



FAIR LABOR  
ASSOCIATION<sup>®</sup>

## INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Columbia Sportswear Company

COUNTRY: Vietnam

ASSESSMENT DATE: 09/30/20

ASSESSOR: Openview

PRODUCTS: Apparel

NUMBER OF WORKERS: 1194

## 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	1
Health, Safety, and Environment	12
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 1st day of that pay period, which is not in line with 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 sewing team leader and was transferred to a vice team leader on May 5, 2020 due to decreased production demand. The wage rate for a sewing team leader is VND 6,047,000/month (USD 259/month) while the wage rate for vice team leader is VND 5,746,000/month (USD 246/month). The factory started to pay the reduced wage rate of VND 5,746,000/month (USD 246/month) from May 1, 2020, rather than keeping the previous higher wage rate of VND 6,047,000/month (USD 259/month) for 30 working days starting from May 5, 2020. [C.1]

2. The factory does not assist or support in the building of a nursery school and kindergarten. It also does not share the partial cost of childcare at a kindergarten for female workers. Article 154 of the Vietnam Labor Code requires employers to assist and support in building crèches and kindergartens, or cover part of childcare expenses at crèches and kindergartens incurred by female employees. [ER.22.1]

##### Local Law or Code Requirement

Vietnam Labor Code, Article 31 and Article 154. FLA Workplace Code (Compensation Benchmark C.1; Employment Relationship Benchmark ER.22)

##### Recommendations for Immediate Action

1. <!--[endif]-->Pay previous higher wage rate for the first 30 working days from the effective transfer date when workers are transferred to other positions with lower wage rate. Begin the process to understand which workers have been underpaid and process to start backpaying.

2. <!--[endif]-->Assist and support to build a nursery school and kindergarten or share partial cost of childcare at kindergarten for female workers.

## 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 the period from September 2019 to September 2020 indicate that the monthly overtime hours for about 5% to 90% of workers exceeded 30 hours in all reviewed months, with a maximum of 51.27 overtime hours in December 2019. [HOW.1.1]
2. Total working hours exceed 60 hours in a week. Time records for the three sample months of September 2020, February 2020 and December 2019 indicate that about 5% of sample workers in the embroidery section worked more than 60 hours in one week in February 2020, about 20% of sample workers in the finishing section and sewing line worked more than 60 hours in one week in December 2019, with a maximum of 72.5 hours per week in December 2019. Total working hours did not exceed 60 hours per week in the third sample month of September 2020. [HOW.1.3]
3. Workers are not always provided with one day off for every seven-day work period. Time records for the three sample months of September 2020, February 2020 and December 2019 indicate that about 10% of sample workers in embroidery section worked seven to thirteen consecutive days for once in February 2020. All workers were provided with one day off for every seven-day work period in the other two sample months of September 2020 and December 2019. [HOW.2]

##### Local Law or Code Requirement

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

##### Recommendations for Immediate Action

1. <!--[endif]-->Ensure overtime hours do not exceed legal limit of 30 hours per month.
2. Control total working hours do not exceed 60 hours in a week.
3. Provide workers with at least one day off (24-consecutive hours of rest) for every seven-day work period.
4. <!--[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.

### 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 has not installed a gas leak detector or posted a hazard warning sign or authorized personnel list in the gas storage area. In addition, gas cylinders are not secured with chains to prevent them from falling or being knocked over. [HSE.1]
2. The factory has not provided Group III training on the elevator safety operation to the two elevator operators. Group III training covers workers who perform work with strict requirements on occupational safety and sanitation. Neither elevator operators has obtained the operator certificates. [HSE.4]
3. The factory has not installed fire detection devices, such as smoke detectors or beam detectors, in the canteen building (900 square meters) or in the two production buildings (each with 1,500 square meters). In addition, the factory has not installed a fire alarm system in the two material warehouses (each with 750 square meters) or in the embroidery building (200 square meters). [HSE.5.1]
4. The factory does not conduct the annual fire evacuation drill with the participation of the local fire police. The most recent fire evacuation drill was conducted on September 27, 2019. The factory has scheduled a fire evacuation drill on October 9, 2020. [HSE.5.3]
5. Four out of eight fire extinguishers are obstructed with motorbikes in the parking areas. In addition, none of the three fire hoses in the canteen building have hose reels. [HSE.6.1]
6. The water pressure at the eyewash station in the chemical warehouse is too low to satisfy emergency use. The eyewash water pressure is required to be at least 30 PSI. [HSE.6.1]
7. The factory has installed safety guards on the four ventilation fans in the ironing area. However, the guard openings are too large to

protect workers from exposed fan blades. [HSE.14]

#### Local Law or Code Requirement

Decree No. 79/2014/ND-CP, Article 21; Circular 15/2012/TT – BYT, Article 3; Decree 44/2016/NĐ-CP, Article 17; TCVN 3890:2009, Article 6; Decree 79/2014, Article 7; Vietnam Labor Code, Article 138; Circular 19/2016/TT-BYT, Article 5; Law No. 84/2015/QH13, Article 16. FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.4, HSE.5, HSE.6 and HSE.14)

#### Recommendations for Immediate Action

1. <!--[endif]-->Install gas leak detector, post hazard warning sign and authorized personnel list in the gas storage area. Secure gas cylinders with chains to prevent from falling or being knocked over.
2. <!--[endif]-->Provide Group III training on elevator safety operation to the two elevator operators and obtain the operator certificates.
3. <!--[endif]-->Install fire alarm system and fire detection devices in the production buildings, warehouses and canteen building.
4. <!--[endif]-->Conduct the annual fire evacuation drill with the participation of the local fire police.
5. <!--[endif]-->Ensure all fire-fighting equipment is free from obstruction and in good condition.
6. <!--[endif]-->Ensure proper water pressure at eyewash stations.
7. <!--[endif]-->Install proper safety guards on ventilation fans to protect workers from exposed fan blades.

## FINDING NO.5

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Environmental Protection

##### Finding Explanation

1. The factory has a designated hazardous waste warehouse. However, a few empty chemical drums and bottles are mixed with non-hazardous waste and not stored in the hazardous waste warehouse. [HSE.9.1]
2. The factory has not provided the approval for Environmental Impact Assessment (EIA) for review during the visit, because the EIA approval is maintained in their head office in Ho Chi Minh. [HSE.4]

#### Local Law or Code Requirement

Decree 38/2015/NĐ-CP, Article 4; Circular 36/2015/TT-BTNMT, Article 7; Law No. 55/2014/QH13, Article 18. FLA Workplace Code (Health,

Recommendations for Immediate Action

1. <!--[endif]-->Store all hazardous waste in the designated hazardous warehouse.
  
2. <!--[endif]-->Maintain all legally required reports and certificates on site and provide for review upon request.