the factory has already purchased and complete installation for 6 workshops 2, 3, 5, 7, 8, 12 • To Be complete: the factory will purchase for 4 workshops more (9, 10, 11, M ) and these containers will arrive and be installed within Aug 2017 3. Completed 4. Completed 5. Completed 6. In Progress: • Complete installation: the factory has already purchased and complete installation for 6 workshops 2, 3, 5, 7, 8, 12 • To Be complete: the factory will purchase for 4 workshops more (9, 10, 11, M ) and these containers will arrive and be installed within Aug 2017 7. Completed 8. Completed 9. Completed 10. Completed

06/08/17 : 6. In progress: The factory already provided the first flammable cabinet for one workshop for trial. The factory currently measures acetone concentration in the cleaning room and the result meets legal requirement (3733/2002/QD-BYT). The factory continue to monitor PPE implementation and for cleaning room operators and will provide separate cabinet to store acetone enough for daily using at spot cleaning room (June 2017) 2. In progress: The factory already provided the first flammable cabinet for one workshop for trial. The factory currently measures acetone concentration in the cleaning room and the result meets legal requirement (3733/2002/QD-BYT). The factory continue to monitor PPE implementation and for cleaning room operators and will provide separate cabinet to store acetone enough for daily using at spot cleaning room (June 2017)

05/03/17 : 3 May 2017 1. Completed 2. In process: The factory already provided the first flammable cabinet for one workshop for trial. After that, factory will start to order for all factory. 3. Completed 4. Completed 5. Completed 6. In Process: The factory already provided the first flammable cabinet for one workshop for trial. After that, factory will start to order for all factory. 7. Completed 8. Completed 9. Completed 10. Completed

04/12/17 : 12 Apr 2017 1. Completed 2. In process: The factory already provided the first flammable cabinet for one workshop for trial. After that, factory will start to order for all factory. 3. In Process: The factory is installing the spray booth for one workshop. After trial run, factory will install for all workshop. 4. Completed 5. In process: The factory already replaced the light in the spot cleaning room with the non-explosion-proof lighting. The factory is installing the spray booth for one workshop. After trial run, factory will install for all workshop. 6. In Process: The factory already provided the first flammable cabinet for one workshop for trial. After that, factory will start to order for all factory. 7. Completed 8. Completed 9. Completed 10. Completed

03/06/17 : 6 March 2017 1. Completed 2. In process: The factory already ordered the flammable cabinet to store acetone for one workshop. These cabinet will deliver by end of March 2017. After that, factory will start to order for all factory. 3. In Process: The factory are installing the spray booth for one workshop. After trial run, factory will install for all workshop. 4. Completed 5. In process: The factory already replaced the light in the spot cleaning room with the non-explosion-proof lighting. The factory are installing the spray booth for one workshop. After trial run, factory will install for all workshop. 6. In Process: the factory already ordered the flammable cabinet to store acetone for one workshop. These cabinet will deliver by end of March. 7. Completed 8. Completed 9. Completed 10. Completed

02/14/17 : 1. Completed in 28th Jul 2016 2. In Progress 3. In Progress 4. Completed in Dec 2016 5. In Progress 6. In Progress 7. Completed in Oct 2016 8. Completed in Jul 2016 9. Completed in Oct 2016 10. Completed on 28th Aug 2016

12/05/16 : many findings were complete

**Completion date:** 08/30/17

## FINDING NO.27

### WORKER INTEGRATION (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The worker integration component is missing for all Employment Functions. The factory has not established procedures for receiving worker input/feedback on the creation, implementation, and revision of its policies and procedures. Workers are neither systematically integrated nor consulted in the decision-making processes.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.29, and ER.30)

Root Causes

1. The management does not recognize the benefits of worker integration.
2. The factory has a compliance management system in place; however, the factory is not fully aware of the requirements embodied in the FLA Workplace Code and Compliance Benchmarks. Thus, some of their procedures and policies do not fully meet FLA requirements.
3. The finding noted above has not been brought to the attention of factory management during previous external audits.

**COMPANY ACTION PLANS**

1. The factory will develop a policy and procedure to consult appropriate employees during the creation, implementation, and revision of all policies and procedures for all employment functions and will provide the training to management and employees. The factory will develop the procedure to collect worker's feedback and input on the creation, implementation, and revision HSE procedure and policy Middle Term/Ongoing
2. The factory will maintain the EHS committee and hygiene collaborator network, which include workers, and encourage these committee give more input during review procedure and policy meeting.
3. The factory will maintain dialogue at the workplace to receive feedback/suggestion from workers about policies/procedures.

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	05/28/17
<b>Progress update:</b>	04/12/17 : 12 Apr 2017 1. Completed 2. Completed 3. Completed  03/06/17 : 6 March 2017 1. In Progress: the factory has developed a policy and procedure to consult appropriate employees during the creation, implementation, and revision of all policies and procedures for all employment functions. the factory has completed all the list of policies and procedures to be reviewed and the factory will have meetings to review these policies/procedures in March 2017 2. Completed 3. Completed  02/14/17 : 1. In Progress 2. In Progress 3. In Progress  12/05/16 : In the progress to develop the procedure
<b>Completion date:</b>	04/04/17

**FINDING NO.28**

**HEALTH & SAFETY**

**FINDING TYPE: Immediate Action Required**

Finding Explanation

1. [Finding from the FLA-WRC joint visit in October, 2016] Single use filtering face piece masks with charcoal layer are used with acetone spray guns to clean stains. The masks are not NIOSH approved. The facepieces are not stored in bags, where they continue to absorb organic solvents while not in use and become saturated. There is no set mask replacement schedule.
2. [Finding from the FLA-WRC joint visit in October, 2016] The sound level at the ear of the cleaning operator using a compressed air gun in one factory was 96 dBA, above the 90 dBA maximum noise limit, which represents four times the maximum loudness. The noise reduction rating of the ear plugs worn by the operator were not available.
3. [Finding from the FLA-WRC joint visit in October, 2016] Cleaning room employees transfer acetone from the 30 liter (7.9 gallon) containers to the spray gun containers using a manual pump. The employees wear eye protection, and chemical protective gloves, but their feet are unprotected in open toed sandals.
4. [Finding from the FLA-WRC joint visit in October, 2016] The disposable filtering facepiece respirators (dust masks) provided for

mandatory use by all factory workers do not fit many employees properly to make a good seal with the face, and are not replaced frequently enough to be effective even when they fit. The facility has not conducted independent air monitoring to establish the need for these masks, which are uncomfortable to wear all day, and lose their shape and integrity when they get moist from perspiration or become deformed from repeated storage.

5. [Finding from the FLA-WRC joint visit in October, 2016] The inspection, ironing and packaging operations represent ergonomic risk factors from prolonged standing, even with rubber slippers or anti-fatigue mats.
6. [Finding from the FLA-WRC joint visit in October, 2016] The factory safety inspections conducted by factory personnel and the Compliance Department have not captured a wide range of safety hazards to workers at the facility. Only worker PPE violations are noted, while unsafe conditions of equipment, installations and machinery, such as those identified in this assessment are not recognized or are ignored.
7. [Finding from the FLA-WRC joint visit in October, 2016] Wood benches assigned to sewing operators are not ergonomically appropriate to the task. The benches lack back support, seat padding, arm rests, casters, swivel, seat pan height and back adjustment, and lumbar support. Operators "fix" the chairs by placing cushions on the seat.
8. [Finding from the FLA-WRC joint visit in October, 2016] Employees who walk up and down the platform ladder to store and retrieve oversize and heavy boxes over 25 kg with limited visibility face a risk of falls and serious injury.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1 and ER.1.2, and ER.31; Health, Safety & Environment Benchmark HSE.1, HSE.7, HSE.8, HSE.13, HSE.14, and HSE.17)

#### Recommendations for Immediate Action

1. Provide adequate respiratory protection based on industrial hygiene air monitoring. Train cleaning room employees on the proper use, care, and limitations of respirators, and implement a change out schedule for respirators to prevent vapor breakthrough.
2. Provide protective footwear, such as closed-toed shoes, rubber boots, or chemical resistant rubber overshoes during liquid transfer operations. Correct fitting footwear must be individually assigned to each employee that requires it. Overshoes of various sizes may also be made available for common use.
3. Install a pressure reducer nozzles on the air guns to no more than 30 psi to help reduce the noise level, and evaluate the ear plugs to ensure they provide the required noise reduction to keep noise levels below 85 dBA daily average exposure.
4. Conduct representative personal air monitoring for each type of worker and job duties to establish fabric dust concentrations and verify the need for respiratory protection. Implement dust reduction measures, and provide proper fitting filtering facepiece respirators if required based on results. Disposable facepiece respirators should be replaced daily or more frequently if needed.

### COMPANY ACTION PLANS

1. The factory will look for the equipment supplier to provide mask approved by NIOSH for cleaning room employees. Additionally the factory will train employees on PPE usage, maintenance and storage. Finally the factory will implement a change out schedule based on the current working condition and supplier's recommendations to prevent vapor breakthrough. The factory has plan to set up a small spray booth with effective exhaust ventilation so that the spray mist is properly discharged, acetone spraying will be conducted in the booth. Monitoring checklists for the spot cleaning room will include detailed requirements on proper PPE usage, maintenance, and storage. The factory will provide training to affected employees on PPE usage, maintenance and storage on a regular basis, according to the factory's master training plan.
2. The factory will install a pressure reducer nozzle for compressed air guns at cleaning room to reduce noise. Additionally, the factory will post noise reduction ratings for earplugs. The factory will look for a supplier to provide adequate hearing protection for these workers. The factory will monitor the working hours of workers who work with chemical at spot the cleaning room to ensure the that the amount of time workers are exposed to this noise level per day complies with local regulations (3733/2002/QD-BYT).
3. The factory will revise the procedure for transferring chemicals to indicate that workers should put the spray gun container in the secondary container to ensure that there is no chemical (acetone) leakage to avoid the risk of chemical exposure to the feet. The factory will hold training for the workers who work with chemicals to clarify the procedure. The compliance Team will conduct a self-audit regarding the chemical transfer requirement. The factory will make corrections as a result of the self-audit and further review system of chemical management.
4. The factory continues to monitor ambient air quality (dust, light, noise, VOC...) and verify the need for respiratory protection. The current result meets the local law (3733/2002/QD-BYT). The factory will review the change out schedule for personal protective equipment based on the need and result of air monitoring.
5. The factory will review the current risk assessment for all operations with prolonged standing and explore options to reduce the risk of musculoskeletal injury in addition to the current ergonomic practices (short break and exercise twice). The factory will provide the rubber slippers to minimize the risk of standing jobs. The factory will conduct ergonomics training for all workers in the annual training and orientation training program.
6. The factory will review their internal monitoring procedures (including checklist, team, capability, etc.) to make internal audit more effective, including development opportunities for the audit team. The factory will provide training for affected employees about internal monitoring procedures (inspection procedure).
7. The factory will conduct ergonomic assessment to ensure that an appropriate workspace is provided for employees (especially employees sitting for most of the work shift) and determine how to make adjustment as needed in addition to their current ergonomic programs (break, exercise). The factory provides annual health and safety training for all workers, including ergonomics, to enhance their awareness. The factory will choose a suitable supplier to provide the proper chairs for sewing workers.
8. The factory will provide annual fall protection training to warehouse packing workers to enhance their awareness about fall protection, which will include the maximum weight for regular lifting. Equipment will

be used in case the load is above the maximum weight. Factory will arrange more two persons for lifting the retrieve oversize and heavy boxes to reduce the risk of falls and serious injury.

**Action plan status:** Completed

**Planned completion date:** 05/28/17

**Progress update:** 02/21/18 : Feb 2018 1. Completed 2. Completed 3. Completed 4. Completed. 5. Completed 6. Completed 7. Completed • After completing a survey with employees' representatives and working with WRC, the factory has confirmed a purchase order with an external vendor for 3500 chairs for all sewing workers. • The vendor will deliver chairs in 4 batches to the factory, starting with 1000 chairs by March 10th 2018 and finishing the complete delivery and installation before April 16th 2018 (total of 3500 chairs) 8. Completed

11/17/17 : 31 Oct 2017 1. Completed 2. Completed 3. Completed 4. Completed. 5. Completed 6. Completed 7. In Progress: What have been done • Two chair samples were tested for workshop 2, 3, 7 – 2 lines/workshop for 4 days (2 days for type A and 2 days for type B) • Survey after this batch to 282 workers from workshop 2, 3,7 confirmed that 72% workers like type A (the sample coming from Korean vendor), 28% workers like type B (MXP chair) • Initial feedbacks from our worker interview: some of they said that it is not convenient (feel dizzy, some vomited) What are next steps • While waiting for direction from their HQ on the clear plan on which type of chair will be purchased based on current state (72% like type A, 28% like type B) , in the mean time, they continue trial with other workshops in Nov – expected to completed trial and survey within Nov 2017. The reason why they want to test with all workshop is to ensure having sufficient data to convince their employees 8. Completed

11/16/17 : 30 Sep 2017 1. Completed 2. Completed 3. Completed 4. Completed. 5. Completed 6. Completed 7. In Progress: • Chair Sample: the factory has selected two chair samples for trial. 50 chairs from Korean vendor has come and another 50 chairs from another vendors will arrive in the factory on 10th Oct • Trial Plan - The factory will start testing for two new sample chair for all workshops from 11th Oct - 100 chairs (sample 1 and sample 2) will be tested for 3 days at each workshop and will survey after testing. 8. Completed

09/15/17 : 30 Aug 2017 1. Completed 2. Completed 3. Completed 4. Completed. 5. Completed 6. Completed 7. In Progress: • First trial from 5th Aug to 17th Aug 2017 (from 4 hours to 3 days as seating time because workers did not like and gave back to the factory) for 10 workshops for 670 users with WRC approved chair resulted in failed result because 96% users did not like it because of many reasons (tight, uncomfortable, low, dizziness, headache, vomit, poor ventilated seat, not appropriate to the task of sewing). The survey has done for 484 users • Second trial: the factory after collecting feedbacks from surveys from workers, the factory has worked with the Korean vendor to make three samples of chair and tested with about 20 supervisors. The new sample chairs have been modified with height, provision of separate mat above the chair for better ventilation (the revoking function can not be fixed due to technical challenges – the chair can not function both fixed and adjustable functions). After survey with supervisors, the factory has selected the best chair and already ordered 50 chairs from Korean vendors and they will arrive one month later (1st Oct) and the factory plan to test 50 chairs for each workshops for 3 days 8. Completed

08/03/17 : 30 June 2017 1. Completed 2. Completed 3. Completed 4. Completed. 5. Completed 6. Completed 7. In Progress: • WRC reviewed proposed chair sample and provided feedback in support of it • Purchase Order: the factory already ordered 450 chairs from the vendor in Korea for the workshop # 12 and the chair will arrive in the beginning of Aug • Worker Feedback: within two weeks after chair's arrival, the factory will test worker's feedbacks on whether they like this type of chair and try to convince workers. • Purchasing and Provision Plan: If majority of workers in the workshop # 12 like the chair, the factory will start to purchase for all workshops for all sewing workers (around 4500 workers): around at the end of Aug, they will start order 500 chairs and this 500 chair will come in around 1 month. After the first 500 chairs, at every two weeks, each batch of 500 chairs will come to the factory until completion. The reason to take so long like this is because the vendor needs to prepare to manufacture (this was discussed between the factory and the vendor). So for now, the factory does not have specific plan on how many chair for which workshop, this is just their direction 8. Completed

06/08/17 : 7. In Progress: The factory has completed providing chairs with back support and suitable height (from surface of chair to table) to all pregnant non-sewing workers (104 chairs) – they sit instead of standing on these chairs to work. The factory has surveyed 5 types of chairs (samples) with 54 employees (representatives of workers and supervisors from all workshops) and workers have indicated preference for one type. After the survey, the factory sent WRC information on the chair selected, but WRC did not agree and recommended two of the other 4 types of chairs initially

identified. WRC asked for better pictures of those two types of chairs. The factory has sent detailed pictures to WRC and are waiting for final feedback. The factory is still consulting with WRC on the type of chair WRC recommend. Once they receive a response from WRC, the factory will explain the benefits of the chair WRC recommended to all sewing workers of one workshop. The factory is not clear on what are next steps if workers don't agree. Purchasing process takes around 2-3 months after all (WRC, workers) agreed

05/03/17 : 3 May 2017 1. Completed 2. Completed 3. Completed 4. Completed. 5. Completed 6. Completed 7. In Process: - Chairs for standing pregnant workers: the factory has completed providing chairs to all pregnant standing workers (104 chairs) – they sit instead of standing on these chairs to work - Chairs for the rest of workers: 1) the factory is looking for chair sample by working with several vendors (two vendors in Vietnam and one vendor in Korea) and 2) will have worker's survey on chair (around 3,4 types of chair) to 100% workers (4500 sewing workers) in the mid of May and will complete survey end of May. After that, they will share with us if we have any concern and they can start purchase. Depending on material availability, it can complete sooner or later but will be completed in Aug 2017 8. Completed

04/12/17 : 12 Apr 2017 1. In process: The factory already provided the new respirator for all cleaning room employees. The factory is finishing installation the spray booth for one workshop. After trial run, factory will install for all workshop. 2. Completed 3. Completed 4. Completed. 5. Completed 6. Completed 7. In Process: - Chairs for standing pregnant workers: the factory has completed providing chairs to all pregnant standing workers (104 chairs) – they sit instead of standing on these chairs to work - Chairs for the rest of workers: 1) the factory is looking for chair sample by working with several vendors (two vendors in Vietnam and one vendor in Korea) and 2) will have worker's survey on chair (around 3,4 types of chair) to 100% workers (4500 sewing workers) in the mid of May and will complete survey end of May. After that, they will share with us if we have any concern and they can start purchase. Depending on material availability, it can complete sooner or later but will be completed in Aug 2017 8. Completed

03/06/17 : 6 March 2017 1. In process: The factory already ordered respirators approved by NIOSH. The first respirator already delivered for trial and fit test. Factory will provide the new respirator for all cleaning room employees by end of Mar 2017. The factory are finishing installation the spray booth for one workshop. After trial run, factory will install for all workshop. 2. Completed 3. Completed 4. In process: The first respirator which approved by NIOSH already delivered for trial and fit test. After this respirator is passed the test, the factory will review the change out schedule for personal protective equipment base on manufacturing suggestion. 5. Completed 6. Completed 7. In process: the factory already provided 20 chairs with back support for pregnant employees in the factory 6. In March, the factory will provide 425 chair for sewing workers in factory 2. And factory will provide 4500 chairs for all sewing workers by Dec 2017 to meet ergonomic requirements (chair with back support). 8. Completed

02/14/17 : 1. In Progress 2. Completed in Oct 2016 3. Completed in Oct 2016 4. In Progress 5. In Progress 6. Completed in Nov 2016 7. In Progress 8. In Progress

**Completion date:** 02/15/18

## FINDING NO.29

### HEALTH & SAFETY

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. [Finding from the FLA-WRC joint visit in October, 2016] Electrical outlets for plugging in emergency eye wash station pumps are not rated as ground fault circuit interrupt (GFCI) to prevent electric shock to workers.
2. [Finding from the FLA-WRC joint visit in October, 2016] Exposed wires are evident in plugged electrical equipment, such as emergency eye wash water pumps in FA 7,9,11, and 12, and Fulontoon spot removing local exhaust ventilation system in factory 10.
3. [Finding from the FLA-WRC joint visit in October, 2016] The "Fulontoon" spot removing Local Exhaust Ventilation (LEV) machines were turned off, and several did not work when turned on.
4. [Finding from the FLA-WRC joint visit in October, 2016] Temperature in six of the seven factories inspected exceeded the maximum allowed 32°C (89.6°F) in at least half of the work areas measured. Average interior air temperatures exceeded the limit in four of seven factories. Average interior humidity levels were higher than outside in six of seven factories, including both of

- those with evaporative coolers. High temperatures and humidity in all work areas constitute a potential source of heat stress. Evaporative coolers are not an effective means of controlling indoor temperatures to within Vietnamese standards.
5. [Finding from the FLA-WRC joint visit in October, 2016] Exposed wires are evident in the backup electric fire pump.
  6. [Finding from the FLA-WRC joint visit in October, 2016] Raised platforms present a tripping and falling hazard when employees step onto or step off of the raised platform.
  7. [Finding from the FLA-WRC joint visit in October, 2016] Storage racks are not bolted to the floor.

#### Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.6, and HSE.13)

#### Recommendations for Immediate Action

1. Install GFCI outlets within 6 feet of where water is present, and where portable tools are used, such as pattern cutting saws. (Note: This finding was corrected after the audit subject to verification of photographic documentation provided.)
2. Employees in the cleaning rooms cannot be exposed to hazardous levels of airborne chemicals above regulatory limits. If ventilation is required to maintain levels below regulatory limits, then the local exhaust ventilation (LEV) systems must be functional and effective. LEV systems that are non-functional or ineffective must be removed from the cleaning rooms.
3. Repair all deficiencies in electrical installations to ensure they comply with the electrical code and best practices. (Note: Portions of this finding were corrected after the audit subject verification of photographic documentation provided.)
4. Make the necessary engineering controls to comply with Vietnamese temperature regulations, and modify work practices to prevent heat stress and ensure worker comfort.
5. Place warning tape or other effective method on the leading edge of the platform and also on the floor right where the people get on and off to warn employees of the break in elevation and trip/fall hazard.
6. Bolt storage racks.

## COMPANY ACTION PLANS

1. Short term 1. The factory will install ground fault circuit interrupt (GFCI) electrical outlets for plugging in emergency eye wash station to prevent electric shock to workers. The maintenance staff will check the emergency eyewash station bi-monthly ensure to GFCI outlets work well. 2. The factory will replace the exposed wires in electrical equipment with secured ones. The factory will check the electric wires daily to ensure electricity safety in the factory. The factory will train all workers to identify the electrical risk posed by exposed electric wires and how to report in case of any are found. 3. The factory will check and repair the Fulontoon machines to ensure it is fully functional. The factory will check this machines monthly to ensure they are operating well 4. The factory will continue to monitor the workshop temperature and install the water-cooling system at all factories. The factory will contact the supplier before installing water-cooling system for the other factories to make sure functional efficiency. The factory will explore other options to reduce working temperature, such as a plan to rearrange the layout to provide more fans at the workplace. Drinking water and frequent breaks will be provided for employees. 5. The factory will correct the issue by replacing the electric wire of the backup electric fire pump. The compliance team will combine with the maintenance team to conduct a check about electrical safety standards at similar areas, and conduct the electrical safety training for relevant employees to prevent the incidents from recurring. 6. The factory posted warning sign on the platforms right where the people get on and off to warn employees of the break in elevation and trip/fall hazard. 7. The factory will bolt the storage racks to the floor.

**Action plan status:** Completed

**Planned completion date:** 12/28/17

**Progress update:** 02/21/18 : 30 Sep 2017 1. Completed 2. Completed 3. Completed 4. Completed - Installation & Improvement: the factory completed installation and improvement for 9 workshops: 2, 3, 6, 7, 8, 9, 10, 11, 12. - New Update: the factory decided to install cooling system for workshop M, Cutting starting today and plan to complete by mid of Dec 2017. The reason why the factory changed their plan was because after investigating more about how to ensure product quality, they found that it is still possible to install cooling system for these workshops 5. Completed 6. Completed 7. Completed

09/15/17 : 30 Aug 2017 1. Completed 2. Completed 3. Completed 4. In Progress: • Installation: only workshop to be complete is workshop 5 because waiting for renovation but will be complete within Sep 2017 • Improvement: completed (7, 9, 10, 11, 12); to be completed (2,3, 6, 8 – Sep) 5. Completed 6. Completed 7. Completed

08/03/17 : 30 June 2017 1. Completed 2. Completed 3. Completed 4. In Progress: • Complete: the factory has completed the system installation for workshops 2, 3, 6, 7, 8, 9, 10, 11, 12 • To Be Complete: Workshop 5. Currently the workshop 6 has cooling system but it will be renovated until the end of Sep so after completion, all workers from workshop 5 will move to workshop 6 and the workshop 6 (physical location) will change its name to be workshop 5 (this is because some buyers don't keep the same workshop name even it moves to different locations). Workshop 5 (current

physical location) will be used as the training center for soft-skill and technical skill So: by the end of Sep 2017, all workshops will be installed with cooling system In addition to installing the cooling system, the factory has also made additional effort to improve its effectiveness by making improvement for better temperature reduction for workshop 10 and 9, the factory plan to scale this improvement to other workshops and complete within Sep 2017 (July Workshop 12; Aug: workshop 3, 7, 8, 11; Sep: workshops 2, 5) 5. Completed 6. Completed 7. Completed

06/08/17 : 4. In Progress: The factory has installed evaporate cooling system for workshop 2, 3, 6, 8, 9, 11 (6 workshops) and being trialed for better temperature reduction in workshop 10 and will proliferate this improvement to other workshops depending on the trial results. The factory will continue to install evaporate cooling systems for workshops 12 (will be completed in June) and workshop 7 (will be completed in July)

05/03/17 : 3 May 2017 1. Completed 2. Completed 3. Completed 4. In Process: Factory already installed cooling system for factory 2,3,6,7,8,9,10 and the temperature is below local limit for workshops installed with the system. Current plan for other workshops o Workshop 5 – Aug o Workshop 12 – June o Workshop 7 – June 5. Completed 6. Completed 7. Completed

04/12/17 : 12 Apr 2017 1. Completed 2. Completed 3. Completed 4. In Process: Factory already installed cooling system for factory 2,3,6,7,8,9,10 and the temperature is below local limit for workshops installed with the system. Current plan for other workshops o Workshop 5 – Sep; o Workshop 12 – Nov; o Workshop 7 – under discussion with other buyers as it impacts product quality (humidity) 5. Completed 6. Completed 7. Completed

03/06/17 : 6 March 2017 1. Completed 2. Completed 3. Completed 4. In Process: Factory already installed cooling system for factory 2,3,6,7,8,9,10 and the temperature is below local limit for workshops installed with the system. In March, the factory will install cooling system for factory 5, 7, 12 and install cooling system for 10 factories by Dec 2017. 5. Completed 6. Completed 7. Completed

02/14/17 : 1. Completed in Dec 2016 2. Completed in Oct 2016 3. Completed in Oct 2016 4. In Progress 5. Completed in Oct 2016 6. Completed in Oct 2016 7. In Progress

**Completion date:**

09/30/17

## FINDING NO.30

### HEALTH & SAFETY

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. Root cause analysis of the accident investigations is not properly conducted. The real root causes were not identified to fix the issues. Human errors such as carelessness were mostly listed as the root causes of the accidents:
2. [Finding from the FLA-WRC joint visit in October, 2016]: 10 accident investigations between November 2015 and August 2016 where workers were transferred to the hospital for medical treatment beyond first-aid, including electrical shock resulting in a fall and head trauma, crushed fingers, fractured hands, needle punctures, and cut hands requiring stitches all concluded that the cause of all the incidents was "worker error" or "worker carelessness." No investigation was conducted of the equipment or work procedures involved in the incident. The only corrective actions listed were "worker retraining" and "frequent reminders" to work safely. All accident investigations are conducted at the factory level by mostly managers and supervisors.
3. [Finding from the FLA-WRC joint visit in October, 2016.] Analysis of illnesses are not conducted to identify the trends and the root causes.
4. [Finding from the FLA-WRC joint visit in October, 2016]: Monthly Sickness reports prepared by the health clinic staff do not use uniform classifications to allow month to month comparisons. Some conditions, such as fainting incidents are classified as digestive distress or hypoglycemia, which does not allow an accurate representation of occupational health and safety risks
5. [Finding from the FLA-WRC joint visit in October, 2016] Accidental injuries during commuting are misclassified as sick leave, rather than leave for work-related injury.
6. [Finding from the FLA-WRC joint visit in October, 2016] Contrary to company internal rules, factory requires workers to provide medical certificate for sick leave on same day that leave is taken.

7. [Finding from the FLA-WRC joint visit in October, 2016] Some employees are denied opportunity to extend bereavement leave beyond 3 days.

Local Law or Code Requirement

FLA Workplace Code (FLA Workplace Code (Health, Safety & Environment Benchmark HSE.1; Hours of Work Benchmark HOW.16)

Root Causes

1. There is a lack of monitoring and governance in the HS&E program and a lack of resources allocated in each factory to ensure proper monitoring of the HS&E program.
2. The designated employee to conduct accident investigations was not trained on root cause analysis.

**COMPANY ACTION PLANS**

1. Short term 1. The factory will provide root cause analysis training to the designated staff who conduct the accident investigations to improve the quality of accident investigation report. 2. The factory will review and revise as necessary the incident management procedures, including team capability, to ensure root causes are properly identified, and to ensure results are objectively and independently investigated. The factory will attend training regarding incident investigation including root cause analysis, reporting, and recording requirements. 3. The factory will provide root cause analysis training to the designated staff that conducts the illness investigations. The clinic team will start to analysis all illnesses report to identify the trends and the root causes. 4. The factory will revise the current monthly sickness reports to improve tracking of all illness and injuries, including type, workshop, time, disease, root cause and improvement opportunities. The reporting and recording requirements, including incident capture and investigation, will be implemented according to the revised incident management procedure. The factory will provide training for clinic and safety teams for proper implementation and recording. 5. The law requires that the factory provide sufficient documents to qualify incidents as a labor accident. In this case, the worker did not provide the legally required documents from the traffic police and it is not considered as labor accident according to the law (39/2016/ND-CP). The factory will implement followings: develop a complete and detailed labor accident management procedure and provide a training to all employees, provide training for team responsible for labor accident investigation and management, develop a tracking system to monitor labor accident cases and compensate as appropriately. The factory will review and improve the policy upon review of efficiency and effectiveness of implementation. 6. The factory will provide training to the factory management team (Factory manager, Planning Manager, Supervisor) about sick leave procedures to ensure that there is no need to provide medical certificate on the same day that leave is taken. The factory will provided training to all workers about sick leave procedures. All violations of this revision will be subject to the disciplinary policy. 7. According to the law, bereavement leave is 3 days. However if employees want to extend bereavement leave beyond 3 days, the employee may discuss with the employer to take unpaid leave and this must get approval from employer for unpaid leave. The factory will reinforce unpaid policy by a training to all employees. The factory will review and improve the policy upon review of efficiency and effectiveness of implementation.

**Action plan status:** Completed

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

**Progress update:** 04/12/17 : 12 Apr 2017 1. Completed 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed 7. Completed

03/06/17 : 6 March 2017 1. Completed 2. Completed 3. In Process: The factory had meeting with related department to develop the new incident management procedure and will establish the new procedure on middle of March. Base on the new procedure, the clinic team will start to analysis all illnesses report to identify the trends and the root causes by end of Mar 2017. 4. In Process: The factory had meeting with related department to develop the new incident management procedure and will establish the new procedure on middle of March. Base on the new procedure, the factory will provide training for clinic and safety team for proper implementation and recording by end of Mar 2017 5. In Progress: The factory had meeting with related department to develop the new incident management procedure and will establish the new procedure on middle of Mar 2017. 6. Completed 7. Completed

02/14/17 : 1. Completed in Nov 2016 2. Completed in Oct 2016 3. In Progress 4. In Progress 5. In Progress 6. Completed in Oct 2016 7. In Progress

**Completion date:** 04/05/17

