



FAIR LABOR
ASSOCIATION®

INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: alphabroder
COUNTRY: Vietnam
ASSESSMENT DATE: 08/03/20
ASSESSOR: Openview
PRODUCTS: Apparel
NUMBER OF WORKERS: 1200

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	4
Hours of Work	7
Employment Relationship	8
Health, Safety, and Environment	53
Nondiscrimination	6

Findings and Action Plans

FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

The employment interview form has questions related to candidates' marital status. [ND.2.1]

Local Law or Code Requirement

Vietnam Labor Code, Article 5. FLA Workplace Code (Non-discrimination Benchmark ND.2)

Recommendations for Immediate Action

1. Remove the questions related to candidates' marital status from the employment interview form to avoid discrimination in the hiring process.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Factory will update employment form to remove marital status

Company Action Plan Update

Marital status removed from Employment Interview Form.

FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

The factory has not included required allowances such as management allowance, language allowance, and skillful allowance in the calculation of overtime compensation or in the contribution to social insurance, as required by local law. [C.5]

The factory requests workers to arrive five minutes earlier than normal working hours for pre-shift meeting, which is from 7:25 to 7:30 each day. However, workers are not paid for this time. [C.5]

The factory pays severance allowance based on the wage provided during maternity leave. This is not in line with the legal requirement of basing it on the average wage of the last six months prior to the termination date. [C.1]

The factory does not include a skillful allowance in the final payment to workers if their last working month is not a full month. Workers are entitled to a fixed amount of skillful allowance ranging from VND 200,000 (USD 8.61) to VND 600,000 (USD 25.85) each month. In the final payment to workers, the factory should base the payment of skillful allowance on the amount of days worked in the last working month. For example, Worker A is entitled to a fixed amount of skillful allowance of VND 200,000/month (USD 8.61/month) and worked 10 working days in June 2020 before contract termination. Worker A was not paid with the skillful allowance included in the final payout because the worker did not work for a full month in the last payment month. Based on legal requirement, Worker A should be paid a skillful allowance of VND 76,923 (VND 200,000 / 26 working days * 10 actual working days) on top of regular wages and benefits in June 2020. [C.1]

Local Law or Code Requirement

Circular 47/2015/TT-BLDTBXH, Clause 2, Article 4 and 8; Vietnam Labor Code, Article 95, 97 and 104. FLA Workplace Code (Compensation Benchmarks C.1 and C.5)

Recommendations for Immediate Action

- . Include management allowance, language allowance and skillful allowance in the calculation of overtime compensation and mandated insurance.
- . Compensate the five minutes for pre-shift meeting each day as overtime.
- 3. Pay severance allowance based on the average wage of the last six months prior to the termination date.
- 4. Pay the skillful allowance in the final payment based on the actual days worked in the last working month.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory management should include allowances such as language allowance and skillful allowance to pay overtime and mandated insurance.
2. Workers should be compensated for the five minutes for pre-shift meeting each day as overtime.
3. Pay severance allowance based on the average wage of the last six months from the termination date.
4. Pay skillful allowance in final payout based on the actual working days in the last payment month.

Company Action Plan Update

The factory has rebuilt the salary and bonus regulations. Payment of severance allowances to employees based on the average

salary of the last six months since the date of termination has been implemented

FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

Overtime hours exceed the legal limit of 30 hours per month. Time records for the period from August 2019 to July 2020 and worker interviews indicate that the monthly overtime for about 50% to 60% of workers exceeded 30 hours in all reviewed months, with a maximum of 70.5 overtime hours in June 2020. [HOW.1.1, HOW.8.1]

Working hours exceed 60 hours in a week. Time records from August 2019 to July 2020 and worker interviews indicate that the weekly working hours for about 10% to 15% of workers exceeded 60 hours in one to four weeks per month in June 2020 and August 2019 respectively, with a maximum of 72 hours in June 2020. [HOW.1.3, HOW.8.3]

The probation contract has a statement requiring workers to work overtime when there is a production demand. No case of involuntary overtime has ever been identified or reported. [HOW.8.2]

Local Law or Code Requirement

The Vietnam Labor Code, Article 106. FLA Workplace Code (Hours of Work Benchmark HOW.1.1, HOW.1.3, HOW.8.1, HOW.8.2, and HOW.8.3)

Recommendations for Immediate Action

- . Ensure overtime hours do not exceed the legal limit of 30 hours per month.
- . Control total working hours so that they do not exceed 60 hours in a week.
- . Revise the probation contracts by specifying overtime is voluntary and ensure workers understand overtime is on voluntary basis.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Factory will increase recruitment of workers, arrange production plans suitable working time from time to time, not exceed the legal limit

Company Action Plan Update

1. The company arranges overtime work based on the voluntary spirit of the employees and has a voluntary application for daily overtime.
2. Factory management will align production plans with availability of workers so that any required overtime does not exceed monthly allowed overtime of thirty (30) hours.

FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. 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

N/A

COMPANY ACTION PLANS

Action Plan no 1.

Description

Factory is aware that Vietnam (country) has not ratified ILO Convention 87.

Company Action Plan Update

The factory at this time does not have any remarks on this finding and will keep abreast of the legal framework surrounding the ratification of ILO Convention 87.

FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

The factory conducted a health and safety risk assessment in May 2019, which did not cover the occupational safety hazards for the sanding machine, polishing machine, welding machine, and chemicals (RP7, ATM paint) in the mechanics room. [HSE.1]
The fire truck emergency lane in the factory compound is partially blocked with pallets of packed cartons. [HSE.5.1]
The factory has not provided Group III training on chemical safety to mechanics working with chemicals such as machine oil, thread oil, RP7 and ATM paint in the mechanics room. Group 3 training covers employees who perform work with strict requirements on occupational safety and sanitation [HSE.9.2]
The factory has not obtained Materials Safety Data Sheet (MSDS) with Chemical Abstract Services (CAS) number for chemical named RP7 used for cleaning purpose in mechanics room. [HSE.10.1]
The factory has not installed a safety fence or handrail at least two meters high on the working platform on the first floor of Workshop No. 2. [HSE.13]

Local Law or Code Requirement

Circular No. 07/2016/TT-BLDTBXH, Article 3; Law No. 84/2015/QH13, Article 7; Law No. 06/2007/QH12, Article 29. FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.5, HSE.9, HSE.10 and HSE.13)

Recommendations for Immediate Action

1. Conduct health and safety risk assessment covering all the occupational safety hazards in the mechanics room.
- . Unblock the fire truck emergency lane and ensure it is free from obstruction, at all times.
- . Provide training (group III) on chemical safety to all workers working with chemicals.
- . Obtain MSDS for chemical RP7 (cleaning material) from the chemical supplier.

- . Install a safety fence and handrail that is at least two meters high on the working platform.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory will conduct an assessment of safety risk for all machines and ensure workers are properly trained on chemical safety and provided MSDS for all chemicals being handled.
2. All emergency lanes must be kept clear of materials, equipment and vehicles to avoid incident.
3. Factory should properly install a handrail on the working platform to ensure worker safety.

Company Action Plan Update

1. Factory concluded and assessment of the safety risk for all machines.
2. The Finished Goods Warehouse moved and rearranged goods to avoid blocking the emergency exit.
3. Factory management conducted chemical safety training for those workers that come in contact with chemicals. Factory requires the supplier to provide MSDS of chemical named RP7. MSDS is posted to ensure workers are aware of the health, safety and handling information of the chemicals that are considered dangerous.
4. Meeting held by the security department to remind following closely the project to install handrail on the working platform. Security is requested to comply with request to move forward project to comply with the internal labor safety regulations.

FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

The factory has not submitted occupational accident reports to local authorities in the last six months, as required by local law. The last report was submitted in July 2019. [HSE.3.1]

The factory does not provide masks to workers in the sample sewing, cutting, sewing, ironing, inspection, and packing sections. Currently, workers provide their own masks. Workers in these sections must wear masks to mitigate the adverse impacts of garment dust exposure. [HSE.7]

The factory does not post forklift warning signs in material and finished goods warehouses. In addition, there is no sign to indicate that the forklift is not intended for human transport. [HSE.14.3]

The factory has not provided the ten canteen staff with the special health check for transmittable diseases including: cholera, dysentery, typhoid, hepatitis A and E, skin infection, tuberculosis and acute diarrhea. [HSE.22.2]

Local Law or Code Requirement

Law No. 84/2015/QH13, Article 7; Law No. 84/2015/QH13, Article 36; Decree No. 155/2018/ND-CP, Article 5. FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.3, HSE.7, HSE.14 and HSE.22)

Recommendations for Immediate Action

1. Prepare and submit occupational accident reports to local authority every six months. 2. Provide free and appropriate masks to workers exposed to garment dust. 3. Post forklift warning signs in material and finished goods warehouses. Post signs to indicate that the forklift is not intended for human transport. 4. Provide special health check to canteen staff.

COMPANY ACTION PLANS

Action Plan no 1.

Description

- 1.Factory will review and submit occupational reports promptly. As a best practice the factory should provide reports even if there are no incidents.
2. Factory should purchase from a third party source and provide mask to workers free of charge.
3. All equipment should be properly marked.
4. Healthy and safety check should be conducted on all canteen workers. The factory is expected to put a process and schedule in place to check the healthy and safety of the canteen workers on a regular basis - timing to be determined.

Company Action Plan Update

1. the factory has not had any incidents in the last six months therefore they have not submitted any occupational safety reports. A copy of the reports is included in the attached.
2. Factory purchases and provides workers with mask free of charge - see attachment.
3. Warning signs on the forklift have been added - see attachments.
4. A healthy and safety review of all canteen workers has been completed - see attachment.

FINDING NO.7

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

The factory has not conducted an inspection for one pressure tank in the fire pump house, with a pre-charge pressure of 1.5 bar and test/max pressure of 14.3/10.0 bar, as per legal requirement. [HSE.4]

The factory has not installed smoke detector in the temporary fabrics warehouse. [HSE.5.1]

The factory has not hired an external maintenance company to conduct regular maintenance on all four fire extinguishers in the air compressor house and chemical storage area. Maintenance should be conducted every six months and the last maintenance was conducted in August and September 2019. In addition, the factory does not conduct internal inspection on those four fire extinguishers every month. The last internal inspection was conducted in December 2019. [HSE.6.1]

An exhaust fan frame is blocking the electric panel on the second floor of Workshop No. 2 so that the electric panel door cannot be fully opened in the case of an emergency. [HSE.13]

The factory does not conduct a monthly internal inspection on the electrical system or maintain inspection records. Staff interviews indicate that the last internal inspection was conducted in January 2020. [HSE.13]

Local Law or Code Requirement

Recommendations for Immediate Action

1. <!--[endif]-->Conduct legally required inspections for all applicable pressure tanks and obtain inspection reports.
2. <!--[endif]-->Install a smoke detector in the temporary fabrics warehouse.
3. <!--[endif]-->Contract external maintenance company to conduct maintenance on fire extinguishers every six months and conduct internal inspection on fire extinguishers every month.
4. <!--[endif]-->Keep all electric panels clear from obstruction, at all times.
5. <!--[endif]-->Conduct internal inspection on electrical system every month and maintain inspection records.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory will check the pressure tank in the fire pump house annually.
2. Factory to employ a third party maintenance company to conduct regular maintenance on the fire extinguishers located in the air compressor house and chemical storage area.
3. Exhaust fan in the 2nd floor workshop no. 2 needs to be relocated to avoid blockage of the electrical panel
4. Monthly inspection of the electrical system must be implemented to determine if the system requires maintenance.

Company Action Plan Update

1. Checking the pressure tank one time per year
2. Security guards have tested expired fire extinguishers based on check list
3. Proceed to reinstall the cabinet and the fan is directed towards the outside door

4. Factory conducts inspect internal electrical system monthly

FINDING NO.8

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

The factory stores hazardous wastes and industrial wastes together. In addition, the hazardous wastes are not well coded, labeled or sorted by type as required by local law. [HSE.9.1]

Local Law or Code Requirement

Decree No. 38/2015/NĐ-CP, Article 5. FLA Workplace Code (Health, Safety and Environment Benchmark HSE.9)

Recommendations for Immediate Action

1. <!--[endif]-->Store hazardous wastes and industrial wastes separately. Code, label and sort the hazardous wastes by type as per legal requirement.

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory is required to properly segregate and properly store hazardous and industrial waste.

Company Action Plan Update

Factory has established a process and storage area for hazardous and industrial waste. Contents of the each storage containers is properly marked with the contents.