



Federation of the European
Sporting Goods Industry

FESI COMMENTS ON THE RATIFICATION OF THE EU-VIETNAM FTA

Brussels, 22 November 2017

FEDERATION OF THE EUROPEAN
SPORTING GOODS INDUSTRY

House of Sport

Avenue des Arts 43
1040 Brussels, Belgium
Email: info@fesi-sport.org
Tel: +32 2762 8648
Fax: +32 2771 8746
Website: www.fesi-sport.org

- FESI urges EU institutions to **swiftly ratify the EU-Vietnam FTA**.
- The entry into force of this agreement will be beneficial for both sides:
 - trade flows and investment opportunities will increase;
 - labour rights and working conditions will further improve with the implementation of the EU-Vietnam FTA and its Trade and Sustainable Development chapter.
- The Sporting Goods Industry is fully aware of the challenges that concern labour rights and working conditions in Vietnam and is actively engaging with its suppliers' factories, independent organisations and international programmes and partnerships to tackle these problems.
- FESI encourages Vietnam to pursue its efforts to ratify and implement the core ILO and environmental conventions.
- FESI would like to take this opportunity to present some of the **actions, programmes and projects** in which its members participate or that are directly supported by them **to promote labour rights and working conditions in Vietnam**.

THE ECONOMIC IMPORTANCE OF THE EU-VIETNAM FTA

The European Union is one of the most important trading partners for Vietnam, both for trade and foreign investment. EU imports from Vietnam have been increasing in the last years. EU imports of footwear and textile are of particular importance, being the second and third most imported

FESI - Federation of the European Sporting Goods Industry

House of Sport

Avenue des Arts 43, B-1040 Brussels

Tel : +32 (0)2 762 86 48 Fax : +32 (0)2 771 87 46

Email : info@fesi-sport.org Website : www.fesi-sport.org

category of goods from the Southeast Asian country. Vietnam's textile and garment sector is one of its most important industries, comprising in 2014 around **4000 enterprises** and giving work to more than **4.5 million people**.¹

The European Union and Vietnam concluded a Free Trade Agreement at the end of 2015. FESI welcomed the conclusion of such FTA, it being one of the most advanced and ambitious trade agreements that the EU has ever finalised with a developing country. The EU-Vietnam FTA is currently undergoing the legal review and the translation into the EU's official languages and Vietnamese. Following this stage, the ratification process will start. **FESI urges EU institutions to swiftly ratify the EU-Vietnam FTA**. The entry into force of this agreement will in fact be beneficial for both sides, in terms of trade flows and investment opportunities. Considering the value of Vietnam's exports, which in 2016 reached almost 94% of its GDP,² FESI believes that the entry into force of the FTA will significantly foster the Vietnamese economy, as well as provide increased consumer choice in the EU.

THE SPORTING GOODS INDUSTRY'S ENGAGEMENT IN VIETNAM

In the last years, the living and working conditions in Vietnam (a developing country) – including the GNI per capita, the minimum wage, life expectancy and the school enrolment – have all increased in Vietnam, while poverty has decreased.³ Nevertheless, some challenges concerning labour rights and working conditions in Vietnam still exist. The **Sporting Goods Industry is fully aware of them, and aims to be an industry leader on addressing these challenges**. Companies in the Sporting Goods Industry are actively engaging with their suppliers' factories, in cooperation with independent organisations, and international programmes and partnerships to consistently and coherently upgrade the working environment in Vietnam. This engagement is part of a global effort where national governments and international organisations play a crucial role. **FESI believes that labour rights and working conditions will further improve as a consequence of the opportunities created by the implementation of the EU-Vietnam FTA, also in light of the Trade and Sustainable Development chapter included in the agreement.**

Better Work Vietnam

Better Work Vietnam is a partnership between the International Labour Organization and the International Finance Corporation, a member of the World Bank Group. The aim of the partnership is to improve labour standards and business competitiveness in global apparel supply chains. Many FESI

¹ Fair Wear Foundation, *Vietnam Country Study 2015*.

https://www.fairwear.org/wp-content/uploads/2011/12/Country-Study-Vietnam-FINAL_web.pdf

² In 2016 the value of Vietnam's export of goods and services towards the rest of the world equalled the 93.6% of its GDP. Source: World Bank.

³ See World Bank, Vietnam.

members are working together with Better Work⁴. The engagement of global brands and retailers in this partnership is crucial in helping to drive improvements in suppliers' factories and to support Better Work in strengthening the competitiveness of the garment sector. The partnership operates mainly in two complementary ways:

- assessing factories' conditions with national labour laws and international labour standards;
- offering training and advisory services to support improvements in factories' conditions.

2017 Annual Report for Vietnam

Better Work Vietnam presented the findings⁵ of its assessments conducted in 257 factories in Vietnam during the period from October 2015 to December 2016. **No instances of child or forced labour were found in the observed factories.** Furthermore, the Zero Tolerance Protocol was signed between Better Work Vietnam and the Vietnamese Ministry of Labour.⁶ **Practices of gender discrimination** have been found only in a number of factories that represents **less than five percent of the total assessed factories.** Moreover, Better Work Vietnam is currently investing in auditors' training to uncover unreported cases of discrimination.

A longstanding issue in Vietnam is the practice of management interference in the activities of trade unions. Vietnamese labour law does not explicitly prohibit managers from serving on trade union boards. Nevertheless, Better Work found **no evidence of intimidation, harassment or termination of union officials in factories.** Rules on **collective bargaining** are not fully implemented in every observed factory. Other relevant challenges concern **excessive overtime** and its compensation, and **occupational safety and health.**

FESI believes that the establishment of the **Domestic Advisory Groups** and of the **Joint Forum** to conduct a dialogue on sustainable development aspects of trade relations between the EU and Vietnam, as provided in the Trade and Sustainable Development chapter of the EU-Vietnam FTA, will play a crucial role in tackling these problems.

Better Work Transparency Portal and training courses

Better Work launched the **Transparency Portal**, a website⁷ that discloses information on participating suppliers and their compliance with key national and international labour standards. This initiative increased the number of complying factories. Furthermore, Better Work also offers a series of training courses in areas such as communication, negotiation and supervisory skills, industrial relations, occupational safety, and health and harassment prevention.

⁴ adidas, Asics, New Balance, Nike, Pentland and Puma

⁵ <https://betterwork.org/blog/portfolio/better-work-vietnam-annual-report-2017/>

⁶ The "Zero Tolerance Protocol" provides that any case of child labour found in Better Work factories must be immediately reported to the relevant government agencies, accompanied by a process of monitored remediation.

⁷ <https://portal.betterwork.org/transparency>

The Sustaining Competitive and Responsible Enterprises (SCORE8) programme

SCORE is a global technical Cooperation programme managed by the International Labour Organization (ILO) and funded by the Swiss State Secretariat for Economic Affairs (SECO) and the Norwegian Agency for Development Cooperation (NORAD). SCORE training forms the heart of the programme. This training for small to medium-sized enterprises (SMEs) promotes respect for workers' rights while also increasing the productivity of SMEs, helping them to access global supply chains, and demonstrating best international practice in manufacturing and service sectors. SCORE training focuses on developing cooperative relations in the workplace. Workers and managers participate together in a series of two-day classroom training sessions on workplace cooperation, quality management, human resource management, and occupational health and safety. Local experts follow up on-site to help enterprises implement what has been learned.

SCORE has been implemented since 2011 to provide technical assistance to companies in garments, wood processing, and other supporting industries. It is implemented by the Vietnam Chamber of Commerce and Industry – Ho Chi Minh City branch, and the International Labor Organization (ILO), with the support of industry associations. Since its implementation, the SCORE programme has provided technical assistance to 145 companies in garment, wood processing sectors and other supporting industries. Among the positive outcomes shared by participating factories is the saving of production cost, improved workplace cooperation, increased productivity, and lower employee turnover rate. SCORE was originally piloted in the wood processing industry, but expanded to 15 apparel factories through Better Work Vietnam since 2015. A few of those apparel factories supply the sporting goods industry. The next steps of SCORE are to expand to electronic, supporting industry, footwear, and further apparel factories.

Fair Wear Foundation

The **Fair Wear Foundation** is an independent organisation that works with brands and industry influencers to improve working conditions in sourcing countries. The Foundation also operates in Vietnam, where it works with 19 member companies sourcing from approximately 180 factories.

2015 Vietnam Country Study

In its 2015 Vietnam Country [Study](#), the Fair Wear Foundation highlighted that its auditors rarely found cases of proven forced labour and that in the last years Vietnam has made progress in closing the gender gap in employment. Concerning child labour, Fair Wear Foundation audits in registered garment companies have revealed **no cases of child labour**; very rare cases of child labour have been found among smaller companies operating in the informal sector (unregistered business) in Ho Chi Minh City. The most challenging problems identified by the Fair Wear Foundation are **freedom of**

⁸ <http://www.score.com.vn/>

association and **excessive overtime**. Nevertheless, Fair Wear Foundation stated that generally they have seen improvements in Vietnam. Its members have used the local Fair Wear Foundation inspection teams to monitor their suppliers in the country and have worked very hard on realising improvements and implementing corrective actions by getting more insight into subcontractor locations, health and safety remediation, improving grievance mechanisms and addressing issues around social dialogue. Through the complaints mechanisms, Fair Wear Foundation members have worked on cases that deal with unfair dismissals, outstanding payments and social security.

Workplace Education Programme

In 2016 Fair Wear Foundation's activities in Vietnam focused on the implementation of the **Workplace Education Programme**. Its aim is to raise workers' awareness of their rights and grievance mechanisms. Through this Programme, many companies have organised in-house factory trainings for workers and management to raise awareness of labour rights and improve communication between workers and management.

Occupational safety and health conditions

Fair Wear Foundation's audits show that occupational safety and health is still an issue. The Foundation's members are working with their suppliers to remediate those violations. Nevertheless, the Foundation states that **Vietnamese garment sector in general has improved health and safety standards** and factories are improving their internal compliance system.

Finally, the Fair Wear Foundation believes that the commitments made by the Vietnamese government under the **EU-Vietnam FTA will open the opportunities for changes in the national labour legislation**, including freedom of association and collective bargaining. The ratification of the FTA can thus positively contribute to the solution of the many issues that the Fair Wear Foundation highlighted in its 2015 Study and audits.

FESI members' direct engagement

Among FESI members, global companies engage directly with their suppliers' factories to improve working conditions. FESI takes the opportunity to present some of the data from our members.

Case study 1

One of FESI members reports to currently work with 18 finished goods suppliers' factories in Vietnam – comprising around 27 thousand employees. Their ethical policies, including the points hereunder, are reflected in the company's work implementation:

- prohibits the employment of child labour or the use of any forced or involuntary labour;
- prohibits any kind of discrimination in hiring and employment practices including salary, benefits, access to training, advancement, discipline, termination or retirement on the basis of race, religion, caste, birth, age, nationality, social group or ethnic origin, sexual

orientation, gender, family responsibilities, marital status, membership in employees' organizations including unions, political affiliation, political opinion or disability.

- prescribes that workers shall have the right to a compensation that is sufficient to meet the basic needs and to provide some discretionary income and that all overtime work shall be consensual.

Third party audits of the member in question did not find any critical findings related to child labour, compensation or building safety in its suppliers' factories. Overall, third party corporate responsibility audit programme covers human right standards including child labour, forced labour, harassment, discrimination, collective bargaining, etc.

Moreover, Better Work is working with some FESI members to provide communication training for workers and employers' representatives and plans to partner with an NGO to provide training on collective bargaining agreements.

Case study 2

Another FESI member reports to employ qualified Social and Environmental Affairs (SEA) personnel in its Liaison Office in Ho Chi Minh City. The SEA team carries out end-to-end **compliance monitoring** in the members' supplier factories in Vietnam. A list of basic requirements – including no child labour; fire safety; legal wage, benefits and working hours – comprises zero tolerance and threshold issues. Additionally, the FESI member points out that it monitors four components of its suppliers' environmental performance: the Sustainable Apparel Coalition Higg Facility Environmental Module, energy reduction, water reduction and waste reduction. Additionally, suppliers operating for the suppliers' factories in Vietnam are subject to random inspections as conducted independently and unannounced by inspectors of the Fair Labour Association (FLA). The SEA team also provides technical advice and capacity building to strengthen factories' capability in making improvement in their working conditions. In 2016 for the member in question the SEA team in Vietnam reports to have spent a total of **362 hours for one-on-one consultation meetings** with all factories in Vietnam.

In addition, other projects were launched in Vietnam, such as the development of a **new platform for workers in channelling their grievances** in the factory. In Vietnam it covers more than 140 000 workers and is well accepted. In 2016 there were 8,753 grievance issues reported and resolved by using this platform. Another project is the **Supervisory Skills Training Program**, launched and implemented as continuing program since 2016, which aims at supporting the skills advancement of factory supervisors for better communication and engagement with their workers. The **Human Resource Management System Course** is another example of the company's engagement in Vietnam. The course targets human resource managers and officers with the objective to equip them with the right knowledge on how to establish and run a proper and effective human resource management system. Another project's example addressing the environmental issue is the **Resource Efficiency Project** under Vietnam Improvement Program for a period of 18 months (Aug 2017 – Jan 2019). It covers suppliers who are facing challenges in meeting their energy and water reduction

targets. The project's consultants conduct site assessments on energy and water efficiency, and come up with recommendations on how to improve them.

Founded in 1960 FESI - the Federation of the European Sporting Goods Industry represents the interests of approximately 1,800 sporting goods manufacturers (85% of the European market) through its 12 National Sporting Goods Industry Federations and its directly affiliated member companies. 70-75% of FESI's membership is made up of Small and Medium Sized Enterprises. In total, the European Sporting Goods Industry employs over 650,000 EU citizens and has an annual turnover of some 66 billion euro.

FESI - Federation of the European Sporting Goods Industry

House of Sport

Avenue des Arts 43, B-1040 Brussels

Tel : +32 (0)2 762 86 48 Fax : +32 (0)2 771 87 46

Email : info@fesi-sport.org Website : www.fesi-sport.org