



# Quarterly Newsletter

## July 2020



We hope this message finds you well and in good spirits. To state the obvious, last quarter was unprecedented. The apparel and footwear value chains were hit with a historic shock likely to reverberate for a long time. That said, we did see the quarter end on a more positive note. Vietnam has steadily climbed out of lockdown and restarted most of its economic activities, however the situation is more challenging in India. During the last quarter, the LABS team has been ready, remotely if need be, to support factories with the same types of services and guidance regarding COVID-19 health measures. Over the course of the quarter, factory visits and follow-up activities have started to pick up. We hope to maintain this positive momentum for next quarter although we will remain vigilant regarding the state of the situation. Please find below an overview of the LABS' activities for last quarter.

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Factories onboarded

103

India: 37  
Vietnam: 66



Assessments conducted

74

India: 30  
Vietnam: 44



Workers reached

254,768

India: 48,786  
Vietnam: 205,982

(the data is from the date of program launch till June 30, 2020)

# Assessments

## VIETNAM

In Vietnam, a total of 3 factories have been assessed under the program from April 1, 2020 to June 30, 2020.

Factories assessed: Bac Giang LNG Garment Corporation; Shinwon Ebenezer Vietnam Co. Ltd.; Triple Garment (Vietnam) Co. Ltd.

100%

**Rated Amber  
in Fire Safety  
Assessment**

100%

**Rated Red/Amber  
in Electrical Safety  
Assessment**

100%

**Rated Yellow  
in Structural Safety  
Assessment**

### Structural-Related Issues

- Cracks on concrete slabs and beams in the material room were detected
- Excessive load in the storage area on the mezzanine and second floors
- Additional floors or mezzanines were added but documentation was unavailable to review
- Corrosion and missing bracings were discovered on steel structures
- Structural drawings were unavailable to review during the assessment

### Fire-Related Issues

- Locking mechanisms on exit doors were observed
- Doors in the means of egress were not the side-hinged swinging type
- Escape paths were not clear of temporary obstacles
- Emergency lighting was not working properly
- Detectors and sprinklers were installed far below the ceiling
- Lack of proper fire separation between production and storage areas existed
- Generator rooms were located alongside final exits without fire-rated separation

### Electrical-Related Issues

- High temperatures and inadequately sized cables were noticed at several electrical panels
- Inadequate protective earth connections for generators, compressors, ventilation fan motors, and panels were noted
- Cables were connected directly to power supply or bus bar without any protective devices
- Neither cable sockets nor ferrules were used for 6mm<sup>2</sup> cables and above
- No single-line diagram was available for review
- Lint and dust were seen inside the distribution boards

## INDIA

No assessments and safety trainings were conducted in the country due to COVID-19 pandemic restrictions as per the National and State Government Directives.

### SUMMARY OF ISSUES REQUIRING ATTENTION

**AMBER**

No reason to suspend operations, but action may be required locally. Production may continue subject to IMMEDIATE actions identified by the Assessor being completed in two weeks.

**RED/AMBER**

There are important IMMEDIATE actions required to be completed within two weeks or the overall factory designation will become Red.

**YELLOW**

Limited concerns but have questions on safety arrangements and details, limited visible defects with no immediate danger to structure or workers. Production may continue subject to agreement to address issues raised and prioritized action in report.

# Safety Training

## Vietnam

In Vietnam, one Advanced Level-1 safety-training session was conducted in Yakjin Vietnam Co. Ltd. by Work Safety Service (WSS). A total of 25 people participated in the training, representing factory management, the occupational health and safety (OHS) committee, and the human resources and maintenance departments. The participants were introduced to the OHS committee and were made aware of guidelines on fire and electrical safety as per LABS Standard and Corrective Action Plan (CAP) framework. They were shown how to use the thermographic scanner and firefighting equipment and conduct the evacuation drill.



## India

In India, no safety trainings were conducted during the quarter. However, new modules on "Health and Hygiene" as well as "COVID-19 General Awareness and Preventive Measures" have been added to all safety training levels. Apprising the workers of the modules' overall health and safety guidelines to be followed in factories will be incorporated in all safety trainings under the program henceforth.

# Helpline Update

## Vietnam

- Ten calls were received during the quarter, all of which were categorized as non-LABS non-zero tolerance:
  - Four calls were regarding forced leave due to COVID 19
  - Two calls were regarding malfunctioning of heating and coiling system in factory
  - One call was regarding factory policy for pregnant workers
  - One call was regarding improper COVID 19 prevention in workplace
  - One call was regarding alleged miscalculation of working days
  - One call was regarding improper treated industrial waste causing foul odor in workshop.
- All concerns were shared with the factories
- Helpline operation hours have been revised to 8:30 am to 5:30 pm

## India

- No calls were received in the quarter
- Helpline operation hours have been revised to 9:00 am to 6:00 pm.

# Remediations update

## INDIA\*



### FIRE

- 38% of the factories installed emergency lights
- 59% of the factories removed temporary obstacles in evacuation pathways
- 64% of the factories installed illuminated exit signs
- 25% of the factories removed locking mechanisms from exit doors



### ELECTRICAL

- 83% of the factories removed lint and dust from electrical panels and distribution boards
- 88% of the factories took necessary corrective actions to reduce the high temperatures in electrical panels and distribution boards
- 94% of the factories provided earthing connections for electrical components



### STRUCTURAL

- 28% of the factories remediated issues related to cracks in beams and columns
- 33% of the factories remediated corrosion in non-engineered structures
- 44% of the factories remediated dampness in walls

*\*Data given is from 19 factories where 25 follow-up visits were conducted through June 30, 2020*

## VIETNAM\*



### FIRE

- 89% of the factories removed temporary obstacles from evacuation pathways
- 57% of the factories provided additional illuminated exit signs
- 31% of the factories replaced shutters and sliding doors with side-hung doors
- 26% of the factories removed locking mechanisms from exit doors



### ELECTRICAL

- 80% of the factories removed lint and dust from electrical panels and distribution boards
- 67% of the factories provided backup power for emergency lighting and fire alarms
- 63% of the factories remediated issues related to high temperatures in electrical panels and distribution boards
- 53% of the factories provided protection devices and sockets/ferrules for the cables



### STRUCTURAL

- 43% of the factories installed bracings for the boiler heating vents
- 27% of the factories remediated the issues related to the vertical structural system
- 19% of the factories remediated the issues regarding the corrosion of steel elements
- 17% of the factories added or tightened bracings for the lateral structural system in their steel buildings

*\*Data given is from 29 factories where follow-up visits were conducted through June 30, 2020*

The assessed factories in both countries are working to remediate the remaining issues, however, delay is anticipated due to the ongoing pandemic crisis and related concerns.

## How COVID-19 is Impacting the Program

The COVID-19 situation starts to deviate more strongly across regions. While some countries / areas like Vietnam have the virus under control at this point, others remain in a state of strict social distancing while infected cases are increasing. Meanwhile, the industry is badly hit by the economic repercussions of the pandemic. As lockdowns start to subside and factories reopen, assessments are slowly restarting, primarily in Vietnam, whereas this month we can resume training activities with the team remaining vigilant regarding all possibilities. For the activities resuming, guidance on good health and sanitary practices will be shared and assessment methods will be adapted to account for lower production volumes as reduced capacity has taken its toll (on electrical loads, for example). Additional information follows:

### India:

Nationwide lockdown was implemented in India from March 25 till May 31, 2020. From June 1, the country started to gradually unlock with a phased reopening of activities including transport services and interstate and intrastate movement of people and vehicles.

#### Textile Industry Impact\*:

- Import & exports of raw material and readymade garment: Retailers have sustained loss of revenue since mid-March causing order cancellations/deferral, leading to inventory build-up and expectation of slower realization of export receivables. It is expected that exports will decline this fiscal year by at least 30%.
- Financial distress of suppliers: At least 25% of suppliers are facing financial distress and it is anticipated that more than half will be in a similar position in six months' time. The sector has also been grappling with profitability issues due to a sharp decline in yarn exports and cheaper imports.
- Labour force and employment: Textile and Apparel industry provides direct employment to over 45 million people in the country, but the nationwide lockdown has led to temporary as well as the permanent closure of several factories leading to lay-offs.
- Domestic consumption: Domestic consumption of textiles and apparel has reduced by 84%, leading to an inventory build-up. Further, domestic prices could be negatively impacted if exporters dump their inventories in the domestic market leading to even reduced margins.

#### Impact on the LABS Program in the Country:

- Program areas such as assessments, follow-ups, and CAP sign-offs which have not been significantly impacted and/or have recovered from pandemic impact are being operationalized cohesively in conjunction with the mandate of brands, factories, and national and state government directives
- Wherever physical meetings are not possible, LABS team will be initiating the process of virtual CAP sign-off with factories after consultation with the Brand Participants to ensure minimal delay in commencement of remediation activities in factories
- LABS team is frequently conducting review meetings with Brand Participants to check the factories' operational status
- To make the processes and system more robust, LABS team is continuously working with Inspection Firms, Quality Assurance Firms, and Safety Training Firms to ensure their operational readiness

\*Source: The Economic Times, The Times of India, Business World

## Vietnam:

The government implemented lockdown in the country from April 1 to April 22, during which only essential services could remain open and social distancing rules were mandatory. After April 22, the restrictions were partially relaxed to allow businesses to open and permit travel within the country. Since June 9, all businesses have been allowed to operate and social distancing rules were lifted. However, the country continues to restrict entry of foreign nationals and those allowed to enter are required to be quarantined for 14 days.

### Textile Industry Impact\*:

- As per a survey, Vietnamese textile businesses have witnessed a decline of 60-80% in the first four months of the year
- By the end of May 2020, Vietnam's garment export reached 10.56 billion USD, which is down by 13.6% compared to the same period last year. In terms of key export markets, exports to the US market decreased by 14.9% and the EU market fell by 19%. These two markets account for nearly 60% of the export value of Vietnam's textile and apparel industry
- Import of textile and footwear materials reached 8.53 billion USD, down 16% compared to the same period last year at the end of May 2020

### Impact on the LABS Program in the Country:

- Supplier orientations for new factories were postponed until mid-July
- Factory registration process is gradually being restarted after a pause in activities
- Some factories have requested to delay assessments
- Most assessed factories have requested to delay the CAP sign-off meetings due to remediation costs
- LABS team is frequently conducting review meetings with Brand Participants to check the operational status of factories
- Factory follow-up visits and safety training sessions were restarted
- Wherever physical meetings are not possible, LABS team will be initiating the process of virtual CAP sign-off with factories after consultation with the Brand Participants to ensure minimal delay in commencement of remediation activities in factories

\*Source: <https://vtv.vn/kinh-te/covid-19-khien-nganh-det-may-lam-nguy-20200629180425438.htm>

## Major incidents During the Quarter

Several incidents in the textile industry occurred over the course of the quarter – a stark reminder that many workers in the sector work in unsafe environments which can lead to dire consequences. While the factories were not associated with the LABS Initiative, the incidents underscore the importance of identifying and addressing risks related to building and physical infrastructure safety in all apparel-producing and manufacturing units, and not only those covered under safety initiatives such as LABS. A summary of all incidents is provided; they reinforce our determination to work with all our partners to improve factory safety in the apparel industry. In each incident, fortunately, no casualties were reported.

### India:

- **April 1:** A major fire erupted at textile factory J.P. Knits in Ludhiana, Punjab. In the incident, a three-story building was completely gutted.
- **May 26:** Fire was recorded at a woolen mill in Ludhiana, Punjab. Considerable amounts of raw materials (e.g., cotton, polyester, and petroleum products) were gutted.
- **May 26:** Fire was reported at a footwear factory in Delhi.
- **June 1:** A fire, due to a short circuit, was reported at a textile factory owned by Radiant Expo Vision.
- **June 13:** Fire was reported at a shoe factory in Delhi.
- **June 24:** A fire incident was reported at a textile factory in Ahmedabad, Gujarat. This fire was caused by a short circuit.



Credit: India Today



Credit - Zee News India

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3. <https://www.indiatoday.in/india/story/fire-footwear-factory-delhi-keshavpuram-area-15-fire-engines-1681921-2020-05-26>
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## Vietnam:

- **April 26:** A major fire erupted at garment factory Viet Nhu Y Co., Ltd. in Cai Be District, Tien Giang Province. A 3,000m<sup>2</sup> factory warehouse was impacted.
- **June 1:** A major fire occurred at Sai Gon Max garment factory in Quy Nhon City, Binh Dinh Province, where the factory building was damaged.
- **June 5:** The electrical control room of the Kido Vinh Garment Factory in Do Luong District, Nghe An Province sustained damage from a fire.

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Credit: Pháp luật Plus



Credit: Tuổi Trẻ Online

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### LABS Secretariat

Arthur van Schendelstraat 500, 3511 MH Utrecht  
P.O. Box 1241, 3500 BE Utrecht

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For any questions or comments, please email at: [info@labsinitiative.com](mailto:info@labsinitiative.com)