

2011

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: Holloway Sportswear, Inc.

COUNTRY: Vietnam

FACTORY CODE: 10700841307J

MONITOR: Global Standards

AUDIT DATE: September 9 – 10, 2011

PRODUCTS: Garments

PROCESSES: Cutting, Sewing, Embroidery,

Finishing, Packing

NUMBER OF WORKERS: 546



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Wages, Benefits and Overtime Compensation: General Compliance Wages, Benefits and Overtime Compensation

WBOT.1 Employers shall comply with all local laws, regulations and procedures concerning the payment of wages and benefits, including overtime compensation. In any case where laws and the FLA Code are contradictory, the standard that provides the greatest protection for workers shall apply. Where provisions are lacking, employers shall take measures to reasonably accommodate matters concerning the payments of wages and benefits, including overtime compensation. (S)

Noncompliance

Explanation: Nursing mothers are being paid piece rate for 7 hours a day. Although they are entitled

to 1-hour paid leave per day according to local law, 1 hour is not being compensated.

Sources: record review; worker and management interviews

Legal reference: Article 115 of the Labor Code (Nursing workers are entitled to reduced

1 hour of work every day with full pay).

Plan Of New policy will be written by HR Manager requiring that nursing mothers will be paid 1

Action: hour leave. This new policy will be distributed to each worker and this disclosure will be

hour leave. This new policy will be distributed to each worker and this disclosure will be part of the hiring process. Factory will supply a full list of all nursing mothers which will be updated accordingly. Compensation will be hourly or at a piece system rate as applicable; this must be verifiable through payroll records and must be indicated on pay

slips as applicable. HR Manager is the responsible party for this.

Deadline 03/15/2012

Date:

Action New policy has been written.

Taken:

Plan No

Complete:

Plan 03/15/2012

Complete

Date:



Wages, Benefits and Overtime Compensation: Payment for All Hours Worked

WBOT.7 Workers shall be paid for all hours worked in a workweek. Calculation of hours worked must include all time that the employer allows or requires the worker to work. (S)

Noncompliance

Explanation: As the monitor observed several discrepancies in time records, it was not possible to

verify that workers are paid for all hours worked.

Plan Of Action:

Factory has electronic time card system in place. Supervisors will hold quarterly training seminars with workers, stressing the importance of the proper use of time cards. This process will also be in writing, for each worker and management staff member to sign; thusly, the urgency that each employee must punch their time card when on the floor working or for company meetings will be stressed. Progressive penalties will be put in place for the failure to comply with correct time card procedures. Verbal warning for the first infraction, written warning thereafter. HR Manager will ensure payroll records are accurately maintained and records must indicate actual hours worked and compensation for all work performed. A third-party payroll audit will be done in 6 months to verify compliance. HR Manager is the responsible party.

Deadline

03/15/2012

Date:

Action New policy has been written.

Taken:

Plan No

Complete:

Plan 03/15/2012



Freedom of Association: Right to Freely Associate

FOA.2 Workers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. The right to freedom of association begins at the time that a worker seeks employment, and continues through the course of employment, including eventual termination of employment, and is applicable as well to unemployed and retired workers. (S)

Noncompliance

Explanation: 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 (FOA) 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.

Plan Of Action:

There is 1 trade union representing workers in the facility. Union Leader is the HR Manager. The union's Executive Committee was elected by workers in August 2010 for a 2-year term, 2010-2012. 71% of workers were union members at the time of the audit. The Collective Bargaining Agreement (CBA) was signed and registered August 11, 2011 for a 3-year term. CBA is posted on every bulletin board for workers to read. There is an HSE Committee comprised of workers and management that meets quarterly and reviews HSE issues. To strengthen grievance procedure, factory is replacing their current suggestion boxes with boxes that lock. Boxes will be placed in areas easily accessible t employees such as Time Card and Canteen areas. There will be a monthly meeting to review any suggestions or complaints. Minutes will be taken during these meetings. HR Manager will be responsible for implementation.

Deadline

05/15/2012

Date:

Action

Taken:

Plan No

Complete:



Plan
Complete
Date:

Child Labor: General Compliance Child Labor

CL.1 Employers shall comply with all local laws, regulations and procedures concerning the prohibition of child labor. (S)

Noncompliance

Explanation: No policies or procedures concerning the special protection of young workers. Monitors

observed that a young worker who was hired at the factory from April 21 - August 31,

2011 worked during normal hours without any special protection.

Sources: record review, management interview

Legal Reference: Article 112 of the Labor Code.

Plan Of Action:

HR Manager will work with outside agency to develop a policy that complies with Article 112 of the Labor Code. HR will also have the applicable outside agency come on site for training HR staff and applicable management. In addition to this, management will collect birth certificates from all employees and will prepare a list of all young workers to verify which workers are subject to special protection under Article 112 of the Labor Code. Factory will distribute list to all young workers and discuss this in an open forum to ensure all young workers fully understand work hours and any special protection afforded to them under this provision. HR Manager is responsible party.

Deadline 03/15/2012

Date:

Action Taken:

Plan No

Complete:

Plan Complete Date:



Child Labor: Proof of Age Documentation

CL.3 Employers shall collect and maintain all documentation necessary to confirm and verify date of birth of all workers, such as birth certificates. In addition, the employers shall take reasonable measures to ensure such documentation is complete and accurate. (P)

Noncompliance

Explanation: No robust age verification systems at factory. Documentation necessary to confirm and

verify date of birth of all workers, such as birth certificates, is not maintained. Many

workers were born in 1993, but their ID cards do not specify month and date.

Sources: record review, management interview

Plan Of New Policy: All new hires will be required to supply a birth certificate in addition to the

ID card. Copies of each worker's birth certificate will be kept in the worker's file. All

existing workers will be required to bring in birth certificates. HR Department is

responsible party.

Deadline 03/15/2012

Date:

Action

Action:

Taken:

Plan No

Complete:

Plan 03/15/2012



Child Labor: Other Means of Age Verification

CL.4 In those cases where proof of age documentation is not readily available or unreliable, employers shall take all necessary precautions which can reasonably be expected of them to ensure that all workers are at least the minimum working age, including requesting and maintaining medical or religious records of workers, or through other means considered reliable in the local context. (P)

Noncompliance

Explanation: Factory does not use other means of age verification to verify the age of workers.

Factory could not provide a personnel record for 1 young worker hired.

Source: management interview

Plan Of New policy will be written by HR Manager. All new hires will be required to supply a Action:

birth certificate in addition to the ID card. Copies of each worker's birth certificate will

be kept in the worker's file. All existing workers will be required to bring in birth

certificates in cases where the ID cards do not indicate month/date.

Deadline 03/15/2012

Date:

Action Taken:

Plan No

Complete:

Plan 03/15/2012



Code Awareness:

GEN.2 Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.

Noncompliance

Explanation: Factory posted the client's Code of Conduct in the workshops in worker's language and

communicated this to workers via the loudspeaker system. However, most workers

interviewed were not aware of the code.

Sources: worker and management interviews

Plan Of New policy to be written by HR Manager: New hires will receive the code of conduct at

time of hire. Copies of code will be distributed to all current workers. Factory will

institute yearly refresher training on the code. To enable interaction between workers and management, refresher training will be broken down into small groups of 50 or so

workers.

Deadline 04/15/2012

Date:

Action

Action:

Taken:

Plan No

Complete:

Plan 04/15/2012



Health and Safety: General Compliance Health and Safety

H&S.1 Employers shall comply with all local laws, regulations and procedures concerning health and safety. (S)

Noncompliance

Explanation: Factory has more than 500 workers, but does not have a designated Safety Officer as

per Article 4 of Joint Circular No. 01/2011/TTLT-BLDTBXH-BYT.

Plan Of All workers will be notified by posting of announcement, that [Employee Name] is the

Action: safety officer. Monthly safety meetings will begin in January 2012. Factory will work

with NGO and [Employee name (same as above)] to make both up to date on safety

regulations and common safety practices.

Deadline 12/16/2011

Date:

Action Announcement has been posted by HR Manager.

Taken:

Plan Yes

Complete:

Plan 12/16/2011



Health and Safety: Written Health and Safety Policy

H&S.3 Employers are required to develop, maintain and regularly review a written health and safety policy. The policy must, at the very least, be aimed at complying with legal minimum safety and health standards, regulations and procedures. (P)

Noncompliance

Explanation: Factory lacks a written health and safety policy.

Sources: record review, management interview

Plan Of New health safety policy will be written by Safety Officer. Management shall require each department to nominate a worker to contribute to the establishment of the

each department to nominate a worker to contribute to the establishment of the health and safety policies for the workplace. The nominated workers will work with H&S Officer for the adoption of effective policy and procedures. Management will

supply a list of workers on the committee.

Deadline 03/30/2012

Date:

Action Policy has been written.

Taken:

Plan No

Complete:

Plan 03/30/2012



Health and Safety: Personal Protective Equipment

H&S.11 Workers shall be provided with effective and all necessary personal protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to health and safety hazards, including medical waste. (S)

Noncompliance

Explanation: Workers using hazardous chemicals are not provided with any personal protective

equipment (PPE).

Source: visual inspection

Legal reference: Law on Chemicals, Decree No. 68/2005/ND-CP.

Plan Of Action:

All workers will be supplied PPE when using hazardous chemicals in accordance with Law on Chemicals decree No. 68/2005/NS-CP by Safety Officer. Newly-formed Workers' Committee, Safety Officer and NGO will work together to correct violations and establish and publish written guidelines and procedures. Training of safety processes for proper chemical treatment will be arranged and verified with a certificate. The appointed safety officer will undergo training and obtain a certificate from the governing local authority. Management will submit a memo along with supporting facts

verifying [Employee name's] eligibility for the position of Safety Officer.

Deadline

04/15/2012

Date:

Action

Taken:

Plan No

Complete:

Plan

Complete

Date:



Health and Safety: Chemical Management and Training

H&S.13 All chemicals and hazardous substances shall be properly labeled and stored in accordance with applicable laws. Labels shall be placed in the local language and the language(s) spoken by workers, if different from the local language. Workers shall receive training, appropriate to their job responsibilities, concerning the hazards, risks and the safe use of chemicals and other hazardous substances. (S)

Noncompliance

Explanation: No robust management systems regarding the hazardous chemicals. Acetone bottles

used at the QC section are not marked with any labels. No warning labels at material

warehouse, where bigger acetone container is being kept.

Source: visual inspection

Legal reference: Law on Chemicals, Decree No. 68/2005/ND-CP.

Plan Of Action:

All workers will be supplied PPE when using hazardous chemicals in accordance with Law on Chemicals decree No. 68/2005/NS-CP by Safety Officer. Newly-formed Workers' Committee, Safety Officer and NGO will work together to correct violations and establish and publish written guidelines and procedures. Training of safety processes for proper chemical treatment will be arranged and verified with a certificate. The appointed safety officer will undergo training and obtain a certificate from the governing local authority. Management will submit a memo along with supporting facts verifying [Employee name's] eligibility for the position of Safety Officer.

Deadline 04/15/2012

Date:

Action Taken:

Plan No

Complete:

Plan Complete Date:



Health and Safety: Material Safety Data Sheets/Worker Access and Awareness

H&S.14 Material Safety Data Sheets (MSDS) for all chemicals used in the factory must be available at the usage and storage sites of the chemicals, in the local language and the language(s) spoken by workers, if different from the local language. Workers shall have free access to MSDS. (P)

Noncompliance

Explanation: MSDS of acetone is missing at QC tables (where it is being used) and material

warehouse (where it is being kept). Monitor observed acetone MSDS at spot cleaning station and chemical warehouse, although there is no acetone use in these sections. Another chemical called Rust Glo is also used occasionally without contents or MSDS.

Source: visual inspection

Legal reference: Law on Chemicals, Decree No. 68/2005/ND-CP.

Plan Of Action:

All workers will be supplied PPE when using hazardous chemicals in accordance with Law on Chemicals decree No. 68/2005/NS-CP by Safety Officer. Newly-formed Workers' Committee, Safety Officer and NGO will work together to correct violations and establish and publish written guidelines and procedures. Training of safety processes for proper chemical treatment will be arranged and verified with a certificate. The appointed safety officer will undergo training and obtain a certificate from the governing local authority. Management will submit a memo along with supporting facts verifying [Employee name's] eligibility for the position of Safety Officer.

Deadline

04/15/2012

Date:

Action MSDS sheets have been posted at workstations.

Taken:

Plan No

Complete:

Plan 04/15/2012

Complete Date:

14



Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance

H&S.17 All necessary ventilation, plumbing, electrical, noise and lighting services shall be installed and maintained to conform to applicable laws and in such a manner as to prevent or minimize hazardous conditions to workers in the facility. (S)

Noncompliance

Explanation: Factory has not conducted annual test on grounding and lightning system as per TCVN

439/BXD -CSXD and TCVN 47:2007.

Sources: record review, management interview

Plan Of Factory will contact lightning protection company to do tests and will list items that Action:

must be tested annually. Maintenance Manager is responsible employee for this.

Deadline 12/16/2011

Date:

Action Testing has been done and evidence is loaded on database.

Taken:

Plan Yes

Complete:

Plan 12/16/2011



Health and Safety: Sanitation in Factory Facilities

H&S.22 All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with all applicable laws, including relevant sanitation, medical and safety and health regulations. (S)

Noncompliance

Explanation: Soap is not available for hand washing outside toilets. 1 soap dispenser was broken,

others were empty.

Source: visual inspection

Plan Of Factory has been improved by adding new soap dispensers and dividing the work for

Action: the cleaners to check and add in once they are empty. Maintenance Manager is

responsible for this. Dispensers will be checked on a daily basis and filled if needed. Implementation of guidelines and procedures will be monitored and reported by H&S

Officer or a person in charge as designated by newly formed H&S Committee.

Deadline 12/16/2011

Date:

Action Soap dispensers have been changed and filled.

Taken:

Plan Yes

Complete:

Plan 12/16/2011



Hours of Work: Protected Workers (Women and Young Workers)

HOW.4 The factory shall comply with all applicable laws governing work hours regulating or limiting the nature, frequency and volume of work performed by women or workers under the age of 18. (S)

Noncompliance

Explanation: Factory fails to comply with all applicable laws governing work hours regulating or limiting the nature, frequency and volume of work performed by women. Although female workers who have children younger than 12 months shall not work any overtime according to local law, at least 3 female workers who have children under 12 months old signed OT registrations. (However, time card records revealed that they leave factory at 16.00.)

Sources: record review, document, worker interview

Legal reference: Article 115 of the Labor Code.

Plan Of Action:

New policy will be written by HR Manager: Women with children under 12 months old will not work overtime in accordance with Article 115 of the Labor Code. This policy will be posted in canteen area. As with nursing mothers, a list of women with children under 12 months old will be compiled and updated accordingly. HR Manager will monitor the time cards of all nursing mothers and mothers with children under 12 months old and will conduct random interviews with workers to verify that hours worked are within the applicable law.

Deadline 03/30/2012

Date:

Action Taken:

Plan No

Complete:

Plan 03/30/2012



Hours of Work: Time Recording System

HOW.6 Time worked by all workers, regardless of compensation system, shall be fully documented by time cards or other accurate and reliable recording systems such as electronic swipe cards. Employers are prohibited from maintaining multiple time-keeping systems and/or false records for any fraudulent reason, such as to falsely demonstrate working hours. Time records maintained shall be authentic and accurate. (P)

Noncompliance

Explanation: Monitors observed that time records are not reliable and accurate. For example, workers worked Sunday, August 28, 2011, in place of September 3, with prior agreement from workers and formal announcement. However, time cards were not stamped on August 28 and production records did not show production on this Sunday. Security diary shows workers worked some Sundays (June 19, July 17, August 21), but these days are not indicated on time cards or other production records. While time records of nursing mothers revealed that they leave the factory at 16:00, monitor observed 3 cases where nursing mothers signed OT registration.

Sources: time card review, worker interviews

Plan Of Action:

Factory has electronic time card system in place. Supervisors will hold quarterly training seminars with workers, stressing the importance of the proper use of time cards. This process will also be in writing, for each worker and management staff member to sign; thusly, the urgency that each employee must punch their time card when on the floor working or for company meetings will be stressed. Progressive penalties will be put in place for the failure to comply with correct time card procedures. Verbal warning for the first infraction, written warning thereafter. HR Manager will ensure payroll records are accurately maintained and records must indicate actual hours worked and compensation for all work performed. A third-party payroll audit will be done in 6 months to verify compliance. HR Manager is the responsible party.

Deadline

03/15/2012

Date:

Action Taken:

Plan No

Complete:

03/15/2012

Complete

Date:

Plan

