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INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: prAna
COUNTRY: Vietnam
ASSESSMENT DATE: 09/07/20
ASSESSOR: Openview
PRODUCTS: Apparel
NUMBER OF WORKERS: 1722

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
Employment Relationship	2
Health, Safety, and Environment	11
Nondiscrimination	2

Findings and Action Plans

FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. When workers are transferred to other positions with a lower wage rate, the factory starts to pay the reduced wage from the first day of that pay period, which is not in line with the legal requirement of keeping the previous higher wage rate for 30 working days from the effective transfer date. For instance, one worker previously working as a team leader and was transferred to a sewing operator position on July 18, 2020 due to production and business demand. The wage rate for a team leader is VND 5,800,000/month (USD 250/month) while the wage rate for a sewing operator is VND 5,500,000/month (USD 237/month). The factory started to pay the reduced wage rate of VND 5,500,000/month (USD 237/month) from July 1, 2020, rather than keeping the previous higher wage rate of VND 5,800,000/month (USD 250/month) for 30 working days from July 18, 2020. [C.1]

Local Law or Code Requirement

Vietnam Labor Code, Article 31. FLA Workplace Code (Compensation Benchmark C.1)

Recommendations for Immediate Action

1. <!--[endif]-->Pay previous higher wage rate for 30 working days from the effective transfer date when workers are transferred to other positions with a lower wage rate.

FINDING NO.2

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.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory has changed the function of one 2-story building in Zone K, with total land area of 425.7 square meters, from an office to a foreigner dormitory with 16 rooms since 2018. However, the factory has not updated the Firefighting Plan as per legal requirement. Remark: The construction ownership certificate was issued on March 24, 2014. Construction renovation permit No. 14.026/GPSCCT-BQLKKT was issued on November 17, 2014. Approval of fire protection design No. 46/TDPCCCC was issued on May 30, 2014. Acceptance of fire protection No. 81/PCCC-NT was issued on November 7, 2016 and Fire-fighting Plan was approved on September 14, 2018. [HSE.4]

2. The factory provides health check-ups to workers who undertake heavy, hazardous and dangerous jobs every six months as per legal requirement. However, 1,964 of 1,976 eligible workers were checked in the latest health check-up on June 22, 2020. 12 eligible workers took leave on that day and have not received a health check-up since then. These workers work in the sewing line, inspection section, material warehouse, mechanic room and cutting section. [HSE.1]

3. The factory has designated a hazardous waste warehouse and dispose of hazardous waste by contracting an authorized service provider. However, the factory does not consider empty paint cans to be hazardous waste. They have at least 20 empty paint cans stored in the temporary storage area for reuse. [HSE.9.1]

4. The factory does not provide secondary containment for two drums of paint thinner in the mechanic room or one bottle of multi-purpose lubricant in the air compressor room. In addition, the factory has the Material Safety Data Sheets (MSDS) for these two chemicals but does not post the MSDS in the mechanic room or air compressor room where the chemicals are used. [HSE.9.1, HSE.10.1]

Local Law or Code Requirement

Decree 79/2014/ND-CP, Article 21; Circular 66/2014/TT-BCA, Article 7; Law on Occupational safety and Hygiene No. 84/2015/QH13, Article 21; Decision 1152/2003/QĐ-BLDTBXH, Article 1; Decree No. 38/2015/ND-CP, Article 5; Law on chemical (No. 06/2007/QH12), Article 37; Vietnam Labor Code, Article 138. FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.4, HSE.9 and HSE.10)

Recommendations for Immediate Action

1. <!--[endif]-->Update the Firefighting Plan when there is building function change, per legal requirement.
2. <!--[endif]-->Provide health check-ups to all workers who undertake heavy, hazardous and dangerous jobs every six months, per legal requirement.
3. <!--[endif]-->Store empty paint cans in designated hazardous waste storage area and dispose of by contracting an authorized service provider.
4. <!--[endif]-->Provide secondary containment for all chemical containers. Post MSDS in working areas where chemicals are used.