



FAIR LABOR
ASSOCIATION®

INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: YETI Coolers LLC

COUNTRY: Vietnam

ASSESSMENT DATE: 09/28/20

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	2
Hours of Work	7
Employment Relationship	4
Health, Safety, and Environment	15
Nondiscrimination	2

Findings and Action Plans

FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The factory does not include the six months of maternity leave, which is not covered by unemployment insurance, when calculating severance allowance. In addition, the factory does not pay the unused annual leave to female workers when they resign right after taking maternity leave. [C.1, C.6, ND.8, HOW.11]
2. The factory pays the final payout on the regular payment date, which is the 8th day of the following month, rather than within seven working days upon contract termination as per the legal requirement. [ER.18]
3. The factory does not pay the hazardous allowance to workers with heavy or hazardous jobs, including sewing, pressing, punching, cutting, and chemical handling workers. Workers with heavy or hazardous jobs are entitled to a hazardous allowance per month, which is 5% of their basic wage, as per the legal requirement. [C.1]
4. The factory provides 12 days of annual leave per year to workers with heavy or hazardous jobs, rather than 14 days as per the legal requirement. [HOW.11]

Local Law or Code Requirement

The Vietnam Labor Code, Article 47, Article 106, Article 113 and Article 114; Decree 49/2013/ND-CP, Article 7; Decree 90/2019/ND-CP, Article 3. FLA Workplace Code (Compensation Benchmarks C.1 and C.6; Employment Relationship Benchmark ER.18; Hours of Work Benchmark HOW.11)

Recommendations for Immediate Action

1. <!--[endif]-->Include maternity leave to calculate severance allowance. Pay female workers who take full six months of maternity leave one half of monthly wage as severance allowance. Pay the unused annual leave to all workers in their final payout.

2. <!--[endif]-->Pay final payout within seven working days upon contract termination as per the legal requirement.
3. <!--[endif]-->Pay 5% of the basic wage as hazardous allowance to workers with heavy or hazardous jobs each month. Start the process of backpaying currently employed workers who have not received this allowance.
4. <!--[endif]-->Provide 14 days of annual leave per year to workers with heavy or hazardous jobs.

COMPANY ACTION PLANS

Action Plan no 1.

Description

3.) From Oct.2020, we have added 5% hazardous allowance to workers with heavy or hazardous jobs (see attached 1-3). Production will do the on-going training and the records will be provided (12/31/20)

Company Action Plan Update

1.) Re-training the H&R calculate the compensation according to Labor law (11/1/20)

2.) The final payout are paid within 7 days from the day they finished the resignation process. (see attached 1-2-1 Paid on Oct.14th and -2-2 resigned on Oct.8th) And only the workers who required to wire final payout via Bank will be transferred on 8th day following the month.

4.) Company manual already includes the policy of 14 days of annual leave per year to workers with heavy or hazardous jobs (see attached 1-4-1)

The female worker still had 4 days annual leave before resigned but she terminated the contract illegally so there is a compensation which she needs to pay to company. And after calculation, she stills own company but we did not require it.

FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. Overtime hours exceed the legal limit of 30 hours per month. Time records for three sample months of August 2020, March 2020 and October 2019 indicate that the monthly overtime for about 53% to 86% of sample workers exceeded 30 hours in all three sample months, with a maximum of 75 overtime hours in October 2019. [HOW.1.1]

2. The total working hours exceed 60 hours in a week. Time records for three sample months of August 2020, March 2020 and October 2019 indicate that the weekly working hours for about 45% to 67% of sample workers exceeded 60 hours in one week per month in all three sample months, with a maximum of 67.5 hours per week in August 2020. [HOW.1.3, HOW.8.3]

Local Law or Code Requirement

The Vietnam Labor Code, Article 106 and Article 111. FLA Workplace Code (Hours of Work Benchmark HOW.1.1, HOW.1.3, and HOW.8.3)

Recommendations for Immediate Action

1. <!--[endif]-->Ensure overtime hours do not exceed legal limit of 30 hours per month.

2. Control total working hours so they do not exceed 60 hours in a week.

3. <!--[endif]-->Ensure that overtime is not included as a general practice into the factory's production planning. FLA affiliate Company's Sourcing and Social Compliance teams should:
 - 1) Implement FLA Principles of Fair Labor and Responsible Sourcing and
 - 2) Accordingly coordinate on the topics mentioned below to help the factory address its excessive hours issue:
 - a. How to provide better order forecasts to the factories;
 - b. Possible workshops/consultancy for the factory on how to improve productivity/quality;
 - c. Clear guidelines on how to extend shipment deadlines in case of contingencies;
 - d. Steps that factory management must follow if overtime is inevitable (steps for how to communicate with the brand's Sourcing and Social Compliance teams);
 - e. Clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks;
 - f. Clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Complete

Company Action Plan Update

1.) Informed all department control the overtime hours carefully (See attached 2)

2.) Informed all department control the overtime hours carefully (See attached 2)

FINDING NO.3

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 Benchmarks FOA.2 and FOA.10)

FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory conducted a risk assessment on January 15, 2020. However, the risk assessment only covered the Folding Section, and did not include the Pressing Section, Punching Section, Cutting Section, Sewing Section and all machines. [HSE.1]

2. The factory does not provide a health examination to workers with heavy or hazardous jobs every six months as per the legal requirement. Workers with heavy or hazardous jobs are provided with health examination on an annual basis, after working in the factory for 12 months and above. [HSE.1]

3. The factory does not provide secondary containment for acetone and alcohol cans being used in packing areas and pressing areas. [HSE.9.1]

4. The factory is using power strips as permanent wiring in the packing areas. Most power strips are heavily loaded with multiple devices. Some devices are even wired into the power strip sockets directly without a plug. [HSE.13]

5. The factory has not installed eye shields on five out of 47 auto-sewing machines in the sewing lines of Factory No.3. In addition, the needle guards on three out of ten single needle sewing machines in the sewing lines are adjusted too high to ensure safe protection. [HSE.14.1]

6. The factory has not installed a wheel safe lock on the ladder in the finished goods warehouse, or a safety cage on another ladder in the water supply tower. [HSE.13]

Local Law or Code Requirement

The Vietnam Labor Code, Article 138; Law on Occupational Safety and Hygiene No. 84/2015/QH13, Article 7, Article 16 and Article 21; Decree 44/2016/ND-CP, Article 35; Law on chemical (No. 06/2007/QH12), Article 37. FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.9, HSE.13 and HSE.14)

Recommendations for Immediate Action

1. <!--[endif]-->Conduct a risk assessment that covers all risks and appropriate ways to eliminate and control hazards.
2. <!--[endif]-->Provide a health examination to all workers with heavy or hazardous jobs every six months.
3. <!--[endif]-->Provide secondary containment for all chemical containers.
4. <!--[endif]-->Install additional outlets to avoid heavy reliance on power strips. Use power strips properly and avoid overloading the power strips with multiple devices.
5. <!--[endif]-->Install eye shields on all auto-sewing machines. Adjust the needle guards on all single needle sewing machines to ensure safe protection.
6. <!--[endif]-->Install a wheel safe lock on the ladder in the finished goods warehouse and safety cage on another ladder in the water supply tower.

COMPANY ACTION PLANS

Action Plan no 1.

Description

- 1.) The risk assessment of each process will be completed (12/31/20)
- 3.) Provide secondary containment for all chemical containers (12/31/20)
- 4.) We are using temporary place for packing section and we will be move packing to other factory (12/31/20) We will avoid use the power strips
- 5.) We will install the eye shields on all auto-sewing machines. Adjust the needle guards on all single needle sewing machines (12/31/20)

6.) Install wheel safe lock on the ladder in the finished goods warehouse (12/31/20) and safety cage on ladder in the water supply tower (5/31/21)

Company Action Plan Update

2.) Company has done the health examination every 6 month (Attached 4-2)

FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory has not obtained the fire safety certificate for Warehouse No.3, which is 512.5 square meters and five meters in height and used to store unused fabric. [HSE.4]
2. The factory has not marked four out of ten evacuation aisles in Factory No.3 and Factory No.4. In addition, three out of ten evacuation aisles are fully blocked with products and working tables in Factory No.3 and Factory No.4. [HSE.5.1]
3. The factory conducts the inspection for the fire alarm system on a monthly basis, which is in line with legal requirement. However, the factory has never conducted a maintenance for the fire alarm system. The fire alarms in the finished goods warehouse, Factory No.3 and Factory No.4 could not be activated during the onsite test. In addition, the factory has not conducted the inspection for the heat detectors every six months as per the legal requirement. The last inspection was conducted when the heat detectors were installed in 2011. [HSE.5.3]
4. The fire hose system has a low water pressure that is not sufficient for the fire-fighting activities. [HSE.6.1]
5. The factory conducts the inspection for the diesel fire-fighting water pump every two weeks, rather than on a weekly basis as per the legal requirement. [HSE.6.1]
6. The factory does not provide training to the fire-fighting team every two years. The training certificates of all 40 fire-fighting team members expired on July 13, 2020. [HSE.6.2]

Local Law or Code Requirement

Decree 79/2014/ND-CP, Article 7 and Article 18; QCVN 06:2020/BXD; Vietnam Building Code on Fire Safety of Buildings, Clause 3.1.1; Law on Occupational Safety and Hygiene No. 84/2015/QH13, Article 7 and Article 21; Vietnam Standard TCVN 3890:2009, Clause 5, Clause 7.2.2, Clause 8.3.1 and Clause 8.3.2. FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.4, HSE.5 and HSE.6)

Recommendations for Immediate Action

1. <!--[endif]-->Obtain fire safety certificate for all buildings.
2. <!--[endif]-->Mark the evacuation aisles clearly. Ensure the evacuation aisles are free from obstruction.
3. <!--[endif]-->Conduct the maintenance for the fire alarm system every two years to ensure all fire alarms are functional and in good condition. Conduct the inspection for the heat detectors every six months as per legal requirement.
4. <!--[endif]-->Ensure sufficient water pressure for the fire hose system.

5. <!--[endif]-->Conduct the inspection for the diesel fire-fighting water pump on a weekly basis as per legal requirement.
6. <!--[endif]-->Provide training to the fire-fighting team every two years.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1.) The factory is still under construction. The fire department will issue the safety certification for all building after construction is finished. (12/31/20)

6.) We have requested fire department come to do the training but due to Covid-19, the fire department has not arranged the schedule. Attached 5-6-1 and 5-6-2. (12/31/20)

Company Action Plan Update

2.) Completed

3.) The fire alarm system are fail because the construction of factory no.5.and we fixed it the day after audit. The fire department also come to do the inspection on Oct.13th 2020 (see attached 5-3)

4.) We need to use fire-fighting water pump before we open the fire hose system which can make sure the water pressure is enough.

5.) The fire-fighting water pump will be inspected weekly from Oct. 2020 (see attached 5-5)