



COMPANIES: Outerknown
COUNTRY: Vietnam
ASSESSMENT DATE: 08/11/20
ASSESSOR: Openview
PRODUCTS: Apparel
NUMBER OF WORKERS: 4005

Summary of Code Violations

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

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

FLA Code Element	Number of Violations
Compensation	1
Hours of Work	7
Employment Relationship	3
Health, Safety, and Environment	8
Harassment and Abuse	1
Nondiscrimination	1

Findings and Action Plans

FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The factory only pays overtime for the CPU Group and sewing workers when they work overtime for urgent orders or samples, which are confirmed by the Industrial Engineers Manager and Sewing General Manager. CPU group refers to one department that includes helpers, button sewing machine operators, sewing workers and cutting helpers. Otherwise, the factory does not pay overtime to the CPU Group and sewing workers because they offer a production bonus, called the "hot incentive". The "hot incentive" allowance is calculated based on the output of sewing lines (data recorded from sewing dispatch) for eight normal working hours, not including overtime hours. [C.7]

Local Law or Code Requirement

Vietnam Labor Code, Article 97, Article 104 and Article 106. FLA Workplace Code (Compensation Benchmark C.7)

Recommendations for Immediate Action

1. <!--[endif]-->Review the incentive announcement and encourage workers to achieve the incentive without working beyond regular hours. Compensate all overtime hours as required by local law.

FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

Overtime hours exceed the legal limit of 30 hours per month. Time records for three sample months of July 2020, March 2020 and December 2019 indicate that the monthly overtime exceeded 30 hours in March 2020 for about 18% of workers and December 2019 for about 14% of workers, with a maximum of 94.5 overtime hours in December 2019. No sample workers worked more than 30 overtime hours in July 2020. [HOW.1.1, HOW.8.1]

Total working hours exceed 60 hours per week. Time records for three sample months of July 2020, March 2020 and December 2019 indicate that the weekly working hours for about 17% of sample workers exceeded 60 hours in one to three weeks per month in March 2020 and December 2019 respectively, with a maximum of 74 hours in March 2020. No sample workers worked more than 60 hours per week in July 2020. [HOW.1.3, HOW.8.3]

Workers are not provided with one rest day for every seven-day work period. Time records for three sample months of July 2020, March 2020 and December 2019 indicate that about 7% of sample workers (working in the embroidery and cutting sections) worked seven to thirteen consecutive days once per month in March 2020 and December 2019. All sample workers were provided with one day off for every seven-day period in July 2020. [HOW.2]

Local Law or Code Requirement

The Vietnam Labor Code, Article 106. FLA Workplace Code (Hours of Work Benchmarks HOW.1, HOW.2, and HOW.8)

Recommendations for Immediate Action

1. <!--[endif]-->Ensure overtime hours do not exceed legal limit of 30 overtime hours per month.
2. <!--[endif]-->Control total working hours so they do not exceed 60 hours in one week.
3. <!--[endif]-->Provide workers with at least one day off (24-consecutive hours of rest) for every seven-day work period.

FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

FLA Comment: Vietnam has not ratified ILO Convention 87. Under Vietnamese law, all unions are required to affiliate with the single trade union, the Vietnam General Confederation of Labor (VGCL), which is affiliated with the Communist Party. With respect to such union monopolies, the ILO Committee on Freedom of Association has stated that “the rights of workers to establish organizations of their own choosing implies... the effective possibility of forming... [trade unions] independent both of those which exist already and of any political party.” Vietnam’s legal framework is therefore not compatible with the ILO Principles on Freedom of Association and, as such, all factories in Vietnam fail to comply with the FLA Code standard on Freedom of Association. [FOA.2, FOA.10]

Local Law or Code Requirement

FLA Workplace Code (Freedom of Association Benchmark FOA.2, FOA.10)

Recommendations for Immediate Action

Nil

FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

The factory has not conducted an annual inspection for the lightning protection system in Factory No. 6. The last inspection was conducted on August 5, 2019. The factory cannot contract a licensed service provider to conduct the inspection on time because of Covid-19. [HSE.13]

The factory has not installed an automatic fire alarm system, including smoke detectors and fire alarms, in the unused fabric storage warehouse (1,144 square meters) in Factory No. 6. Portable fire extinguishers and powder fire extinguishers are in place. [HSE.5.1]

The factory does not post materials safety data sheet (MSDS) for glue P-66 in Whisker Workshop of Factory No. 5. [HSE.10.1]

The factory has installed electrical sockets and circuit breakers in the chemical warehouses of Factory No. 2 and Factory No. 5, which can cause fire risks. The factory began to fix this issue during the visit by removing the electrical sockets from the chemical warehouse of Factory No. 2 and removing all the electrical sockets and circuit breakers from the chemical warehouse of Factory No. 5. However, there are still two circuit breakers in the chemical warehouse of Factory No. 2. [HSE.13]

The factory did not post labels on three bottles of laundry chemicals in Laundry Workshop of Factory No. 4 or on three drums of wastewater treatment chemicals in the wastewater treatment plant. The factory fixed the safety label issue by the end of the factory visit. However, it is still required that the factory adopts responsible measures to address the issue systematically. [HSE.9.1]

Local Law or Code Requirement

TCVN 3890:2009, Clause 6.1.3; TCVN 5507: 2002, Clause 5.1.7; Law No. 06/2007/QH12, Article 29; TCVN 9385:2012, Article 27; Law No. 06/2007/QH12, Article 27. FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.5, HSE.9, HSE.10, and HSE.13)

Recommendations for Immediate Action

1. <!--[endif]-->Conduct annual inspection for the lightning protection system and maintain inspection reports.
2. <!--[endif]-->Install automatic fire alarm system including smoke detector and fire alarm in the unused fabric warehouse.
3. <!--[endif]-->Keep MSDS for all chemicals at workplace for workers' reference.
4. <!--[endif]-->Remove all electrical sockets and circuit breakers from chemical warehouse.
5. <!--[endif]-->Post safety label in local language on all chemical containers. Adopt responsible measures to address the issue systematically, including investigating the root causes, triggering corrective action for each root cause, setting due date to complete each corrective action, assigning person in charge to complete the corrective action, assigning person in charge to monitor the completion of corrective action and evaluating the effectiveness of the corrective action