



MAXPORT LIMITED

ASSESSMENT FOR ACCREDITATION

OCTOBER 2019

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Maxport Facility, Vietnam

INTRODUCTION







On October 23rd, 2019, the FLA Board of Directors voted to approve the accreditation of Maxport Limited's (Maxport) labor compliance program. This report provides the Fair Labor Association's (FLA) assessment of Maxport Limited (Maxport) social compliance program.

Affiliates eligible for accreditation agree to the respectful and ethical treatment of workers and the promotion of sustainable conditions through which workers earn fair wages in safe and healthy workplaces by adopting the FLA [Workplace Code of Conduct](#). Affiliates with accredited social compliance programs have the systems and procedures in place to successfully uphold fair labor standards throughout their supply chains and mitigate and remediate violations.

Accreditation is a multi-year process to assess the performance of a Participating Supplier against the FLA [Principles of Fair Labor and Responsible Production](#). During this process, FLA staff verify the implementation and effectiveness of a company's social compliance program through:

FLA ACTIVITY	PURPOSE
Headquarter (HQ) Assessment	<ul style="list-style-type: none"> • Interview compliance staff, senior leadership, and relevant staff or purchasing, production, and planning • Review documentation, processes, and database capabilities
Field Office Assessment (as applicable)	<ul style="list-style-type: none"> • Interview compliance staff, senior leadership, and relevant staff or purchasing, production, and planning • Review documentation, processes, and database capabilities
Field Observations	<ul style="list-style-type: none"> • Observe internal audits, training sessions, and/or remediation visits • Verification of progress over time and provide constructive feedback
Factory-Level Assessments (SCI & SCIV)	<ul style="list-style-type: none"> • Assess for labor violations at the factory-level so the company remediates identified labor violations sustainably
Annual Self-Assessment	<ul style="list-style-type: none"> • Review company-reported documentation, processes, capabilities and the evolution of the social compliance program
Safeguard Investigations	<ul style="list-style-type: none"> • Can occur throughout the company's FLA affiliation and provides insight into compliance programs, remediation strategies, and engagement with civil society, as applicable
Fair Compensation	<ul style="list-style-type: none"> • Review of use of the FLA's Wage Data Collection Tool Kit in applicable facilities • Provide feedback on short- and long-term Fair Compensation plans and strategies to improve compensation for workers
Strategic Projects	<ul style="list-style-type: none"> • Learn about compliance strategies to detect and remediate complex issues, as applicable
Stakeholder Engagement	<ul style="list-style-type: none"> • Additional perspective, especially from civil society, on the social compliance program from relevant organizations

SECTION 1: MAXPORT COMPANY AFFILIATE OVERVIEW

Name	Maxport Limited	Category	Participating Supplier
Location	Hanoi, Vietnam	Product	Apparel
Revenue	\$130 Million USD	Applicable Facilities	4
FLA Affiliation Date	2009		
Maxport’s Strengths & Recommendations for Improvement			
<div>Workplace Standards</div> <div></div>	Principle: Establish and commits to clear standards.		
	Recommendation for Improvement: Further publicize top-level commitment to workplace standards.		
<div>Production Staff Training</div> <div></div>	Principle: Trains all management staff and employees at owned production sites on workplace standards and tracks effectiveness of training.		
	Strength: All personnel receive orientation and annual refresher training on new policies and codes. Compliance Team reviews and analyzes post-training data from quizzes and/or surveys.		
<div>Functioning Grievance Mechanisms</div> <div></div>	Principle: Ensures workers have access to functioning grievance mechanisms, which include multiple reporting channels of which at least one is confidential		
	Recommendation for Improvement: Continue to provide middle management with effective grievance mechanism training.		
<div>Timely & Preventative Remediation</div> <div></div>	Principle: Works with suppliers to remediate in a timely and preventative manner.		
	Strength: 85% of SCI and SCIV findings are remediated. All CAPs for internal and external audits have root cause analysis and corrective action plans.		
	Recommendation for Improvement: Continue to remediate violations and develop and implement a fair compensation program and strategy.		
<div>Responsible Production Practices</div> <div></div>	Principle: Aligns sales and planning practices with commitment to workplace standards.		
	Strength: Established FLA-aligned Responsible Planning and Purchasing Policy and Production Planning and Balancing Procedure for all facilities; enforced by all relevant departments from headquarters to production sites.		
<div>Consultation with Civil Society</div> <div></div>	Principle: Identifies, researches, and engages with relevant labor non-governmental organizations, trade unions and other civil society institutions.		
	Strength: Established strategic plan for CSO outreach and engagement based on FLA guidance; engaged with BWV, IFC, and VCCI.		

AFFILIATE PROFILE

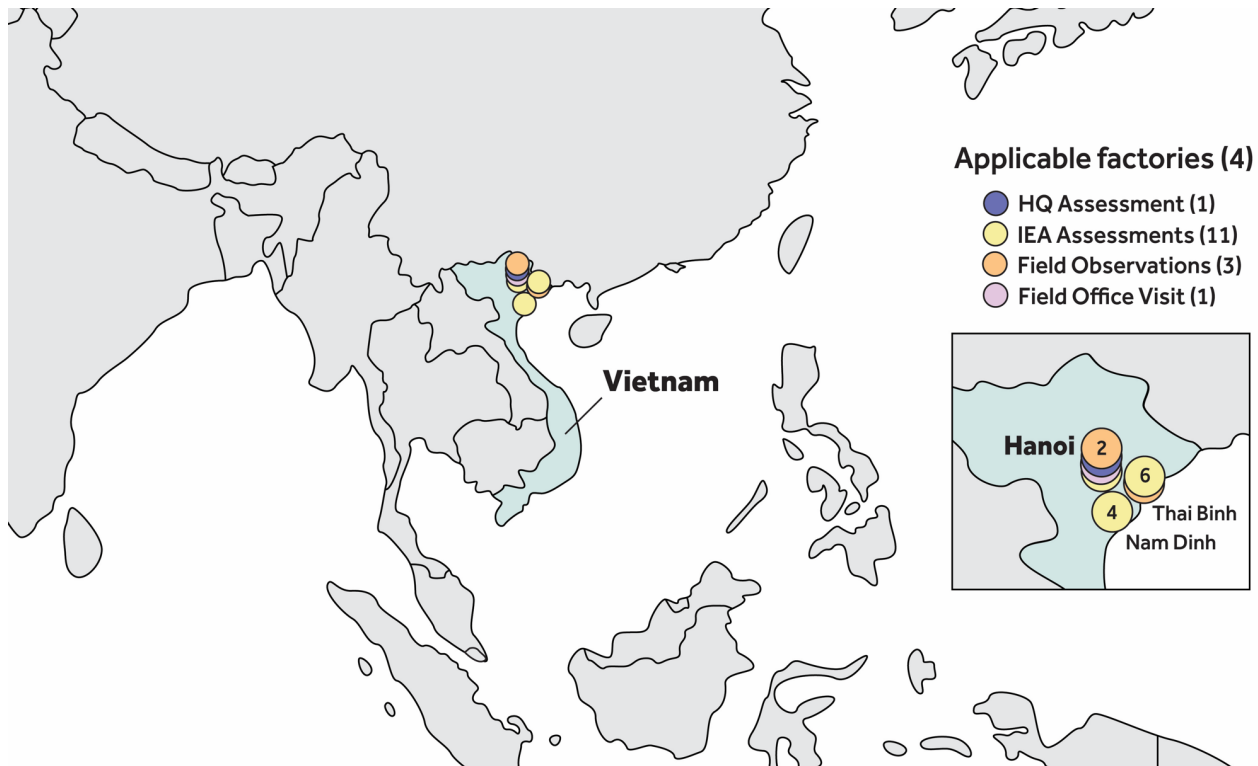
Maxport Limited (Maxport) is an apparel group with headquarters and facilities in northern Vietnam. It was established in 1991 with the vision to “provide the link between the concepts and consumers.” Maxport’s headquarters, development center, and a production facility are based in Hanoi; there is one facility in Thai Binh and two facilities in Nam Dinh. Maxport facilities employ 5,550 workers. Maxport’s strategic buyers are North American and European brands, including FLA accredited companies Nike, Kathmandu, and Hugo Boss.

As one of the FLA’s first Participating Suppliers, Maxport affiliated in 2009 and aligned its code of conduct with the FLA code in 2012. Maxport owned eight facilities when it affiliated with the FLA. In April 2017 Maxport split into two companies, which resulted in four of eight factories ceasing to be under FLA scope. Maxport’s social compliance program is centralized with the same policies and procedures implemented in all facilities. Remediation action plans from assessments are also implemented across all facilities to maintain a standard level of compliance. Social compliance initiatives are led by the Corporate Responsibility Manager who reports directly to the General Director. The Compliance Team is made up of three headquarter-level compliance officers and three factory-level compliance contacts. The Compliance Team’s responsibilities include providing training on workplace standards, carrying out internal assessments, and monitoring and implementing remediation action plans.

Maxport has implemented a responsible planning and purchasing policy and has developed a production planning and balancing procedure to consider numerous factors, including factory capacity, worker productivity with absenteeism, worker skills within product categories, and compliance with FLA and national law working hour standards. Maxport does not use agents or licensees, and only has direct relationships with its buyers. Due to its consistent high level of quality, on time delivery, and compliance, many of Maxport’s buyers have approved production in all facilities, allowing production orders to be transferred between factories, which balances production across seasons.

Maxport has been receptive to all FLA recommendations, including plans to develop an employee performance appraisal system and an annual payment evaluation system, which will support worker skill development and career paths for non-production workers. Since the headquarter visit, Maxport has implemented all of the FLA’s recommendations for accreditation, including a comprehensive training on grievance mechanisms for all supervisors. Maxport has used the Fair Compensation Data toolkit at all facilities, with results showing the average of net wage in all facilities is above the VGL Union Wage Demand benchmark. Additionally, the average net wage for workers at all four facilities is above the [Global Living Wage Coalition](#)’s (GLWC) Living Wage Estimates for rural or urban regions in Vietnam.

SECTION 2: MAXPORT SUPPLY CHAIN & FLA DUE DILIGENCE (2009 – 2019)



This map shows the four Maxport facilities within FLA scope, all in Vietnam. To assess for accreditation, the FLA conducted a headquarter assessment in Hanoi, Vietnam in 2019 and a field office visit in Hanoi in 2018. Maxport received an audit field observation in Nam Dinh and a training field observation in Hanoi in 2018. In 2019, the FLA conducted an audit field observation in Nam Dinh. Since 2012, the FLA has conducted six SCI assessments and one SCIV at Maxport facilities.

SECTION 3: MAXPORT'S SOCIAL COMPLIANCE PROGRAM ANALYSIS

The remainder of this report describes Maxport's compliance with the Fair Labor Association [Principles of Responsible Sourcing and Production](#) according to the information gathered during the accreditation process. This report also includes recommendations from the FLA for further improvement of Maxport's compliance program. FLA's complete principles can be found in Appendix C.

PRINCIPLE 1: WORKPLACE STANDARDS¹

Workplace Standards

The FLA requires that companies establish and commit to clear workplace standards. To meet this requirement, Maxport aligned the Maxport Workplace Standards with the [FLA Workplace Code of Conduct](#) in 2012. The Maxport Workplace Standards are included in the Employment Handbook and are permanently posted in all owned facilities with availability in English and Vietnamese. Maxport has fully adopted the [FLA Compliance Benchmarks](#). The FLA has verified that workplace standards and social compliance are core aspects of Maxport's company culture, evident from worker and headquarter staff interviews during visits.

Senior Leadership Commitment

The FLA recognizes that commitment at the highest level of a company is essential to embedding workers' rights into company practices. Maxport's founder, owner, and CEO is deeply committed to workplace standards and ensures social compliance is integrated into company business practices. Maxport's prioritization of workplace standards is apparent through strategic partnerships with brands known for strong commitments to workplace standards. Several core documents highlight Maxport's commitment, including the Maxport Workplace Standards and the compliance agreement between Maxport and all suppliers, agents, and contractors. Maxport includes its commitment to a healthy and happy working environment on its [website](#). The FLA recommends Maxport further publicize its commitment to uphold workplace standards.

PRINCIPLE 2: RESPONSIBILITY & HEAD OFFICE TRAINING²

Staff Responsible for Social Compliance

The FLA requires that companies identify and train specific staff responsible for implementing workplace standards. The Compliance Team, which is centralized at Maxport's headquarters, is made up of the Corporate Responsibility (CR) Manager, three headquarter-level compliance officers and three factory-level compliance contacts. The compliance officers report to the CR Manager who has been with Maxport for 14 years, and the CR Manager reports directly to the General Director. The compliance officers oversee workplace standards compliance for every facility. Maxport divides social compliance responsibilities between labor and health, safety & environment (HSE) to focus efforts and resources. The facility-based compliance contacts provide monthly data on injuries and turnover rates and weekly HSE reports to the Compliance Team. The Human Resources (HR) and Compliance Teams work together on joint initiatives like the employee handbook.

¹ Principle 1: Company affiliate establishes and commits to clear standards.

² Principle 2: Company affiliate identifies and trains specific staff responsible for implementing workplace standards and provides training to all head office staff.

Social Compliance Team Training

Maxport provides training to compliance staff on various topics, including union engagement and effective worker-management communication. Training is provided by the experienced CR Manager as well as external providers. Compliance staff also receive internal training on gender discrimination, occupational environment monitoring, and risk assessments. The compliance staff is continuously trained on compliance-related work. The FLA observed an audit conducted by the CR Manager and verified her expertise.



A Maxport Facility

Maxport's compliance staff frequently partake in trainings conducted by buyers and stakeholders like Nike, Lululemon, [Better Work](#), [Fair Wear Foundation](#), and [BSCI](#). Recent examples include "Living Wage in Vietnam" hosted by the Fair Wear Foundation and "Introduction to Industrial Relations" by Better Work. The Compliance Team can also request specific trainings, as needed, from senior management.

Headquarter Staff Training

In addition to training the compliance staff, Maxport trains all of its headquarter staff on workplace standards during their orientation training and annually thereafter. The annual

code of conduct training includes information on the trade union as well as any changes to the law in the past year. The annual code of conduct training includes a post-training quiz in which the workers need to score at least 50%. After each training, the trainer provides trainees with a chance to debrief and collects feedback on the training arrangement and training delivery manner, which they incorporate into the next training.

PRINCIPLE 3: PRODUCTION STAFF TRAINING³

Production Site Commitment

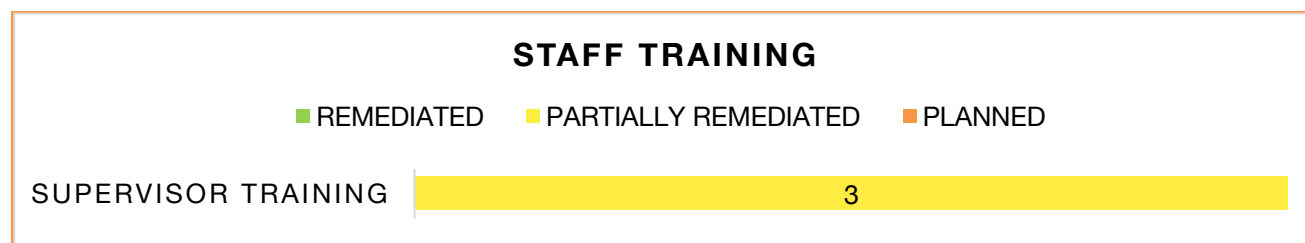
All workers, managers, and supervisors are provided written workplace standards in their local language, Vietnamese. Compliance staff are responsible for providing written workplace standards, and for communicating assessment and remediation on social compliance audits to all facilities. During SCI assessments and audit field observations, the FLA verified that the code of conduct is posted in all facilities, ensuring production site commitment to workplace standards. The FLA verified that notifications for social compliance assessments include the type and date of the assessment, the number of assessors, the purpose of the assessment, and expectations for remediating noncompliance. The compliance contact in each facility is heavily involved in communicating assessments and remediation aligned with workplace standards.

Worker, Supervisor, and Manager Training on Workplace Standards

Headquarter staff are responsible for training facility managers and supervisors on the code of conduct, who then train the workers at each facility. All employees receive training focused on workplace standards on an annual basis. If an employee is not present for the refresher training, they

³ Principle 3: Company affiliate trains all management staff and employees at owned production sites on workplace standards and tracks effectiveness of training.

are required to join the next monthly orientation training, which includes a thorough code of conduct training. Maxport maintains a tracking system to ensure all workers receive the training on workplace standards.



The chart above shows three partially remediated findings regarding supervisor training from an SCI assessment in 2015. Maxport created a training module to address the missing workplace standards training and has started to roll out the training. The plan is to complete training for all supervisors on all workplace standards by the end of 2019.

Ensuring Training Effectiveness

As part of the accreditation process, the FLA observed a grievance system training for supervisors in 2018. The training was conducted by the CR Manager, who was rated “exceptional” for communication with participants, preparation for the training, and demonstrating extensive knowledge of the subject matter. The field observation is further detailed under Principle 4.

To ensure that trainings are effective, Maxport conducts a review and analysis of post-training quizzes and interviews workers, managers, and supervisors on the content of the training. At the time of the FLA training field observation, Maxport had informal channels for feedback to ensure training effectiveness and did not have a formal feedback mechanism. At the FLA’s recommendation, Maxport implemented a formal feedback mechanism in July 2019. The FLA then reviewed feedback from two facilities, which included comments for the local supervisor to have more in-depth training on grievance handling skills. After collecting the feedback, Maxport analyzed responses and will use them to improve future training.

PRINCIPLE 4: FUNCTIONING GRIEVANCE MECHANISMS⁴

Providing Functioning Grievance Mechanisms

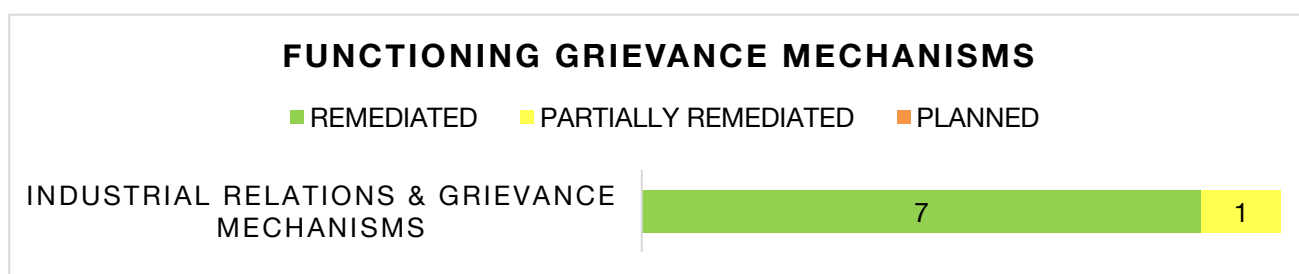
Maxport has a grievance policy that is provided to all employees. The policy covers the various grievance channels available to workers, notes that all complaints must be settled and responded to in writing, and retaliation against workers who submit grievances is prohibited. The policy is included in the employee handbook, and detailed grievance procedures are posted on the public bulletin boards in each facility. The FLA verified during worker interviews that workers are comfortable talking with headquarter-based compliance staff. The FLA further verified through document review that workers have submitted grievances through other channels, including suggestion boxes and by text (SMS).

During the FLA field observation in November 2018, the FLA observed that Maxport staff did not provide contact information during internal audit worker interviews. The FLA recommended Maxport to provide all interviewees with contact information as a confidential reporting channel. The FLA

⁴ Principle 4: Company affiliate ensures workers have access to functioning grievance mechanisms, which include multiple reporting channels of which at least one is confidential.

conducted an audit field observation in April 2019 and verified that this practice had since been implemented.

Maxport formally tracks information on all grievances submitted at all facilities, including the type of grievance and the channel used. Maxport employees may submit grievances through suggestion boxes, hotlines, phone, and in-person meetings. In 2018, Maxport received 24 grievances across all four facilities; most grievances concerned wages and benefits, followed by health and safety issues. The FLA verified the tracking system and that grievances are handled effectively. For example, after reviewing one grievance Maxport staff determined that a worker had misunderstood the production bonus rating; after receiving the grievance Maxport staff explained it thoroughly. In another instance, workers who attended the quarterly meetings with worker representatives and factory management expressed dissatisfaction with the temperature in one of the workshops. Maxport resolved the grievance by installing new cooling systems in all facilities in 2019.



This chart shows the eight findings related to functioning grievance mechanisms from two SCIs and one SCIV since 2015. Of the eight, seven findings have been fully remediated and one has been partially remediated. The partially remediated finding concerns the annual review of policies and procedures, which will be completed by the end of 2019.

Confidential Reporting Channels to Maxport Headquarters

If disputes are not properly handled at the factory level, facility employees may submit grievances through the confidential reporting hotline to headquarter compliance staff. Maxport headquarter compliance staff also visit all factories one day per week. These visits allow workers in the factories to have formal and informal meetings with headquarter-based staff.

Ensuring Training for Workers, Supervisors, and Managers on Grievance Mechanisms

To ensure that all workers, supervisors and managers receive adequate training on grievance mechanisms, Maxport maintains its yearly Master Training Plan for all factories. The FLA conducted a training field observation of grievance mechanism training for supervisors in 2018. The training had a high level of interaction between trainer and trainees and factory management showed awareness of internal grievance systems. At the time of the observation Maxport did not have a tracking mechanism to ensure that this training was given consistently to all employees. At the FLA's recommendation, Maxport's compliance team developed a tracking mechanism and is now ensuring that the trainings meet the FLA pre- and post-training evaluation requirements.

PRINCIPLE 5: MONITORING⁵

Assessing Production Site Conditions

The FLA requires that company affiliates conduct monitoring to ensure compliance with workplace standards. Maxport established its Business Partner Compliance Monitoring Guidelines in 2018 and

⁵ Principle 5: Company affiliate conducts workplace standards compliance monitoring.

its Internal Compliance Monitoring Procedure in November 2017. The documents cover all aspects of the audit process, including audit planning and scheduling, the agenda, audit tools, and methodologies. The procedures provide detailed guidance including on how to conduct a factory tour, with a “should” and “need” list for auditors. The FLA sees this detailed guidance as a strength of Maxport’s program to ensure audit standardization. These documents were revised in April 2019 to include root cause analysis, remediation processes, and the FLA code and compliance benchmarks. Maxport’s internal audit procedure and guidelines clearly define audit benchmarks, methodologies, tools, and processes, and is aligned fully with the FLA SCI methodology and approach.

Maxport’s headquarter-based Compliance Team conducts internal audits and scores facilities by percentage (from tenth to one hundred, as an average of nine sectional scores) and rates them on a four-color scale. Audit ratings range from green, meaning the facility meets or exceeds minimum requirements by law and the buyer’s code of conduct, to red, indicating the overall audit score is below 50 percent, or that the auditor uncovered zero tolerance issues. All facilities receive a follow up audit, with facilities that score orange or red receiving a follow-up audit within six months. The FLA reviewed the 2018 internal audit summary, corrective action plans for all four factories, and 2019 tentative audit plans. Maxport also receives many external audits from buyers, [Better Work Vietnam](#), and the FLA. Maxport analyzes the results of all audits; this analysis is explored further under Principle 6.



CR Manager Training Maxport Supervisors on Grievance Mechanisms

The Business Partner Compliance Monitoring Guidelines require an initial assessment to be conducted at new owned factories before any business transactions take place. The audit process for new facilities was finalized in July 2019 and requires an official health and safety walkthrough and inspection for mandatory legal permits, fire safety, and construction safety prior to opening a new building.

FLA Observations of Maxport Audits & Recommendations

Since Maxport’s affiliation in 2009, the FLA has conducted seven Independent External Assessments (IEAs), including an SCIV assessment in 2017. The FLA has also conducted two audit field observations.

The FLA conducted the first audit field observation in 2018 and found some gaps in the monitoring process, including the lead auditor’s ability to handle challenges from management during the closing meeting. The FLA also identified issues with the location and the content of worker interviews. For example, workers were interviewed in the meeting room used for the audit and were not provided the auditor’s contact information. Additionally, some compliance questions – such as questions pertaining to working hours, overtime, and annual leave - were not covered during the interview. The 2018 audit field observation also revealed that internal policies and procedures regarding appraisal and policies and salary increases, which were identified in a previous SCI assessment, had yet to be established.

The 2019 audit field observation showed improvement; for example, Maxport implemented comprehensive audit procedures that cover how the lead auditor conducts effective communication during opening and closing meetings, and the FLA assessor observed effective worker interviews. Maxport constructed a room for trade union meetings for one of its facilities in June 2019 and has plans to construct a trade union meeting room for another facility by December 2019. The FLA conducted an SCI assessment at the same facility in August 2019 and verified comprehensive remediation of the performance appraisal and salary increase process. The FLA recognizes implementation of these recommendations and a commitment to ongoing improvement as a strength of Maxport's program.

PRINCIPLE 6: COLLECTION & MANAGEMENT OF COMPLIANCE INFORMATION⁶

Data Management

The FLA requires that companies collect, manage, and analyze compliance information in order to prevent and mitigate workers' rights violations. Maxport maintains an accurate list of owned production sites, complete with facility address and contact information, historic audit results, root causes of noncompliance, previous labor disputes, incidents, accidents, and information on unions and worker representative structures. This list is maintained within [Fair Factories Clearinghouse](#) (FFC). Maxport also maintains accurate lists of all upcoming audits from buyers and internal audits.

Social Compliance Data Trend Analysis

The Maxport Compliance Team analyzes all audit findings, both internal and external audits, on a monthly basis and uses these data to inform training and remediation efforts. For example, in response to the number of health and safety findings, Maxport has invested in training for workers on health and safety. The most frequent trends identified are health and safety violations, evenly split between implementation of health and safety standards and lack of training. Maxport has also uncovered facility inconsistency around performance reviews and posting wage policies and procedures, items that are in the process of remediation. The FLA recommends that Maxport continue to use its data to improve remediation of persistent violations.

PRINCIPLE 7: TIMELY & PREVENTATIVE REMEDIATION⁷

Tracking Remediation at Production Sites & Root Cause Analysis

The FLA requires that companies remediate labor rights violations in a timely and preventative manner. Maxport conducts internal audits annually for all facilities, and the Compliance Team conducts follow-up audits every six months. The team maintains a master list of findings and remediation from internal assessments, and factory compliance staff provide updates and evidence to remediation plans every six months.

Collaborative root cause analysis is a core part of Maxport's remediation process. Maxport has followed formalized root cause analysis and remediation guidance since June 2018 and has fully adopted the FLA's root cause analysis methodology and SCI process. Maxport attended the FLA's Internal Monitoring for Suppliers training in March 2018, after which Maxport revised their guidance to clarify that each facility must provide input to root cause analysis to inform corrective action plans and address any production and operational issues.

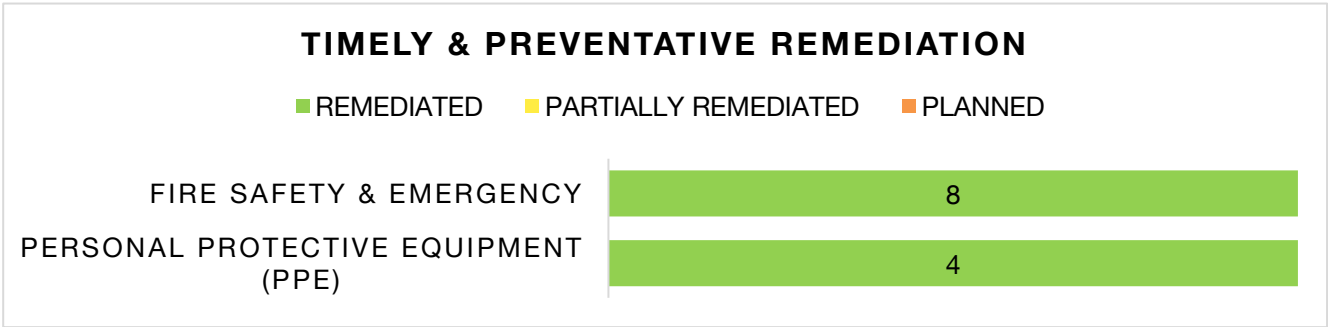
⁶ Principle 6: Company affiliate collects, manages, and analyzes workplace standards compliance information.

⁷ Principle 7: Company affiliate remediates in a timely and preventative manner.

Maxport reviews previous audit findings and all available reports during the internal audit process, including FLA SCIs, buyer audits, and internal audits. The FLA verified the use of previous audits in the two audit field observations. Through document review and interviews with workers and the trade union, the FLA confirmed there are recorded meetings between the Compliance Team, factory managers, and workers representatives on corrective action plans, root cause analysis, and remediation. Maxport headquarter staff openly discuss remediation and production decisions during daily emails and dialogue with buyers.

Effective Remediation

Maxport has shown a high level of remediation of findings in its facilities. The FLA verified through a 2017 verification assessment of a 2015 SCI that around 85% of the findings had been fully remediated, including all immediate action items.



The above graph is an example of Maxport’s work on remediation. The above highlights two categories of findings: fire safety & emergency and personal protective equipment (PPE). Across three assessments, the FLA uncovered twelve violations related to these categories, and Maxport has remediated all twelve findings.

To ensure effective remediation, Maxport implements all action plans for all facilities and ensures that all facilities maintain a specific level of compliance. The FLA recognizes this process as a strength of Maxport’s centralized compliance program as it allows Maxport to ensure that all facilities meet the same high standard for buyers.

PRINCIPLE 8: RESPONSIBLE PRODUCTION PRACTICES⁸

Responsible Production Policy and Procedures

The FLA requires that Participating Suppliers align their sales and planning practices with their commitment to workplace standards. Maxport has implemented its Responsible Planning and Purchasing Policy since March 2019. The policy includes acknowledging complexities in different buyers’ business models, reducing negative impacts on working conditions, and addresses capacity and working hours. The policy also includes a commitment for sales, planning, compliance, and other internal departments to maintain regular, constructive dialogue with buyers throughout the production process. When problems arise, all departments are expected to support the factory to avoid negative impacts on workers and working conditions.

⁸ Principle 8: Company affiliate aligns sales and planning practices with commitment to workplace standards.

Maxport's Production Planning and Balancing Procedure details the production process, from receiving the order to shipping the product. The responsible person and timelines are clearly defined for every step. The procedures go into detail to the sewing line level and have strict timelines. The procedures include information about sales, capacity, and working hours. Implementation of these procedures is important to maintain responsible production practices as adequate planning and communication can protect workers from unplanned overtime. Maxport's Production Planning and Balancing Procedure was approved by the Vice General Director, is reviewed annually, and is revised as needed.

During the headquarter visit in April 2019, the FLA reviewed documents and interviewed department leads and relevant business staff and identified the following examples of Maxport's responsible production practices:

- The Sales Director and Vice General Director decide all orders before each season. During this process, worker attendance, absenteeism, and productivity are critically reviewed to determine where cut offs should be implemented and a reduction in buyers is needed. The FLA verified a case where Maxport refused orders from a buyer when their order would have exceeded Maxport's capacity.
- Maxport streamlines and allocates buyers across its factories: each factory has one key buyer and Maxport ensures no more than five buyers are present per factory. For example, at one facility, an FLA-accredited buyer occupies almost 60% of total capacity; this allows factories to have stable orders and enough production during low season.
- Maxport can shorten the lead time for pre-production processes, which allows for a buffer if there are defective items. Maxport works with its key buyers to confirm styles and order amounts, and Maxport's in-house designers, development center, and research & development team develop the final products. These products are then presented to buyers as samples; Maxport is open to feedback on color, design, and materials. As Maxport owns most of the development process, they are able to control product timelines.
- All current buyers have approved all factories for production, as Maxport has shown consistent worker skills across multiple product categories under the same compliance program. The same policies and procedures apply to all four factories. This allows the Sales Department to transfer orders and adjust production plans during peak and low seasons for all factories.
- Maxport's workforce is a key element in their stable production planning. The majority of workers have been with Maxport on average for more than five years and are highly trained in their skillsets. The turnover rate is between two to three percent, compared to the [average](#) five to six percent turnover rate in other Vietnam factories. Piece rate pay is applied to Sewing workers at three of four factories, and their net income is verified to be more than triple the Vietnam minimum wage.

Training Relevant Staff on Responsible Production Practices

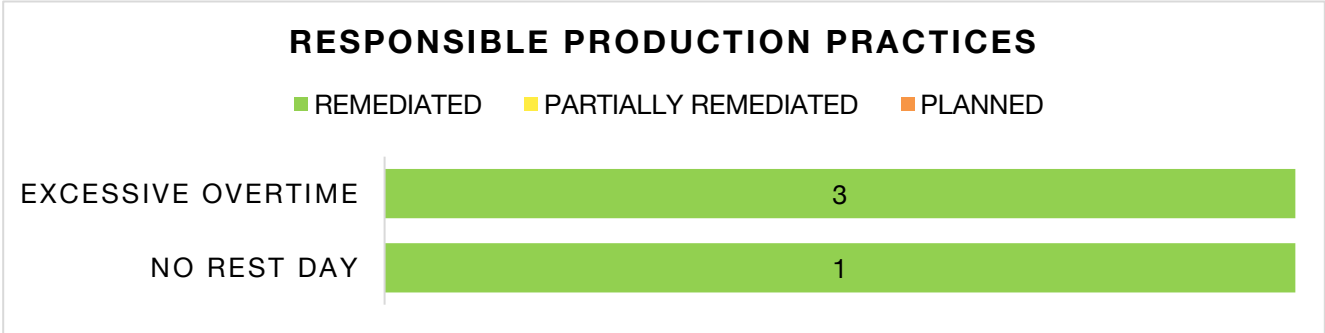
The Maxport Compliance Team conducts Responsible Production Practices training for all relevant headquarter staff on an annual basis. This training is integrated within other compliance and job-related trainings. The FLA verified a training on production planning and responsible purchasing practices during the headquarter visit in April 2019. The training was conducted by the Maxport Compliance Team for the Sales Department and included group discussion of case studies in which participants were challenged to balance sales and planning practices with working conditions. The training addressed FLA recommendations from the training field observation in November 2018.

Holding Staff Accountable to Operate Responsibly

Maxport's job descriptions for sales, planning and production staff clearly balance responsibilities between sales and production planning with Maxport's workplace standards codes. The FLA verified

relevant staff annual performance reviews include all listed KPIs for job descriptions; for example, the FLA validated 2018 performance reviews for sales staff and technicians.

The Responsible Planning & Purchasing Policy and Production Planning & Balancing Procedure articulates Maxport’s team strategy for sales and production. The strategy is to stabilize production and commit to Maxport’s Workplace Standards by focusing on key buyers, emphasizing quality over quantity, and carefully considering the factory’s capacity. This strategy holds all levels of staff responsible, from headquarters to factory-based production staff, across Compliance, HR, Sales, and Planning Departments.

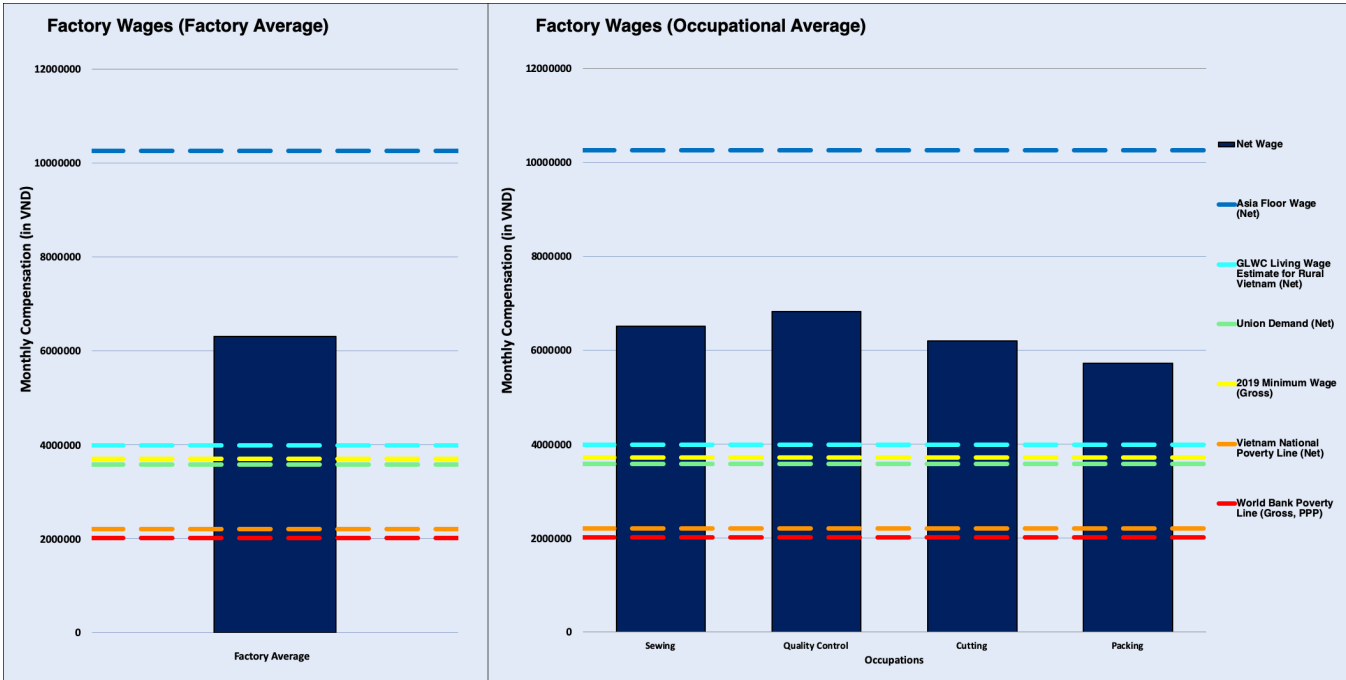


During the discussions with factory management on responsible production practices during the audit field observations, the FLA observed various ways that staff implement their responsibility to responsible production. For example, the FLA observed suggestions implemented by staff, such as, to avoid negative impacts on workers, staff may move up purchase orders before peak season, balance orders among facilities, and carefully check materials and trims to avoid late delivery. Implementing these strong responsible production processes leads to better control of overtime hours. Maxport has also implemented systems to avoid excessive overtime and has provided all workers with one 24-hour rest day every seven days. The above chart shows the four violations found in SCI assessments related to excessive overtime and no rest day that have been remediated.

Fair Compensation

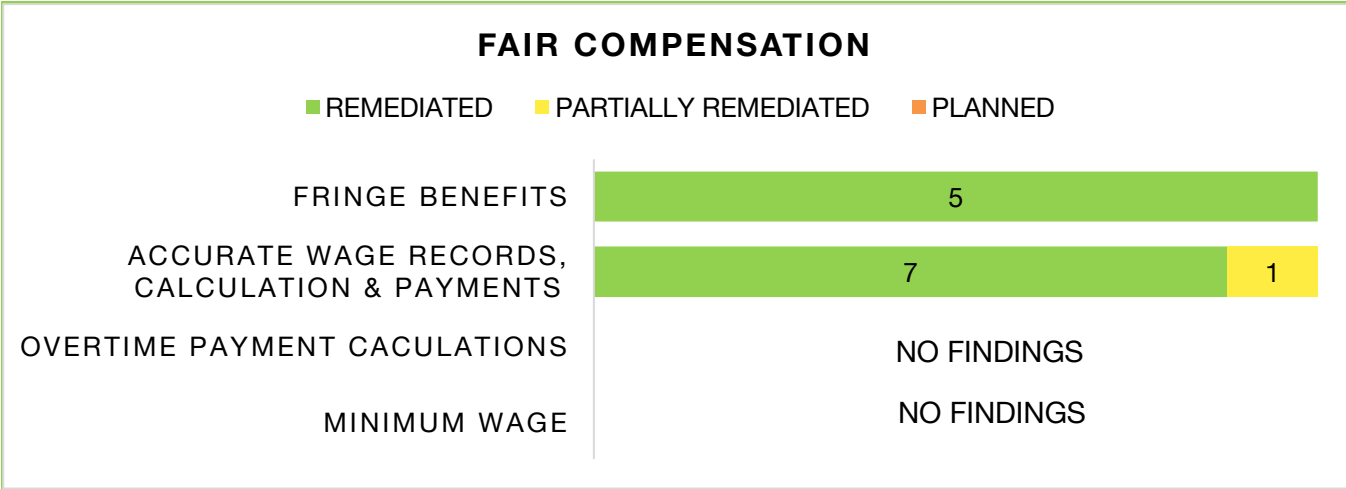
In 2019, Maxport used the FLA Compensation Data Collection Tool at all its facilities; the chart on the right is a wage ladder from one of Maxport’s facilities. In this facility, all workers are paid above the [Global Living Wage Coalition’s](#) (GLWC) Living Wage Estimate for rural Vietnam. In all facilities, average wages are above or equal to the GLWC’s Living Wage Estimate⁹ for rural (4,461,011 VND) or urban (6,437,095 VND) regions in Vietnam. Part of the reason most workers earn well above the GLWC’s Living Wage Estimates is because Maxport pays workers the legal minimum wage for Region 1 (for urban areas), despite three out of four facilities being in Region II (rural areas); and has implemented the legally required wage level upgrading system. Workers are assessed on their skillset, and as that skillset improves and matures, they are eligible to earn higher base wages as set by Maxport’s five level system. The FLA recognizes Maxport for applying the higher legal minimum wage standard in its facilities and implementing the legally required progressive realization system. The FLA also recognizes that workers are earning a living wage without incentive pay at Maxport’s facilities, which is not shown in this chart. As a best practice, the FLA recommends Maxport contribute to stakeholder dialogue and engagement on living wages to share learnings and best practices within the apparel industry; and publish its fair compensation strategy once developed.

⁹ The FLA has adjusted GLWC’s Living Wage Estimates for 2019 inflation.



The above chart shows the average net wages for four occupations at a Maxport facility in rural Vietnam. All occupations pay wages above the GLWC Living Wage estimate for rural Vietnam

The chart below shows an overview of findings related to fair compensation from the three applicable Maxport SCI and SCIV assessments. FLA assessors found no violations in any of the Maxport facilities related to overtime payment calculations or minimum wage. Of the thirteen findings on fringe benefits and accurate wage records, twelve have been remediated, while one finding, on internal performance appraisal and salary increase policies and procedures, is partially remediated. These policies and procedures were established after the 2018 SCI and Maxport has been incrementally implementing the corrective action plan. Maxport plans to completely remediate this finding by conducting performance reviews and provide all workers with salary adjustments based on these reviews by the end of 2019.



Communication with Staff & Customers on Responsible Production Practices

To successfully implement responsible production processes, it is necessary for communication to be strong between teams, as well as with customers. Maxport’s headquarter staff are in constant communication with the factory production teams. This communication is supported by the

geographic proximity of the factories; there are also no language or cultural barriers between headquarter and factory staff, allowing for fast responses. Maxport uses an internal platform for headquarter staff and factory management to review orders, receive up to date production schedules and status updates, and adjust production orders in a timely manner. The FLA has verified communication between factory managers of the four factories on moving production orders to balance planning and capacity.

Maxport has developed long-term strategic partnerships with its buyers based on key performance indicators important to both buyers and Maxport, including quality, delivery, and compliance. Maxport's buyers does not use agents or licensees; this direct relationship with buyers allows Maxport to play an active role in developing product, scheduling production, receiving orders, and negotiating costs. The FLA verified Maxport has open and proactive communication with its buyers at the development stage regarding lead time and balance planning. For example, a recent power outage at a Maxport facility was going to impact meeting the shipping deadline, so Maxport reached out to its buyer to discuss changing production timelines to mitigate the risk of violating any workplace standards. These discussions occur periodically and when urgent issues arise. Maxport has dedicated teams that work solely with specific strategic buyers, allowing for personal relationships between Maxport and buyer staff. Maxport staff are regularly invited to supplier summits, meetings, and trainings to meet with buyers in person. The FLA recognizes the strategic relationships Maxport has with buyers as a strength in its program.

Incentivizing Production Sites and Other Suppliers to Improve Working Conditions

Maxport has a rigorous internal monitoring program to ensure all facilities perform and maintain performance at the highest standard; this in turn gives Maxport flexibility to plan production across facilities in a way that mitigates negative impacts on workers, such as excessive overtime. Maxport implements a fair business-chance strategy for all facilities to allow the same opportunities for all facilities. In order to implement the fair business-chance, facilities are incentivized to score as high as possible on audits, and to maintain the same score across all facilities in order for buyers to approve production across all facilities. Maxport ensures that all workers are trained in the same skills, so production orders can be balanced. Maxport has recognized the incentive to have all facilities function at the same level for production flexibility. By ensuring all factories perform at the same level of compliance, all four facilities will be approved by buyers for production.

PRINCIPLE 9: CONSULTING WITH CIVIL SOCIETY¹⁰

Civil Society Engagement Strategy

Civil society engagement broadly, and union engagement specifically, are not possible in Vietnam in the same context in which they are possible in other countries since freedom of association and freedom of assembly are tightly restricted. Therefore, the FLA has evaluated Maxport's civil society engagement efforts within this context. Maxport's civil society engagement strategy is built upon its core values of "sustainability, humanity, innovation, and performance." Maxport's strategy is based on production, social compliance risk analysis, audit findings, and acknowledges the challenges of implementing CSO engagement in Vietnam, a country where civil society is constrained by government regulation. Maxport's CSO engagement goal is to improve workplace conditions based on the FLA Workplace Code and Benchmarks, aligned with Maxport buyer codes of conduct.

¹⁰ Principle 9: Company affiliate identifies, researches and engages with relevant labor non-governmental organizations, trade unions and other civil society institutions.

Maxport is actively engaged with workplace and business organizations in Vietnam, including the [Vietnam General Confederation of Labor \(VGCL\)](#), Better Work International, [Chamber of Commerce and Industry of Vietnam \(VCCI\)](#), and the [International Finance Corporation \(IFC\)](#) on design and implementation of workplace standards programs. Maxport has not fostered partnerships with local civil society organizations due to the challenging environment for civil society groups in Vietnam.

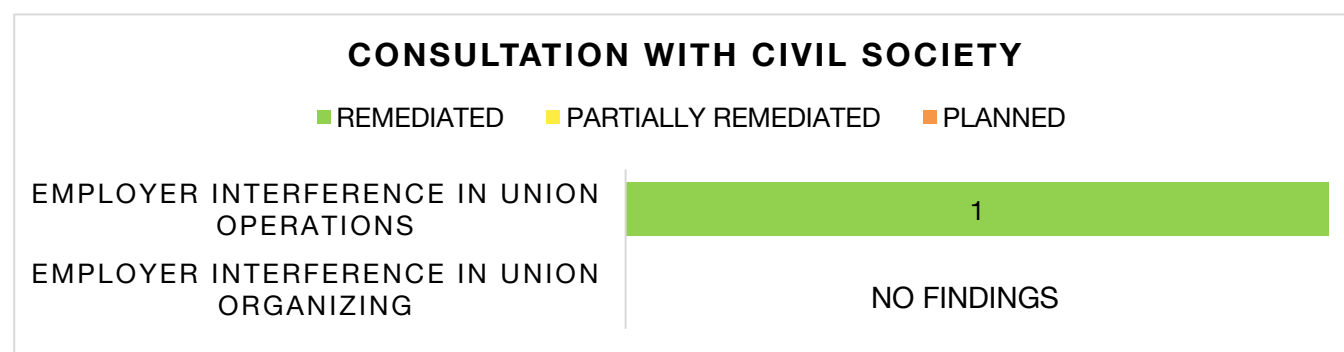
Better Work Vietnam: Some Maxport buyers are part of the International Labor Organization's Better Work program and all facilities have participated in Better Work initiatives, including advisory services like industry seminars, training courses, and audits. After the first pilot ended, Maxport voluntarily decided to continue to partner with Better Work and continues to participate in its programs to improve workplace standards.

Chamber of Commerce and Industry of Vietnam (VCCI): The VCCI is a non-governmental organization that protects and assists businesses in promoting economic, commercial, and technological cooperation between Vietnam and the rest of the world. Through VCCI, Maxport has participated in human resources capacity-building activities.

International Finance Corporation (IFC): After identifying absenteeism and the lack of childcare support for women workers as a problem, Maxport partnered with the IFC to develop a program to address these issues. The IFC uses local organizations as implementation partners. Maxport has since partnered with these local groups, such as the Vietnam Business Coalition for Women's Empowerment to enhance childcare, provide certification for Economic Dividend for Gender Equality, and develop career pathways for employees.

Engagement with the Vietnam General Confederation of Labor (VGCL)

In addition to engaging with local civil society organizations, engagement with unions in facilities is also a requirement for accreditation. All Maxport facilities have a trade union¹¹ that is part of the VGCL. Maxport management meets with each trade union representative on a monthly basis, but sometimes more frequently to discuss collaboration on specific remediation efforts. The FLA has interviewed union members to confirm the union is an active part of each factory. The federation guides and supports each factory's trade union through annual meetings, trainings on laws, and health & safety checks.



The above graph shows one instance of employer interference in union operations, from an SCI assessment in 2016. The factory did not have documentation to show that the nomination list for

¹¹ It is noted that Vietnam is in the process of ratifying ILO conventions on freedom of association and collective bargaining; at the time of this report, Vietnam's laws on freedom of association do not meet the FLA's standards on freedom of association and collective bargaining.

Labor Union representatives was prepared without management's interference. Maxport remediated this issue. During the 2017 verification assessment, the FLA assessor verified through document review and worker interviews that the list of nominees for union representatives was prepared by workers, not management.

PRINCIPLE 10: VERIFICATION REQUIREMENTS¹²

All companies must meet administrative requirements to ensure they uphold all FLA standards for accreditation. Maxport's commitment to the FLA is integrated throughout its social compliance program and outlined in its standard operating procedures. Since affiliating with the FLA in 2009, Maxport has attended board meetings and submitted remediation updates to the FLA in a timely manner. Maxport has fulfilled its FLA obligations and the FLA confirms Maxport has completed all administrative requirements, paid all annual dues, submitted annual self-assessments, and provided remediation updates for all SCI assessments. The FLA recommends Maxport continue to share learnings with the FLA and its members to support industry-wide improvement of workers' lives.



Maxport and FLA staff at the Headquarter Assessment, 2019

¹² Principle 10: Company affiliate meets FLA verification and program requirements.

SECTION 4: CONCLUSION AND RECOMMENDATION TO THE BOARD OF DIRECTORS

FLA recommendations to the board for accreditation signify that the company has aligned its social compliance program with FLA standards and benchmarks, as specified in the Fair Labor Principles of Responsible Sourcing and/or Production. The FLA recommends Maxport Limited for accreditation because it has substantially met the requirements of the FLA's program and has shown that it is committed to addressing any gaps through continuous improvement. The assessment of Maxport Limited social compliance program identified strong elements and areas for improvement:

Strengths

- 1) All personnel receive orientation and annual refresher training on new policies and codes. Compliance Team reviews and analyzes post-training data from quizzes and/or surveys;
- 2) Workers have access to various grievance channels including a confidential hotline number. Grievances are tracked, and non-retaliation is assured during all audit worker interviews;
- 3) 85 percent of SCI and SCIV violations are remediated and all CAPs for internal and external audits have root cause analysis and sustainable improvement CAPs;
- 4) Established the Responsible Planning and Purchasing Policy and Production Planning and Balancing Procedure for all facilities; enforced by all relevant departments from headquarters to production sites; and
- 5) Established strategic plan for CSO outreach and engagement based on FLA guidance; uses its engagement with stakeholders to improve conditions for workers.

Recommendations for improvement

- 1) Further publicize top-level commitment to workplace standards, such as publishing the code of conduct on company's website;
- 2) Continue to provide middle management with effective grievance mechanism training;
- 3) Continue to remediate non-compliances; and
- 4) As a best practice, contribute to global learnings on fair compensation and progressive realization to support industry-wide improvement, and publish the fair compensation strategy once developed.

APPENDIX A: THE MAXPORT CODE OF CONDUCT



Workplace Code of Conduct

Preamble

Finding ways to improve working conditions, to guarantee compliance with international labor standards and safeguard of labor interests is a constant priority for Maxport long-term and sustainable business development.

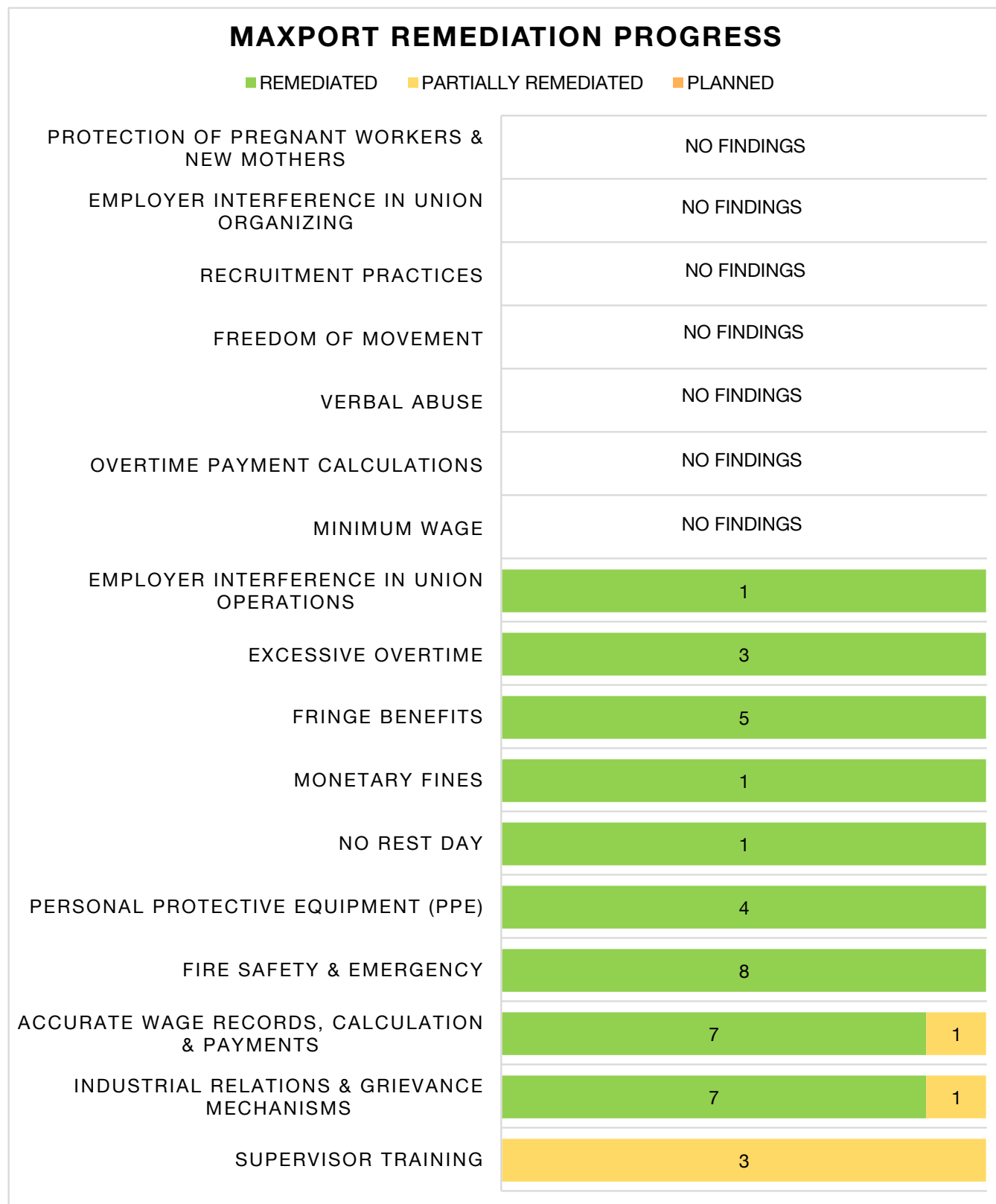
Maxport Limited commits to abide by Fair Labor Association (FLA) Workplace Code of Conduct, applicable laws and regulations, international conventions and company established rules and regulations. When differences or conflicts in standards arise, the highest standard shall apply.

Maxport Workplace Code of Conduct defines labor standards that aim to achieve decent and humane working conditions. The Code's standards are based on FLA Workplace Code of Conduct, International Labor Organization standards and internationally accepted good labor practices.

CODE ELEMENT	DESCRIPTION
EMPLOYMENT RELATIONSHIP	The company shall adopt and adhere to rules and conditions of employment that respect employees and, at a minimum, safeguard their rights under national and international labor and social security laws and regulations.
NONDISCRIMINATION	No person shall be subject to any discrimination in employment, including hiring, compensation, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, social group or ethnic origin.
HARASSMENT OR ABUSE	Every employee shall be treated with respect and dignity. No employee shall be subject to any physical, sexual, psychological or verbal harassment or abuse.
FORCED LABOR	There shall be no use of forced labor, including prison labor, indentured labor, bonded labor or other forms of forced labor.
CHILD LABOR	No person shall be employed under the age of 16 or under the age for completion of compulsory education, whichever is higher.
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING	The company shall recognize and respect the right of employees to freedom of association and collective bargaining.
HEALTH, SAFETY AND ENVIRONMENT	The company shall provide a safe and healthy workplace setting to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of the company's facilities. The company shall adopt responsible measures to mitigate negative impacts that the workplace has on the environment.
HOURS OF WORK	The company shall not require employees to work more than the regular and overtime hours allowed by laws. The regular work week shall not exceed 48 hours. Employees shall be provided with at least 24 consecutive hours of rest in every seven-day period. All overtime work shall be consensual. The company shall not request overtime on a regular basis and shall compensate all overtime work at a premium rate. Other than in exceptional circumstances, the sum of regular and overtime hours in a week shall not exceed 60 hours.
COMPENSATION	Every employee has a right to compensation for a regular work week that is sufficient to meet her/his basic needs and provide some discretionary income. The company shall pay at least the minimum wage or the appropriate prevailing wage, whichever is higher, comply with all legal requirements on wages, and provide any fringe benefits required by law or contract. Where compensation does not meet basic needs of employees and provide some discretionary income, Maxport shall work with the FLA to take appropriate actions that seek to progressively realize a level of compensation that does.

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APPENDIX B : MAXPORT'S REMEDIATION PROGRESS



APPENDIX C: PRINCIPLES OF FAIR LABOR & RESPONSIBLE PRODUCTION

PRODUCTION	PRINCIPLES & BENCHMARKS
WORKPLACE STANDARDS	Establishes and commits to clear standards.
	Establishes and articulates clear, written workplace standards that meet or exceed those embodied in the FLA Workplace Code of Conduct.
	Leadership formally commits to uphold workplace standards and to integrate them into company business practices.
RESPONSIBILITY & HEAD OFFICE AND REGIONAL TRAINING	Identifies and trains specific staff responsible for implementing workplace standards and provides training to all head office staff.
	Identifies the person(s) responsible for administering and implementing its workplace standards compliance program.
	Trains the person(s)/team(s) responsible for administering and implementing its workplace standards compliance program.
	Ensures that training is provided to all head office staff on the company's commitment to workplace standards and the integration of standards into business practices. Training occurs at onboarding and refresher training is conducted annually.
STAFF TRAINING	Company Affiliate trains all management staff and employees at owned production sites on workplace standards and tracks effectiveness of training.
	Ensures that workplace standards are accessible to workers, managers and supervisors in written form and relevant languages.
	Ensures that workers, managers and supervisors are trained on workplace standards at regular intervals to take account of labor turnover and informs managers of the potential of FLA assessments and the Company's expectation to remediate.
	Measures the effectiveness of training for workers, managers and supervisors.
FUNCTIONING GRIEVANCE MECHANISMS	Ensures workers have access to functioning grievance mechanisms, which include multiple reporting channels of which at least one is confidential.
	Ensures there are functioning grievance mechanisms at owned production sites.
	Where local mechanisms are not functioning, provides alternative channels for workers to contact the company head office directly and confidentially.
	Ensures training and communication about grievance mechanisms is provided to all workers.
	Ensures grievance mechanisms lack penalty and include at least one confidential reporting channel.
MONITORING	Conducts workplace standards compliance monitoring.
	Conducts annual assessments of compliance with workplace standards at every owned production site.
	Ensures that its monitoring program includes, but is not limited to: <ul style="list-style-type: none"> a) Worker interviews, b) Consultation with unions or worker representative structures (where applicable), c) Management interviews, d) Documentation review, Visual inspection, and Occupational safety and health review.
	Ensures that, where relevant, monitoring is consistent with applicable terms in collective bargaining agreements.
	Conducts pre-production assessment of new owned production sites to review compliance with workplace standards.
COLLECTION & MANAGEMENT OF COMPLIANCE INFORMATION	Collects, manages and analyzes workplace standards compliance information.
	Maintains a complete and accurate list of owned production sites and collects and manages compliance and workplace information.
	Analyzes trends in noncompliance findings.

TIMELY & PREVENTATIVE REMEDIATION	Remediates in a timely and preventative manner.
	Provides regular follow-up and oversight to implement corrective action following assessments.
	Conducts root cause analysis and take action to prevent future noncompliance in owned production sites.
	Records and tracks the progress and effectiveness of remediation for internal assessments.
RESPONSIBLE PRODUCTION PRACTICES	Aligns sales and planning practices with commitment to workplace standards.
	Formal, written policies and procedures for production planning that 1) articulate the many complexities involved in their global supply chains, including different customer (buyer) business models and 2) require relevant internal representatives to work with customers (buyers) to reduce negative impacts on working conditions. These policies and procedures shall address the alignment of sales with capacity, based on working hours as defined by the FLA Workplace Code of Conduct.
	All relevant business and compliance staff and any contracted agent/intermediary are trained and knowledgeable of the consequences of their sales and planning practices on working conditions in order to mitigate negative impacts on code compliance.
	Holds relevant staff and any contracted agent/intermediary accountable for the implementation of planning and sales practices that help avoid negative impacts on workers and working conditions.
	Staff responsible for sales and planning engage with their labor compliance colleagues, any contracted agent/intermediary and customers in regular and constructive dialogue throughout the production process and when problems arise to support operations at the factory level and to seek to avoid or mitigate negative impacts on workers and/or compliance with code standards.
	Provides positive incentives for suppliers and/or facilities producing in a socially responsible and sustainable manner.
CONSULTATION WITH CIVIL SOCIETY	Identifies, researches and engages with relevant labor non-governmental organizations, trade unions and other civil society institutions.
	Develops a civil society organization (CSO) outreach strategy that reflects the geographical distribution of production.
	Develops and maintains links to relevant CSOs to gain understanding of local labor issues.
	Strategizes with CSOs and knowledgeable local sources in the design and implementation of workplace standards compliance programs.
	Consults with legally constituted unions or worker representative structures at owned production sites.
VERIFICATION REQUIREMENTS	Meets FLA verification and program requirements.
	Maintains standard operating procedures related to FLA affiliation.
	Participates in FLA due diligence activities, including assessments at owned production sites and company headquarters, as applicable.
	Completes a standardized annual report on fulfillment of Principles of Fair Labor and Responsible Production.
	Maintains a complete and accurate profile and list of owned production sites with the FLA.
	Responds to FLA requests for documentation, contracts, information and clarification in a timely manner.
	Pays annual dues and applicable fees on schedule.