

Mascot International Vietnam A/S

This case describes how Mascot International Vietnam A/S solved violations of safety rules through dialogue and collaboration with contractors, employees and authorities.

At the end of 2006, Mascot International A/S sets up a subsidiary, Mascot International Vietnam A/S. The object is to build the company's own factory in the Hai Duong province north of Hanoi and produce more of the Mascot workwear here in the future. Producing at their own factory, rather than outsourcing to local suppliers, will allow Mascot to better control the quality of the more complicated products. At the same time, Mascot will be able to ensure that the company meets international standards regarding environment, safety and workers' rights.

Following six months' work designing the construction and performing the tender procedure among the contractors, the construction of the 15,000 m² factory and logistics centre in the Hai Duong province begins in May 2007.

Challenges at the construction site

Vietnam has very little experience with safety at construction sites, and thousands of workers are injured or killed at work every year. In this respect, the building trade belongs to a high-risk category.

Prior to the Mascot construction, the company took its time carefully selecting four contractors who were to build the Mascot factory. Mascot had made the four contractors sign an agreement to meet strict safety requirements and to assume full responsibility for safety at the construction site.

At the beginning of 2006, Thomas Bo Pedersen was employed as the managing director for Mascot International Vietnam A/S. Thomas Bo Pedersen has been working in Vietnam for several periods during the past 30 years, and he has sound knowledge of the country. He has formerly held a position as the head of the trade department at the Danish Embassy in Hanoi.

When Thomas Bo Pedersen arrived at the construction site on the first day of building, what he saw was unacceptable. The piling work, which involved 30-metre concrete pillars, had started, and this work requires very heavy machinery, high-voltage cables and lots of other dangerous equipment. The Mascot management saw construction workers, barefoot or wearing plastic sandals and without safety helmets, who were straddling swinging concrete pillars 4-5 metres up in the air. Bare high-voltage cables lay on the soaking wet ground, and the workers were handling them using their bare hands.

Before 10 minutes had passed, Thomas Bo Pedersen decided to bring building to a stop at once.

Workwear with responsibility – the Mascot approach to CSR

Mascot represents a high international CSR standard. Their ambition is for Mascot products to be produced under conditions that are at the same level as European standards. CSR forms an integral part of Mascot's way of doing business and these activities are incorporated into the company's basic values no matter where in the world they are working.

Good employee relations are given first priority, and as Mascot Vietnam is the focal point for production, this company is key to the way in which the Group handles its CSR activities.

In Vietnam, good CSR means complying with the law, and labour market legislation is of high international standard. Typically, it is implementation and follow-up activities that are insufficient. Mascot's policy is to comply with the law "plus a few per cent".

The Mascot approach to CSR has been realised and made concrete by means of three policies:

- A staff handbook with a detailed description of the relationship between employee and employer in terms of rights and obligations and the system of collaboration;
- An anti corruption policy that clearly communicates what is considered acceptable and unacceptable behaviour by Mascot employees, and
- A procurement policy that comprises a Supplier Code of Conduct in which Mascot describes the company's requirements to suppliers.

In that light, the Mascot management found that it was only natural to decide to take action against the four contractors, who held the main responsibility for the construction of the company's new factory – and thus for the serious violations of safety and working environment regulations at the construction site.

Collaboration and dialogue on improvements at the construction site

Following the construction halt, Mascot entered into a serious dialogue with the four contractors, and they made it clear that significant improvements had to be made in order for the construction to be completed as per the contract.

To obtain the required expertise, Mascot concluded a contract regarding a special safety component with a Dutch consultancy firm, Royal Haskoning Vietnam, which was behind the construction design. The Dutch firm provided a very competent Vietnamese Health and Safety Manager, and he implemented a thorough safety programme at the construction site.

The safety programme comprises two main components – training and sanctions:

- training of all construction workers
- weekly follow-up courses
- ongoing inspection throughout the construction site
- simple and efficient sanctions

In other words, Mascot was made to pay for safety twice: Initially by including the responsibility clause in the contractor agreements and later on by paying for the special safety component.

The Vietnamese Health and Safety Manager recommended that Mascot make the safety programme as simple as possible in order to make it efficient. The construction workers were trained at the construction site, and the entire process focused on practical aspects from beginning to end.

The sanctions were inspired by football rules: If a construction worker violated the safety rules he was given either a yellow or a red card. That was easy to understand.

Mascot upgraded a couple of containers to temporary offices and moved in at the construction site, among other things to monitor the construction process on a daily basis. Initially, this caused a certain amount of irritation; but Mascot persisted, and their daily presence allowed them to react to new situations right away. After some time, this made collaboration work more smoothly.

Initially, collaboration was slow. But after Mascot had sent a clear signal that radical changes had to be made, the company gradually developed trust-based collaboration with the contractors. Today, the contractors use the good results in their marketing activities, stating that they have learned a lot.

Nine months later, in February 2008, the factory was ready, and the almost 500 employees who were employed during the first phase, set out producing Mascot workwear. It took 500,000 man hours to complete the construction of the new factory – without one single industrial injury, which is unheard of in Vietnam.

Management systems in place

Since the beginning of 2006, Mascot has systematically incorporated CSR in all company processes.

Mascot has introduced the safety and collaboration activities from the construction site at the factory, which is now fully operational:

- establishment of an internal safety organisation;
- development of a compliance unit which audits suppliers, and
- creation of a Trade Union Committee, which is a forum for dialogue and collaboration between management and employees.

In 2011, Mascot formalised its efforts regarding employee rights and working environment through an SA 8000 certification, which is a recognised international certification. As a result, Mascot International Vietnam A/S is regularly audited by SA 8000, which makes unannounced visits and performs thorough inspection of the company against a number of parameters, including child labour, safety, forced labour, discrimination, the right to collective bargaining, the right to trade union membership, etc.

The SA 8000 certification is proof that Mascot works systematically with CSR management, and that its procedures, policies and management systems are all in place.

Mascot regularly uses SA 8000 as documentation to customers whose requirements to CSR are growing.

Results

Mascot spent less than 1 per cent of the construction sum on implementing proper safety standards, which means that the construction was completed in nine months without interruptions and without industrial injuries.

In Vietnam, Mascot is considered a role model in terms of good working conditions, and the company has won several prizes for its CSR efforts. In 2012, Mascot won an award from MOLISA (Ministry of Labour, Invalids and Social Affairs) for their excellent implementation of labour market legislation. The safety project has been very important to Mascot's reputation in relation to the authorities and in order to be considered an attractive workplace in an area where competition for labour is great among foreign investors.

Since 2009, Mascot has set up two more factories in Vietnam by upgrading existing industrial buildings. This time, the work went more smoothly, because the safety organisation was already in place. The new factories have also made investments in health and safety according to European standards. Mascot estimates that the installation of air-conditioning does not only make for a better working environment during the warmest part of the summer, but that it also leads to a productivity increase of approx. 20 per cent.

Today, Mascot has approx. 1,500 employees, and another result of the company's focus on working conditions is a very low employee turnover rate. Since early 2006, Mascot has not lost one single key employee involuntarily. Mascot is a well-known and attractive workplace, and it is not a problem to recruit competent employees.

Thomas Bo Pedersen concludes that the investment in health, safety and good working conditions has contributed to all bottom lines.