

GLOBAL STANDARDS

Independent Investigation at Hansae Vietnam for FLA

Global Standards

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Overview

The Hansae Vietnam Company Limited factory (Cu Chi Industrial Zone, HCMCity, Vietnam) experienced two strikes in Workshop #5, following the appointment of a new Factory Manager in September 2015. (Workshop #5 is one of two workshops at Hansae producing for Nike.)

17-19 October 2015 Strike 1 by 805 workers in Workshop #5
27-30 November 2015 Strike 2 by 792 workers in Workshop #5

Global Standards was invited by the Fair Labor Association to conduct an independent investigation into the causes and resolution of these strikes and scheduled a visit to Hansae Vietnam on 21 March 2016. During the visit, investigators met with management, supervisors, staff, workers and trade union representatives and conducted interviews both individually and in groups, at the factory and off-site. In total, we conducted 28 interviews on-site and 15 interviews with workers off-site. We further reviewed documents relating to the strike, improvement plan, production bonuses, grievance systems and actions taken by Hansae since the strikes.

In advance of the visit, Global Standards met with Nike's local compliance manager and were granted access to two Nike reports (Executive Summary Report, Investigation Report) as well as the Hansae Improvement Plan.

Strikes

Our interviews with workers (28 interviews on-site and 15 interviews with workers off-site) confirmed the general narrative of the strikes and their immediate causes. According to workers, the first strike occurred from 17 October 2015 (Saturday) until 20 October 2015 (Tuesday), because the Factory Manager (FM) did not allow workers to bring ice into the workplace with their drinking water. The second strike occurred from 27 November 2015 until 30 November 2015 (3 days) after the FM announced a toilet restriction policy for workers.

While these were the two immediate proximate causes given, workers also complained about many other issues. The core focus of most of the complaints centered on the change in management style from the old to the new FM. The consistent story which emerged from interviews was that most of the workers, line leaders and supervisors were comfortable with the old manager and his management style and were upset by the changes instituted by the new manager relating to drinking water, toilets, production targets and other issues.

Underlying many complaints and the strikes they sparked was the Quarterly Bonus policy, which is paid based on achieving a profitability target of 10%, which workshop #5 had not reached in a long time. According to some workers, they were assured by the outgoing manager that they would receive a bonus for the third Quarter, because they were on track to earn this bonus in July and August. However, poor performance resulting in losses in September meant that they did not receive any bonus, a failure which many of the workers, line leaders and supervisors blamed on the new FM, who started work on September 1. The fact that the workers got their hopes up and came to expect that they would receive this quarterly bonus played a key role in the discontent which touched off both of the strikes during this period.

Bonus Policy as a Contributing Cause of the Strikes

The Quarterly Bonus policy played a key role as a contributing cause in the conflicts and unrest leading to the two strikes, which needs closer examination.

Hansae management contends that this bonus is over and above required salaries and allowances, and is neither a required part of workers' compensation nor something that workers expect to receive normally.

Bonus records reviewed show that, in the case of Workshop #5, it has been a very long time (years) since they have received this bonus, so it is accurate to say that it is not expected or normal. However, many workers with whom we spoke reported that they *did* expect the bonus in Q3 of 2015, because they were apparently told or led to believe by the outgoing FM that they would get it.

As a consequence, when they were informed that they had made a loss in September and would not receive a bonus for the quarter, this came as a serious disappointment and left many feeling confused, upset or even cheated.

Information on the quarterly production bonus as it was communicated to workers at the time was unclear or confusing. According to interviewed workers, they were informed by the former FM that they had reached profits in July and August, and they would be paid a bonus for the 3rd quarter. However, little over a month after the new FM was transferred from Workshop #1 to Workshop #5 on September 1st, workers were informed that they would not receive any bonus for the third quarter, because they did not reach the profit target. This news did not go down well, leaving workers suspecting that there was something wrong or not transparent going on.

Based on our review of the profit and loss data from Hansae Vietnam's Workshop #5 provided by management we believe this was a case of misunderstanding and miscommunication, rather than manipulation by the FM. Profits for July (13.5%) and August (13.78%) were indeed on track to earn a bonus, until losses in September (-13.16%) pulled profits for Q3 down to 4.69%, well below the 10% threshold to earn the bonus.

A review of the profit history for Workshop #5 provided by management shows that not only did they not earn a bonus for any quarter in 2015, but they did not earn one in 2014 and are very unlikely to earn one in Q1 of 2016. In fact, performance in Q3 2015 was not Workshop #5's closest to earning a bonus, as in Q3 of 2014 they reached 7.9% profitability (3.3 percentage points higher than in Q3 2015).

Review of bonus payment records for other workshops, confirms that Workshop #5 was not alone in not receiving a bonus in Q3 or in 2015. No workshops received this bonus in Q1 and the majority of workshops did not receive the bonus in Q2, Q3, or Q4. In all, 7 out of 12 workshops received a bonus in one quarter of 2015 and only one workshop received the bonus in two quarters. Out of 48 possible quarterly bonuses across the 12 workshops during 2015, the workshops earned bonuses in only 9, or under 19%.

This profitability information supports the conclusion that poor communication was the root cause of the problem, not the simple failure to earn the bonus.

First, the outgoing manager apparently raised workers' hopes by suggesting that Workshop #5 workers would receive a bonus. He apparently made this suggestion, even though 2 months of profits *could provide no assurance of a Quarterly bonus*. In fact, profits in Q3 of 2014 declined steadily month by month: 10.7%, 7.3%, 5.6%. These data suggest a possible seasonal slowdown in September, which would

caution against forecasting a quarterly profit on the basis of July and August results alone.[NOTE: We were unable to speak with the outgoing manager, who had already left the factory or to verify what exactly he may have said to workers, beyond what the workers reported to us.]

Second, the new manager was less open and had less communication with factory supervisors and line leaders than his predecessor. Language was a key factor here, as the new FM could not speak Vietnamese and had to work through a translator, while the former FM could communicate directly in Vietnamese. The former manager had the additional advantage of having long-established relationships with middle managers, developed over a period of years, while the new manager was unknown to them. Finally it appears that the new FM's management style was more top-down and less open than the previous manager's.

The result was that a lack of clear communication and of transparency on the part of the new FM created suspicion and doubt among workers about the causes of the September profit miss, how it was calculated and the fairness of the system. The new FM also bred discontent and dissent among the supervisors through a lack of consultation and communication, especially when his management style was compared with that of the former manager, who was more inclusive and open to sharing information. Losing the support and confidence of supervisors was probably one of the most critical factors in precipitating the strike. This issue will be explored at greater length in the next section on Management Approach.

Several workers interviewed further alleged that the new manager was not as "good" as the old one and blamed him for the profit miss in September. If by not as "good" they refer to his lack of communication, consultation and transparency, then, based on interview testimony, we have to concur. However, the contention that the profit miss in September was the result of poor management on the part of the FM is not supported by the facts.

While it is true that profits swung from +13.78% in August to -13.16% in September, coinciding with the change in managers, the lower profitability in September does not appear to have been directly related to the management change. First, as can be seen in Table 1, there seems to be some seasonality with respect to profitability, with it declining from August to September, October, and November. Clearly the management transition and communication issues were contributing factors, but not the sole or main causes for the loss. A comparison of profitability under the new factory manager over six months (September 2015-February 2016) compared to the old FM (September 14-February 2015) shows improvement in profitability under the new FM.

Table 1—Factory Profitability (%)

Comparison	Old Mgr	New Mgr	Difference New – Old
	2014	2015	
Sep	5.56%	-13.16%	-18.72
Oct	-24.59%	-17.66%	6.93%
Nov	-18.79%	-18.83%	-0.04%
Dec	-5.73%	10.51%	16.24%
Q4	-16.73%	-8.24%	8.49%
	2015	2016	
Jan	-16.12%	7.71%	23.83%
Feb	-33.42%	-11.72%	21.70%
AVG Mo.	-15.52%	-7.19%	8.32%

Our conclusion is that the profit miss during the FM's first month on the job had more to do with communication failures, than with poor management, especially given historical seasonality and subsequent performance. However, there are some fundamental issues and questions around the bonus that bear closer examination.

1. The workers believed they "earned" a bonus in July and August, but lost it due to poor performance in September. This is a root cause of much of the anger and sense of unfairness they felt, which led to the strikes.
2. Workers were apparently led to believe that they had earned or would earn the bonus. Better and clearer communication about the bonus, how it is calculated and how and when it is earned are essential to preventing future misunderstandings.
3. However, even with the best communication, it will be always be a challenge for workers to understand profit factors which are entirely beyond their experience and control. Workers can understand their own production and productivity, but are probably not aware of all the costs, inputs and overheads, over which they have little or no control. So it does not make a lot of sense to reward workers on the basis of profitability factors over which they have little or no control.

In interviews with management representatives, we learned that the Quarterly Bonus Policy comes from Hansae headquarters in Korea and applies to all their operations worldwide. Thus, it is unlikely that operations in Vietnam would follow a different approach. Local management does not believe that changing or revising the Quarterly Bonus Policy for Vietnam operations is likely. However corporate policy notwithstanding, these questions and issues are worth considering in examining the root causes of these conflicts.

Management Approach as a Primary Cause of the Strikes

As discussed previously, the new FM outperformed the old manager, when measured by Hansae's preferred metric of profitability, doing so in 4 months out of his first 6. However his record is blemished by 2 strikes and threatened by continued unpopularity among workers, line leaders and supervisors. In brief, the new FM is not well liked.

Most of the complaints we heard from workers interviewed centered on his management style, which is reportedly much stricter than his predecessor's. Proximate cause of the strikes cited were (1) the banning of ice in drinking water; and (2) toilet restrictions. These issues were coupled with disappointment over the missed bonus, stricter management style and increased production pressures. Important issues reported included:

1. The new FM has a much stricter management style than the previous one, according to ALL workers interviewed.
2. New FM does not communicate with and consult as much with supervisors and line leaders. We were told that the new FM made decisions to transfer workers and/or terminate their labor contracts without considering input from local supervisors and their evaluations.
3. Production targets are set too high and overtime permits are not approved, so many workers feel under pressure to work during their lunch break, according to most workers. One interviewed group of workers described the situation as follows: *The target required for one line was 150 pieces/hour, while workers report that they can make a maximum of 100 pieces/hour. In order to meet the target, workers sometimes need to work during their lunch time. However workers said that they are not disciplined, when they are not able to meet the target.*
4. Workers report that they complained many times about the new FM prior to the strikes. They say their letters to management and oral complaints to line leaders and supervisors received no timely

response, hence the decision to go on strike. (Factory management records show only 2 complaint letters collected on 16 October, just prior to the first strike.)

5. Some workers reported that they are reluctant to write grievance letters and disclose their identity and personal information. Some said that they could not expect a timely response. (Official procedure says 7 days for a response.) Many expressed distrust or lack of confidence in the grievance procedures and process.
6. Most workers reported they felt most comfortable going to their line leader with issues and questions, rather than using more formal, official channels.
7. Most workers interviewed recognized that since the strikes, the FM has made efforts to improve communication with workers and supervisors and is now more accessible. However many workers stated that they are still not satisfied with his changes and improvements and felt under pressure from production targets. Many still do not like the new FM and would like to see him removed.

Another issue reported in interviews concerned the exit doors. There are a total of six doors in the factory, but only two are open during working hours and only 1 is open at lunch time, during which time workers reported that workers rest or work inside the building. Workers complained about the inconvenience and length of time it takes to enter or exit the building due to these restrictions.

Perhaps the critical failing of the new FM was with regard to communication and consultation with supervisors and line leaders and, through them, with the workers. There is general agreement from management – from top management to lower levels -- about this weakness. An open question is how to remedy this. Management has focused (as we will see in the next section) on improving grievance channels and other formal structures. However, it is apparent from interviews and the past history of this workshop that the former manager relied heavily on direct communications with supervisors and line leaders to maintain a peaceful climate in Workshop #5, which broke down very quickly under the new FM.

As the FM himself admitted in our interview (via translator): Communication with supervisors and workers dropped off upon his taking over the management position because the translator could not communicate 100% accurately his instructions and guidance in Korean into Vietnamese. In other words, he felt frustrated because going through a Vietnamese translator resulted in some of his management direction getting lost in translation. He later estimated that that maybe only 80-90% of his instructions and guidance were getting through the translation process.

However, according to our analysis, far more important than the alleged 10-20% loss in his top-down management direction, was the near total loss of bottom-up feedback from workers, line leaders and supervisors to the FM himself. This was by all accounts the key contributor to the strikes. In interviews, many workers said that *the main reason* they joined the second strike was because of a lack of change or improvement from the FM despite the first strike. The Trade Union Chairman ascribed the reasons for the second strike to two primary causes: (1) there was no change from the FM in the aftermath of the first strike; and (2) the company's board of directors lacked a concrete plan for improvement.

Closer communication and consultation between the FM and supervisors and line leaders is absolutely essential and could help to defuse many ongoing issues and complaints raised. Issues where greater consultation and communication could help include: setting production targets, job transfers or terminations, and management strictures governing drinking water, toilets, and exits etc.

Many workers cited new toilet restrictions as precipitating the second strike. As explained by the FM, this issue arose when the factory was producing many shorts which were small and easy to hide, so the FM implemented new security pat-down measures for workers going to the toilets to avoid theft. This policy

provoked a worker backlash and strike until security returned to normal again. However current complaints about the insufficiency of exit doors suggests a continued managerial tendency to limit freedom of movement in favor of greater security. The FM's continued tendency to allow security to trump all other considerations, as well as his continued lack of real consultation with his supervisors and line leaders, make us question if management has really learned the critical lessons from the two open conflicts and whether they will be able to avoid further strikes.

Hansae management and the FM of Workshop #5 must be made aware that FLA Harassment or Abuse Compliance Benchmark H/A 10 does not allow general use of security pat downs. In particular, Compliance Benchmark H/A 10.2 requires that "Body searches and physical pat downs shall only be undertaken when there is a legitimate reason to do so and upon consent of workers." Clearly workers did not consent to this new security policy and these benchmarks and principles were not properly followed in this case.

Another area of concern raised by the workers interviewed concerns lunch breaks. While it was beyond the immediate scope of this investigation and we did not have time to fully investigate, workers reports suggest that many workers are working off-the-clock during lunch breaks, in effect carrying out unapproved, unrecorded and unpaid overtime work. This appears driven by production targets, which are set too high for them to achieve during regular working hours (8 hours per day). This practice would be in violation both of local law and relevant FLA benchmarks and should cease immediately.

Grievance System as a Secondary Cause of the Strikes

Our interviews revealed a troubling pattern of workers who claim that many grievances were submitted prior to the strikes and no action was taken by management to address them. Also troubling was that management showed the Global Standards investigators only two grievance letters from this period, when it would seem from the worker testimony that there should have been more. (Note that most of the interviewed workers did not themselves submit grievances, but knew someone or heard of someone submitting grievances, making it difficult, if not impossible to prove how many grievances might have been actually filed.)

As noted above, workers expressed a reluctance to use the written grievance system and provide their name and personal details. Despite this, workers reported that multiple grievance letters were submitted, to which management did not respond. Our interviews suggest that in addition to formal grievances, workers also complained many times to line leaders and supervisors, but these complaints went nowhere due to a lack of communication between Vietnamese middle management and the FM. Also at the time of the strikes there was no telephone hotline channel either to HR or top management within the factory or to the local office of Nike or any other buyer.

Given the disconnect in communications and the mistrust of workers in existing grievance channels (especially after seeing no action or response) workers evidently saw a strike as the most direct and effective way to solve the problems.

The key take-away for management from this should be very clear: to avoid future strikes and other actions in the future, **workers need to be provided with more robust and responsive communication and grievance channels**. Otherwise the lesson for workers will be further reinforced that strikes are the only way for workers to get management's attention, be heard and see action.

Management should also recognize that fault for the second strike lies squarely on their shoulders, essentially due to a lack of a coordinated, rapid and serious response to the first strike. More than one month elapsed between the end of the 1st strike and the start of the 2nd one (20 October-27 November)

which should have given them time to make significant changes and improvements. However, both workers and the Trade Union state that this was not the case, precipitating the second strike action.

While management has taken steps that suggest that they have now gotten the message on building formal grievance channels, some gaps remain:

- Workers continue to distrust the suggestion box/written grievance channels, first for reasons of privacy and anonymity and second due to the lack of response and action they saw during the strike period. Addressing this and building trust will take significant time and effort.
- Workers' preferred method of raising issues is to go directly to line leaders or supervisors. While it is positive that the FM is now meeting more regularly with line leaders and supervisors both formally and informally, only time will tell if communication has really improved. Meanwhile true consultation still seems absent, especially on the hot issues of production targets and job transfers and terminations.
- The Trade Union and workers representatives in Workshop #5 should play a more active role in facilitating communication and following up grievances.
- Hotline channels were non-existent at the time of the strikes. We saw a new poster listing two contact phone numbers (Grievance Manager & Union Chairman) which represents positive progress. However, while some workers have seen this, many have not and were not aware of it. It remains to be seen if they will call these numbers, as some workers indicated they did not believe in or feel close to the grievance handling team and labor union. Meanwhile no hotline contact for Nike is currently posted or available.

While it is clear that Hansae has made some strides in improving its Grievances procedures and handling, there is more work to be done in the area of building trust, better communications and fostering true consultation.

Hansae's Improvement Plan after the Strikes

Following the strikes Hansae developed an improvement plan focused mainly on the Communication and Grievance System (see attached Hansae Improvement Plan). There are some good points in this, but it also raises some significant concerns.

The first and most obvious concern is over timing and urgency. As noted above, Management's failure to act quickly and effectively largely led to the second strike. Likewise, their improvement plans show a lack of urgency and timeliness.

In the plan, the timeline sets out targets such as "Q1 2016" or "Q2 & Q3 2016". First, setting targets by Quarter is unnecessarily broad and vague and does not promote accountability. Second, it seems to show a serious lack of urgency on the part of Management. At the time of our visit on 21 March, it was five months since the first strike and nearly the end of Q1 2016 and yet many items were still in the early stages of implementation or just getting started. (See Hansae Improvement Plan document for details.)

1. The first item on the plan, to visit and benchmark VJ factory (another Nike contractor) to learn how to improve grievance and communication systems, was planned for Q1. Factory management reported that they had just visited VJ on 8 March and could not show us any report on this visit or any specific plans or lessons from VJ which they might apply.
2. Some revisions were made to the factory's grievance policy, but we were not shown a signed dated copy. Factory management shared a schedule and some photos of trainings from 21-26 March which were supposed to cover this new policy. However we were not able to assess the

effectiveness of these trainings, which also included minimum wage, HSE and many other topics. Factory has also scheduled “GM free talks” where any worker can raise issues directly with the General Manager starting from 9 April 2016. Also 11 new workers representatives were elected on 19 March, to join and increase worker’s participation in the PICC (Performance Improvement Consultative Committee) from 17 to 28 members, starting in April.

3. Management skills trainings are planned with BetterWork sometime in Q2-Q3, but details have not yet been finalized. Meanwhile the FM in Workshop 5 has been making an effort to say hello and thanks to the workers at the start/end of each day. Also he has regular meals and “free talk” sessions with supervisors and line leaders, which seem to have been well received.
4. A new procedure was drafted and put in place governing future changes in factory managers to improve the way there are communicated to local supervisors and line leaders. It also requires that the new FM managers have dinners with line leaders and supervisors every 2 weeks for the first 3 months of their tenure.

Overall, this improvement plan remains very much a work in progress, making it difficult to evaluate its effectiveness at this stage. However, as noted previously, the feedback from workers suggests that further efforts and improvements are needed, especially in building trust in grievance and communication channels and developing genuine consultation. Our main takeaway from conversations with the workers is that many dislike the FM’s management style and resent the high production targets and accompanying pressures, especially when they are not permitted to work any overtime. Given the continued mistrust in the formal grievance systems and the unproven nature of the new communications channels the factory is now testing, **we see significant potential for unrest and further strike actions.** That the FM, in our interview, tried to assure us that “we are sure of no more strikes this year,” suggested to us that he remains somewhat out of touch with the mood of workers and the causes for their discontent.

The final section of the Hansae improvement plan concerns Bonus Policy Communication Improvement. It was clear from reading this plan and conversations with Management that no substantive changes to the current Bonus system are planned. As they explained, this policy comes from Hansae headquarters in Korea, and is not open to change: “It is a company standard adopted worldwide at all Hansae facilities.”

Instead, Hansae has focused on improving training and awareness raising on the bonus system by drafting a new “training deck,” which we were told was currently undergoing review and therefore we were not able to review (scheduled to be completed in Q2 according to the plan timeline). The factory has also been working to develop more proactive and clear communications about monthly profit performance results.

Finally, Hansae management shared with the Global Standards investigation team that they plan to test a separate, additional monthly production bonus scheme, which they should be ready to pilot at one line at another factory in Q3 for review and possible adoption in 2017. It is much too early to evaluate this potential development.

In our judgment, Hansae management is making a strong, concerted effort to improve communications around the Quarterly Profit Bonus and to avoid any further misunderstanding and miscommunication, which are positive steps. Prospects for more substantive changes to the bonus system appear distant, at best. However, we note that the fundamental issue which led to the strikes sprang from miscommunication about the bonus, rather than the bonus itself.

Of more immediate concern and potential challenge for the factory, as noted above, are the workers’ feelings about the daily production targets set by the FM.

Conclusions and Recommendations

Hansae has taken some significant strides toward addressing the underlying conflicts which led to the to strikes at Workshop #5 in 2015.

- The grievance policy has been revised and both the Grievance Committee and PICC have been expanded to increase participation from workers.
- A grievance room has been set up staffed by the Grievance manager and HR manager to field complaints and provide timely feedback and action.
- The FM has taken steps to modify his behavior; he has improved communications with workers and meets regularly with line leaders and supervisors.
- Top management has become more engaged and made themselves more readily available to workers, for example through weekly GM “free talks.”

Despite these positive steps, there remain some significant issues of concern.

- Workers expressed mistrust of formal grievance channels, both because they are reluctant to put their name and ID on letters and because the letters did not bring about timely results in the past. They seem most comfortable raising issues directly with their line leaders.
- Strikes occurred in large part due to a breakdown in feedback and bottom-up communication from workers to line leaders and through them to the FM (management). Therefore building closer communication and consultation between the FM and supervisors and line leaders is essential.
- A less authoritarian management style and greater degree of consultation could help to address many of the ongoing issues and complaints raised by workers: setting production targets, job transfers or terminations, and management strictures governing drinking water, toilets, and exits etc.
- Workers noted the improved communication efforts from the FM, but many continue to express distrust or even dislike for him, citing his strict policies, high production targets and his decision not to allow overtime as key reasons. They also report that production pressure pushes them to work during their lunch breaks, which is potentially a legal and FLA code violation.
- The FM’s very high concern for security appears to trump and come in conflict with workers’ rights to freedom of movement and even safety. The second strike occurred in part due to heightened security restrictions on toilet breaks. Workers currently report that most of the doors are kept closed during lunch and operating hours. Workers report that out of six doors, only two are normally open and only one at lunch time, causing delays and potential safety risks when exiting the building. Both the issues of general security pat-downs and closed exit doors suggest the need for policy changes and further training to comply with FLA benchmarks and standards and protect workers’ rights and safety.

Based on our review of the situation, as discussed with Management and reported by workers, it is our recommendation that:

1. Hansae headquarters should closely study and examine the transparency, fairness and understandability of its current Quarterly Profit Bonus system as it affects and concerns production workers. At a minimum, significantly more care is needed to communicate this system to workers and make it transparent. Fundamental revisions might be better still.
2. Hansae should look to seriously improve two-way communications (possibly modeled on the example of the VJ factory) to gather more timely and accurate feedback from workers, workers’ representatives and line leaders on an ongoing basis.

3. Hansae Management should be better prepared, more responsive, quicker and more proactive in addressing workers' needs and demands to prevent and/or resolve future issues and strikes.
4. The FM from Workshop #5 has a great deal of work to do to win the trust and respect of workers in that unit. This seems unlikely to occur without much better communications, closer consultation and a more inclusive management style to tackle, in a more collaborative and open manner, the issue of setting production targets and other policies of concern to workers.
5. Production targets should be set in such a way that they are achievable during regular working hours. If additional production is needed, then overtime should be scheduled with the voluntary agreement of workers, following local law and FLA principles.
6. Workers should not be permitted to work during lunch breaks. If they do work during the lunch period, this time should be accurately recorded and properly compensated at premium overtime rates, as per local law and FLA Workplace Code of Conduct and compliance benchmarks. Cutting power to the machines, dimming lights and encouraging workers to rest may help to solve this issue.
7. The FM should receive further training and guidance to help him balance security concerns with cultural sensitivities, fire safety and freedom of movement principles consistent with the FLA Workplace Code of Conduct and Compliance Benchmarks.
8. Nike as a buyer in the factory should consider implementing a direct hotline channel in the factory, consistent with the FLA Workplace Code of Conduct and Compliance Benchmarks.

HANSAE'S IMPROVEMENT PLAN TO COMMUNICATION/GRIEVANCE SYSTEM

Goals	Activities	Timeline
<p>Grievance/Communication System Improvement - to ensure that a response is given to workers who raise concerns and that appropriate action is taken following the investigation of the grievance</p>	<p>1. Benchmark to VJ factory to learn about the grievance and communication system and improve the current system</p>	Q1.2016
	<p>2. Improve Workplace Communication</p> <ul style="list-style-type: none"> - Review and revise the current grievance and disciplinary procedures - The new process will be validated and trained to all managements and workers 	Q1.&Q2.2016
	<ul style="list-style-type: none"> - Weekly GM free talks - Increase worker's participation in PICC 	Q2.2016
	<p>3. Managerial Skills Improvement to ensure that managers' behaviors has indeed improved and increased relationship with workers.</p> <ul style="list-style-type: none"> - Internal Workshops ask all Managers to be more cooperative and better listening - Public commitment from the Manager to be better listener and cooperate 	Q2.2016
	<ul style="list-style-type: none"> - Saying "Hello" or "Thank for the day" everyday when starting or finishing a day's job 	On going
	<ul style="list-style-type: none"> - Managerial skills trainings to Korean Managers and Vietnamese Line Leaders (leverage BW programs - workplace cooperation, supervisory skills, managerial skills) 	Q2.&Q3.2016
	<ul style="list-style-type: none"> - Internal free talk with workers and line leaders showed the improvement in working style from the Manager (positive response: 100%; attitude change: better 70%) 	Q1.2016
	<ul style="list-style-type: none"> - Set up a procedure for the case of factory manager change (Announcement in advance & close monitoring) 	On going
	<ul style="list-style-type: none"> ① Factory will announce to local leaders 1 week before changing the factory manager. ② Top management random free talk with local leaders several times within a month about changing new factory manager. ③ New factory manager enhances workers relationship by having dinners with line leaders, middle supervisors every 2 weeks within 3 months. 	On going
	<p>4. Strengthen workforce to improve communication</p> <ul style="list-style-type: none"> - Ms Ricky joined the factory management team - Set up person to person contact point at HR dept (for instant assistance for personal grievance issue) 	Q1.2016
<p>5. Set up worker's satisfaction survey (leverage BW...)</p>	Q2.2016	
<p>Bonus Policy Communication Improvement to ensure that it is fair, workers understand the calculation and have all of the information required to ensure that they are paid correctly</p>	<p>1. Create a simpler training deck so that your employees can understand this policy clearly and start communication to the employees</p>	Q2.2016
	<p>2. Create a proactive communication mechanism about bonus performance for your employees, especially supervisors, so that they can understand why and what reasons they don't get their quarterly bonus</p>	Q2.2016