

# Fair Labor Association: Independent External Factory Assessment

Assessment Date :

**31 Oct 2022**



## Factory Information

|                   |                             |
|-------------------|-----------------------------|
| FLA Affiliates    | Delta Galil Industries Ltd. |
| Country           | Myanmar                     |
| Number of Workers | 227                         |

## Understanding this Report

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.

## FLA Code Element

## Number of Violations

| FLA Code Element                     | Number of Violations |
|--------------------------------------|----------------------|
| Compensation (C)                     | 5                    |
| Employment Relationship (ER)         | 12                   |
| Forced Labor (F)                     | 1                    |
| Harassment Or Abuse (H/A)            | 1                    |
| Health, Safety And Environment (HSE) | 18                   |
| Hours Of Work (HOW)                  | 3                    |

## Assessment Information

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| Assessor | Openview - Vietnam |
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| Assessment Date | 31 Oct 2022 |
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| Assessment Purpose |  |
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## ASSESSMENT RESULTS

### Compensation (C)

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| Benchmark ID                        | C.7   |
| Benchmark Details                   | All payments to workers, including hourly wages, piecework, fringe benefits and other incentives shall be calculated, recorded, and paid accurately.  |
| Finding Details                     | (1) The payment to workers are unable to verify accurately due to the inconsistencies found in the records of working hours.<br>(2) Factory applies the lower salary for workers who are decreased the salary due to changing job or being demoted before effective date in the changing decision. For instance, a sample selected worker is changed job from leader 1 to clerk-2 with lower salary from May 13, 2022 but the factory applies a lower salary from May 09, 2022 instead of from the effective date in the changing decision at May 13, 2022. |
| Recommendation for Immediate Action | (1) Pay workers accurately and completely for all hours worked. (2) Pay the new salary from the effective date according to the decision of changing job as per legal requirements for workers who change job position.   |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           |   |
| Benchmark ID                        | C.9.3   |
| Benchmark Details                   | Employees shall be compensated for overtime hours at such premium rate as is legally required in the producing country  |

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| Finding Details                     | (1) The working shift at the factory is from 7:30 AM to 4:15 PM. However, the workers working at QC Department start to work from 7:25 AM, as required by the leaders to clean their working positions. But the factory does not pay overtime for the working time from 7:25 AM to 7:30 AM. (2) There is a sample selected security guard who works from 02:00pm until 11:00pm (9 hours) per day in September 2022 but the factory does not pay 1 overtime hour for worker. As per interview, the security guard responses that there is no overtime payment for normal working days, he receives the overtime payment for public holiday only. |
| Recommendation for Immediate Action | Pay all workers accurately for all hours worked including overtime hours.   |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           |   |
| Benchmark ID                        | C.1.1   |
| Benchmark Details                   | Employers shall comply with all national laws, regulations and procedures concerning the payment of compensation to workers.  |
| Finding Details                     | (1) The factory has hired more than 50 female employees in the factory. However, there is no childcare facility provided as per local law. (2) The factory has payday on 5th and 20th of a month. However, workers worked overtime on November 20, 2021 with 5 hours and on June 20, 2022 with 1.5 hours which is not align with the local law which requires not to arrange overtime on payday.  |
| Recommendation for Immediate Action | (1) Provide the child care facility as per law. (2) Stop to arrange workers to work overtime on the payday.   |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           |   |
| Benchmark ID                        | C.18.1  |

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| Benchmark Details                   | Employers shall not use hidden or multiple payroll records in order to hide overtime, to falsely demonstrate hourly wages, or for any other fraudulent reason.  |
| Finding Details                     | The material output records in the security output room showed Sunday work on July 10, 2022, which is consistent with the markings in the worker's personal calendar. However, the provided attendance records from the factory do not have Sunday work on July 10, 2022. The calendar on the desk of a worker in the material storage room is marked with "02" for most working days in a week and "06" on Saturdays in June, and July 2022 which are explained during the worker interview that they marked "02" and "06" for daily work overtime hours. However, the provided attendance records from the factory show only a maximum of 1.5 overtime hours from Monday to Friday and 05 overtime hours on Saturday in those months. The worker interview revealed that 4 electricians work on Sunday, October 09, 2022 to repair the fire alarms but there are no records of Sunday work and payment for Sunday of those electricians provided to review. |
| Recommendation for Immediate Action | ( 1) Ensure all working hours are accurately and completely recorded. (2) Pay workers correctly based on the local laws for all hours worked.   |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           |   |
| Benchmark ID                        | C.2   |
| Benchmark Details                   | Employers shall pay workers at least the legal minimum wage or the prevailing industry wage, whichever is higher, for regular working hours (not including overtime). Workers should also be informed about the legal minimum wage.   |

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| Finding Details                     | The current minimum wage is 4,800 MMK/day. The factory only pays 50% of the minimum wage for 3 months of the training period and 75% of the minimum wage for 3 months of the probation period instead of at least the minimum wage for both training and probation as per FLA Benchmarks. In addition, one sample selected worker who completed probation time on January 14, 2022. However, the factory pays 3,600 MMK/day for the whole of January 2022 instead of paying at least the minimum wage at 4,800 MMK/day from January 15, 2022. |
| Recommendation for Immediate Action | Pay at least the minimum wage to all workers including probation workers and trainees.  |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           |   |

### Employment Relationship (ER)

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| Benchmark ID      | ER.1.2  |
| Benchmark Details | Employers shall assign responsibility for the administration of human resources to a clearly defined and adequately qualified staff member or staff members and ensure workers at all levels receive communication and training about existing policies and procedures or any revisions.  |
| Finding Details   | (1) The ongoing training for workers covers Recruitment, Hiring, & Personnel Development; Compensation, Hours of Work; Workplace Conduct and Discipline; Industrial Relations Grievance Systems; Environmental Protection; Health and Safety; Termination and Retrenchment, missing the Employment Relationship, Non-discrimination, Harassment or Abuse, Forced labor, Child labor, Freedom of Association and Collective Bargaining. (2) The factory does not completely define the qualified staffs responsible for each FLA's code elements and FLA Employment Functions. There is only a simple organization chart showing the responsible staffs for Compensation, Recruitment, Health Safety, and Environment. |

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| Recommendation for Immediate Action |   |
| Compliance Classifications          | Sustainable Improvement Required  |
| Local Law                           |   |
| Benchmark ID                        | ER.5.1  |
| Benchmark Details                   | Employers shall ensure that all supervisors are trained in national laws, workplace regulations, and the FLA Code, workplace grievance systems, and the appropriate practices to ensure compliance.   |
| Finding Details                     | The training for supervisors does not cover FLA's Code elements such as Employment Relations, Non-discrimination, Harassment or Abuse, Forced labor, Child labor, Freedom of Association and Collective Bargaining, Hours of work, and Compensation.  |
| Recommendation for Immediate Action |   |
| Compliance Classifications          | Sustainable Improvement Required  |
| Local Law                           |   |
| Benchmark ID                        | ER.1.1  |
| Benchmark Details                   | Employers shall have in place written policies and practices and maintain proper and accurate records governing all aspects of employment from recruitment, hiring and probation, including written terms and conditions of employment, job descriptions, administration of compensation, and working hours for all positions, through to retrenchment and termination processes. |



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| Finding Details                     | (1) A procedure for non-discrimination was established and updated on December 27, 2021. But the factory has not developed a procedure to handle the case of discrimination found in the factory, including steps to discipline the violations related to the discrimination policy. (2) The factory has not developed a procedure to handle the cases of forced labor found in the factory, including the steps to discipline the violation related to forced labor policy. (3) The factory has not developed a procedure to handle the cases of child labor violations including the steps to discipline the violation related to child labor policy. (4) The factory regulates to provide the loyalty bonus for those workers working fully 12 months. However, the actual practice is that resigned workers even working fully 12 months are not provided with the loyalty bonus. The factory stated that they have not updated the loyalty bonus policy for resigned workers. |
| Recommendation for Immediate Action | (4) Provide the loyalty bonus for all workers as per factory policy.   |
| Compliance Classifications          | Immediate Action Required  |
| Local Law                           |  |
| Benchmark ID                        | ER.18.1  |
| Benchmark Details                   | Employers shall have written disciplinary rules, procedures and practices that embody a system of progressive discipline (e.g. a system of maintaining discipline through the application of escalating disciplinary action moving from verbal warnings to written warnings to suspension and finally to termination).   |
| Finding Details                     | The factory immediately terminates labor contracts of workers due to three-consecutive days absence. The factory does not either issue termination/ dismissal decisions or announce workers in advance for the termination and dismissal. This practice is not aligned with the local regulation on dismissal and termination by giving one month notice in advance or after giving 3 warnings due to violation of workers and with the 3rd warning including the signature by workers.  |
| Recommendation for Immediate Action | Terminate the workers correctly as per legal requirements.   |

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| Compliance Classifications          | Immediate Action Required  |
| Local Law                           |  |
| Benchmark ID                        | ER.6.1   |
| Benchmark Details                   | Employers shall have written policies and procedures and implement practices that encourage ongoing training of all categories of workers with the goal of raising or broadening skills in order to advance in their careers within the factory or beyond.   |
| Finding Details                     | The factory has not developed policies and procedures to implement personnel development that encourages ongoing training with the goal of raising or broadening workers' skills so they can advance in their careers.   |
| Recommendation for Immediate Action |  |
| Compliance Classifications          | Sustainable Improvement Required   |
| Local Law                           |  |
| Benchmark ID                        | ER.7.1   |
| Benchmark Details                   | Employers shall have written policies and procedures with regard to performance reviews that outline the review steps and process, demonstrate linkages to job grading, prohibit discrimination, are provided in writing and seek feedback and agreement/disagreement from employees in writing, and that follow all local legal requirements. |
| Finding Details                     | The factory has not developed policies and procedures to implement performance reviews for workers that include steps and processes, linkages to job grading, non-discrimination, written feedback, and compliance with legal requirements.  |
| Recommendation for Immediate Action |  |

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| Compliance Classifications          | Sustainable Improvement Required   |
| Local Law                           |  |
| Benchmark ID                        | ER.8   |
| Benchmark Details                   | Employers shall have written policies and procedures with regard to promotion, demotion, and job reassignment that outline the criteria, demonstrate linkages to job grading, and prohibit discrimination or use of demotion or job reassignment as a form of penalty or punishment, are provided in writing and seek feedback from employees in writing, and follow all local legal requirements.   |
| Finding Details                     | (1) The factory has not developed policies and procedures for promotion and demotion. As confirmed by the factory management, promotion and demotion are solely decided by the line managers.<br>(2) The factory only has a form of competency evaluation for promotion and demotion but there is no guidance on the criteria used. Besides that, the competency evaluation records provided by the factory for two cases of promotion do not have any comments on why those workers are promoted; other two cases of demotion only have remarks that the workers would like to be demoted but there is no confirmation from workers in the records. |
| Recommendation for Immediate Action |  |
| Compliance Classifications          | Sustainable Improvement Required   |
| Local Law                           |  |
| Benchmark ID                        | ER.4   |
| Benchmark Details                   | Employers shall inform workers about workplace rules, environmental protection systems, health and safety information, and laws regarding workers' rights with respect to freedom of association, compensation, working hours, and any other legally required information, and the FLA Code through appropriate means, including posted in local language(s) throughout the workplace's common areas.  |

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| Finding Details                     | (1) There is no evidence for regular effective communication to workers, especially for updates on FLA's Code Elements: Employment Relationships, Non-discrimination, Harassment or Abuse, Forced labor, Child labor, Freedom of Association and Collective Bargaining, Hours of work, and Compensation. (2) The factory does not post the FLA's Code throughout the workplace for workers to refer. |
| Recommendation for Immediate Action |  |
| Compliance Classifications          | Sustainable Improvement Required   |
| Local Law                           |  |
| Benchmark ID                        | ER.19.1  |
| Benchmark Details                   | Employers shall maintain on file all documentation needed to demonstrate compliance with the FLA Workplace Code and required laws.   |
| Finding Details                     | The factory applies 3 months of training time for new-hired workers and after workers finish the training time, the factory continues to apply the probation time in 3 months which is 6 months in total for both training and probation time instead of the maximum 3 months as per the FLA benchmark.  |
| Recommendation for Immediate Action | Ensure the training time and probation time in a maximum of 3 months.  |
| Compliance Classifications          | Immediate Action Required  |
| Local Law                           |  |
| Benchmark ID                        | ER.15.3  |
| Benchmark Details                   | Employers shall not demand that workers sign any declaration of good health, waivers or releases of other rights as a condition of receiving severance pay or other legal benefits* from the company, and shall not threaten to withhold benefits if workers do not sign.  |

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| Finding Details                     | The factory does not pay untaken annual leave days for resigned workers who do work in a full year. For instance, a sample selected worker who joined the factory on September 13, 2017, and resigned on February 5, 2022. This worker has a total of 5.8 annual leave days until the resignation day and does not take any annual leave days. However, the factory does not pay for 5.8 untaken annual leave days in the final payout to worker as per legal requirements. |
| Recommendation for Immediate Action | Pay the untaken annual leave days to resigned workers as per law.   |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           |   |
| Benchmark ID                        | ER.3.1  |
| Benchmark Details                   | Employers shall provide an orientation to new employees at the time of hiring, which includes explanations of the employers' rules, compensation package and policies for human resources, grievance systems, industrial relations, including respect of the right to freedom of association, workers' rights and responsibilities, FLA Code of Conduct, health and safety, and environmental protection.   |
| Finding Details                     | The orientation training for new workers does not cover FLA's Code Elements such as Employment Relationship, Non-discrimination, Harassment or Abuse, Forced labor, Child labor, Freedom of Association and Collective Bargaining, Health, safety and Environment, Hours of work, Compensation; missing training on Employment functions such as Recruitment, Hiring & Personnel Development, Grievance System, Environment protection, Termination, and Retrenchment.      |
| Recommendation for Immediate Action |   |
| Compliance Classifications          | Sustainable Improvement Required  |
| Local Law                           |   |

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| Benchmark ID                        | ER.1.3   |
| Benchmark Details                   | Employers should implement an annual, review process with input from workers of all policies, procedures and their implementation to ensure they meet legal requirements and the FLA Workplace Code.   |
| Finding Details                     | (1) There are no records and data in place to prove that the factory conducts a comprehensive review of the established compliance policies, procedures, and implementation to ensure they meet legal requirements and the FLA Workplace Code. (2) Workers are not consulted or integrated into the decision-making process concerning workplace and working conditions. Policies and procedures are solely established by the social compliance team and HSE team without consultation or integration from workers. |
| Recommendation for Immediate Action |  |
| Compliance Classifications          | Sustainable Improvement Required   |
| Local Law                           |  |

### Forced Labor (F)

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| Benchmark ID                        | F.8   |
| Benchmark Details                   | The imposition of overtime where workers are unable to leave the work premises constitutes forced labor.  |
| Finding Details                     | The factory applies gate pass form which requires signature of all 03 levels of production supervisor, HR department, and security staffs to allow workers to leave the factory during the normal working time and overtime which workers complained that is too difficult and complicated for them to apply. The records also show that labor discipline is applied against a sample selected worker who refused to work overtime on April 08, 2022. |
| Recommendation for Immediate Action | Not to implement the disciplinary action in case workers not to agree to work overtime and workers should be free to refuse overtime.   |

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| Compliance Classifications | Immediate Action Required |
| Local Law                  |                           |

### Harassment Or Abuse (H/A)

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| Benchmark ID                        | H/A.8.3  |
| Benchmark Details                   | Employers, shall develop, implement and monitor policy and procedures for eliminating the risk of violence, harassment, and abuse in the workplace. Policies and procedures shall include a clear statement that violence, harassment, and abuse will not be tolerated, procedures for the investigation of allegations, and measures to protect any complainants, victims, and witnesses. |
| Finding Details                     | The factory has not developed regulation and procedure to discipline supervisors, managers, and workers who engage in any form of harassment and abuse.  |
| Recommendation for Immediate Action |  |
| Compliance Classifications          | Sustainable Improvement Required   |
| Local Law                           |  |

### Health, Safety And Environment (HSE)

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| Benchmark ID      | HSE.30.1   |
| Benchmark Details | Employers shall develop, maintain, and regularly review health, safety, and environmental policies to ensure that they comply with all national laws, regulations and the FLA Workplace Code concerning health, safety, and environmental standards, regulations and procedures. |

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| Finding Details                     | The factory has not developed an air emission management procedure to implement.   |
| Recommendation for Immediate Action |  |
| Compliance Classifications          | Sustainable Improvement Required   |
| Local Law                           |  |
| Benchmark ID                        | HSE.5.1  |
| Benchmark Details                   | All applicable, legally required or recommended elements of safe evacuation shall be complied with, including all of the following elements: posting evacuation plans; the installation and maintenance of fire alarms; the installation and maintenance of emergency lighting; ensuring aisles/exits are not blocked and that workers are not blocked within their workstations; employee education and training; and evacuation procedures and fire drills.  |
| Finding Details                     | (1) The factory does not post signs to prevent non-smoking within 15 meters from the warehouse of factory No.1. (2) One road between main buildings is obstructed by the products and materials, not ensured the fire trucks to access and extinguish the fire in case of emergency. (3) There is no evacuation map in the Strap Room on the 1st floor of factory building No.2. (4) All emergency exit doors of factories No. 1&2 are glass doors and no evidence to ensure those emergency exit doors are fire-resistant and smoke-sealed doors. |
| Recommendation for Immediate Action | (1) Post the sign to prevent smoking within 15 meters from the warehouse of factory No.1. (2) Clear all obstruction for the fire truck road. (3) Post the evacuation map as per law. (4) Ensure emergency exit doors are fire-resistant and smoke-sealed doors.  |
| Compliance Classifications          | Immediate Action Required  |
| Local Law                           |  |
| Benchmark ID                        | HSE.5.1.2  |



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| Benchmark Details                   | All applicable, legally required or recommended elements of safe evacuation shall be complied with, including all the following elements: installation and maintenance of fire alarms;  |
| Finding Details                     | (1) Based on the fire alarm onsite testing at the factory No.1 & 2, one out of three tested fire alarms in the production building (factory 2) does not work. (2) Factory has installed the fire alarms system which links to each other. However, there is no fire alarm control panel installed in both of factory 1&2.   |
| Recommendation for Immediate Action | Ensure that all fire alarm systems is functional and install the centralized fire alarm in both factories No.1&2.   |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           |   |
| Benchmark ID                        | HSE.9.1   |
| Benchmark Details                   | All chemicals and hazardous substances shall be properly labeled and stored in secure and ventilated areas and disposed of in a safe and legal manner, in accordance with applicable laws and international standards.  |
| Finding Details                     | (1) The factory has installed one small fan for ventilation in the chemical room in factory No.2. However, the fan is not functioning and ventilation hole is not open to ventilate the air. (2) The factory has provided spill kits in front of the chemical room. However, there are missing absorbent socks, scoop and scraper, an apron, nitrile gloves, and boots. (3) There is no secondary containers provided for two machine oil containers (3 liters/drum) at the water motor area, four petrol containers (5 liters/drum) in the generator room, and one machine oil container (5 liters/drum) near the front gate at the factory 2. |
| Recommendation for Immediate Action | (1) Re-check to ensure that the ventilation system is functional. (2) Equip the proper spill kits to be ready for emergencies. (3) Provide secondary containment for all chemical containers in the factory   |
| Compliance Classifications          | Immediate Action Required   |

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| Local Law                           |   |
| Benchmark ID                        | HSE.2   |
| Benchmark Details                   | All documents required to be available to workers and management by applicable laws (e.g. health and safety policies, MSDS, environmental emergency plans) shall be made available in the prescribed manner and in the local language or language spoken by the workers, if different from the local language.  |
| Finding Details                     | (1.1) The factory has installed firefighting equipment such as fire extinguishers, fire hoses, and fire alarms in the factory No.1 & 2. However, the factory has not obtained the Fire Safety Certificate (FSC) for both factories. (1.2) Factory provides the building inspection reports conducted by Live Engineering Group on July 5, 2014 for factory No. 1 and on July 3, 2014 for factory No. 2. However, the factory has not obtained the Building Complete Certificate BCC for both factories. Note: factory No 1 building is 5,518m <sup>2</sup> , Dormitory is 220 m <sup>2</sup> , and factory No.2 building is 7,040m <sup>2</sup> and eating area is 371m <sup>2</sup> . (2) The factory has established the environmental policy and procedure. However, the factory does not conduct the Environment Impact Assessment and obtain the Assessment and Environment Management Plan (EMP) as per local law requirements. |
| Recommendation for Immediate Action | (1) Obtain FSC and BCC to cover all building in the factory1 & 2. (2) Conduct the inspection of the Environment Management Plan (EMP) and obtain approval of the EMP from Environmental Conservation and cleaning department as per law.  |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           |   |
| Benchmark ID                        | HSE.19  |
| Benchmark Details                   | All facilities including workplace buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with all applicable laws, including relevant sanitation, medical, and safety and health regulations.  |

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| Finding Details                     | The factory has provided soaps in the hand-washing areas. However, there is no tissue or hand dryer for workers to use at factory No.1.   |
| Recommendation for Immediate Action | Provide cleaning facilities for all washing stations.   |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           |   |
| Benchmark ID                        | HSE.13  |
| Benchmark Details                   | All necessary ventilation, plumbing, electrical, noise and lighting services shall be installed and maintained to conform to applicable laws and to prevent or minimize hazardous conditions to workers in the facility.  |
| Finding Details                     | (1) Based on the environment inspection report on December 10, 2021 from the labor department, there samples of noise in generator area is higher than 85dB (89dB at factory No. 2 and 88dB at factory No.1). In addition, although the workers in those areas are provided the earplugs, the factory does not establish a hearing conservation program to protect workers who are exposed to high noise. (2) The electrical wiring system of the factory No.2 in the generator room is not in safe design, the electrical wires are not safely covered and messy design. (3) There are no rubber mats provided under all electrical panels in the production buildings in the factory No. 1 & 2. |
| Recommendation for Immediate Action | (1) Do the maintenance, technical or admin measure to reduce the noise level in the generator room. (2) Check and fix the electrical wiring system at the generator room. (3) Provide rubber mats under all electrical panels for safety.   |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           |   |
| Benchmark ID                        | HSE.14.1  |

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| Benchmark Details                   | All production machinery, equipment and tools shall be properly guarded and regularly maintained.   |
| Finding Details                     | (1) The ladders are not secured, locked and posted with authorized signs when not being used to prevent unauthorized use. (2.1) There is approximately 50% of overlock machine missing eye shields, 50% of sewing machine missing needle protection guards at the sewing lines in production building of factory No.2. (2.2) There is approximately 30% of the drains do not have the gutter covers at the factory No.1&2. (2.3) There are two elevators used for finished goods at factory No.2. However, the door of one out of two elevators is not closed while being operated. (2.4) The factory does not install the safety guards for the fabric cutting machines at the cutting section in factory No. 1 . (2.5) There are no safety guards installed for the moving part (pulleys) of one observed water motor (near the toilet) at factory No. 2. (2.7) The factory has provided handrail only one side for the stairs on 2nd floor of the factory building No. 1. (3) The factory does not identify the name list of machines and equipment which need to apply for Lock-out and Tag-out program. There are no Lock-out and Tag-out devices in place at the factory. |
| Recommendation for Immediate Action | (1) Ensure ladder is secured and marked with warning, authorized signals. (2) Install safety guards for all sewing and overlock stitching, pulley guards for moving parts, safety door for elevators. (3) Handrail should be provided both side for the stairways. (4) Equip Lock-out/ Tag-out device to apply for the Logout/Tagout program.   |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           |   |
| Benchmark ID                        | HSE.6.1   |
| Benchmark Details                   | All safety and medical equipment (e.g. fire fighting equipment, first aid kits) shall be available in sufficient numbers throughout the workplace, maintained and stocked as prescribed, and easily accessible to workers.  |

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| Finding Details                     | (1) There is no fire detective system such as smoke detectors installed at the diesel tanks and generator room; MDB room; finished goods area; raw warehouse and fabric warehouse of factory No.1; chemical room; finished goods and accessories warehouse of factory No. 2. (2) There is no eyewash station provided at the chemical-using area at the spot cleaning section in the production building of factory No 2. |
| Recommendation for Immediate Action | (1) Install a fire detective system such as smoke detectors in the flammable object areas in both factories No.1 & 2. (2) Provide the eyewash station at the chemical using the area at the spot cleaning section.  |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           |   |
| Benchmark ID                        | HSE.1   |
| Benchmark Details                   | Employers shall comply with all national laws, regulations and procedures concerning health, safety, and the environment.   |
| Finding Details                     | The factory does not conduct the risk assessment to identify if the asbestos is existed in the factory and to ensure workers are not exposed to asbestos.   |
| Recommendation for Immediate Action |   |
| Compliance Classifications          | Sustainable Improvement Required  |
| Local Law                           |   |
| Benchmark ID                        | HSE.10.1  |
| Benchmark Details                   | Material Safety Data Sheets (MSDS) for all chemicals and hazardous substances used in the workplace must be available at the usage and storage sites of the chemicals and hazardous substances, in the local language and the language spoken by workers, if different from the local language.   |

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| Finding Details                     | The factory has posted the labels on the chemical containers in the chemical storage area. However, the labels are not included the contents of the main hazards. Approximately 50% of chemical drums/cans are not posted with the identification labels in the local language (Only English and Chinese).                                 |
| Recommendation for Immediate Action | Post the label with their contents and main hazards in local language.   |
| Compliance Classifications          | Immediate Action Required  |
| Local Law                           |  |
| Benchmark ID                        | HSE.18.1   |
| Benchmark Details                   | Medical facilities shall be established and maintained in factories as required by applicable laws.  |
| Finding Details                     | The factory has installed 15 first aid kits at factory No. 1. Based on the random check of two first aid boxes, both boxes are empty of first aid suppliers.   |
| Recommendation for Immediate Action | Equip all required items for first aid kits sufficiently.  |
| Compliance Classifications          | Immediate Action Required  |
| Local Law                           |  |
| Benchmark ID                        | HSE.30.2.6   |
| Benchmark Details                   | The health, safety, and environmental policies shall contain the framework for a comprehensive health, safety, and environmental management system including a HS&E risk assessment within which the following are clear and regularly tested and reviewed:protections to workers who allege health, safety, and environmental violations; |

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| Finding Details                     | The factory has conducted the risk assessment for production departments in the factory No.1 & 2. However, the risk assessment does not cover all kinds of machines such as sewing, cutting, spot cleaning, molding machine etc.  |
| Recommendation for Immediate Action | Conduct a risk assessment covering all machines to identify the risks and propose the remediation.  |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           |   |
| Benchmark ID                        | HSE.30.2  |
| Benchmark Details                   | The health, safety, and environmental policies shall contain the framework for a comprehensive health, safety, and environmental management system within which the following are clear and regularly tested and reviewed; procedures for reporting death, injury, illness and other health and safety issues (for instance, near-miss accidents) and environmental emergencies             |
| Finding Details                     | The factory has recorded the labor accident in the nurse log books. However, there is no detail on the accident investigation, and countermeasures in order to prevent re-occurrence of labor accidents in the future. Noted: There are 60 cases of labor accidents reported from August 2022 to October 2022 (no identified numbers of the accident noted before August 2022 is in place). |
| Recommendation for Immediate Action | Record all labor accidents and conduct investigate all accident cases in order to prevent re-occurrence in the future.  |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           |   |
| Benchmark ID                        | HSE.7   |

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| Benchmark Details                   | Workers shall be provided at no cost with all the appropriate and necessary personal protective equipment (e.g. gloves, eye protection, hearing protection, respiratory protection) to effectively prevent unsafe exposure (e.g. inhalation or contact with solvent vapors, noise, dust) to health and safety hazards, including medical waste. |
| Finding Details                     | (1) One worker who observed working with chemical at the Spot cleaning area uses normal fabric mask instead of the anti-chemical masks as per MSDS required. (2) The factory has provided PPE such as gloves and goggles in the chemical room. However, there is no apron or anti-chemical masks provided to workers.                           |
| Recommendation for Immediate Action | Provide appropriate PPE and ensure all workers use PPE properly.  |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           |   |
| Benchmark ID                        | HSE.8   |
| Benchmark Details                   | Workers shall be provided with training on the use and maintenance of personal protective equipment. Training shall be upon hire with periodic refresher training offered to all workers. Management will ensure use of PPE as necessary.   |
| Finding Details                     | At least two observed workers who are loading and unloading finished products at the elevator area of factory No.1 and one observed worker who is using manual forklift in factory No.1 does not wear safety shoes.   |
| Recommendation for Immediate Action | Monitor and ensure all workers to use the PPE sufficiently.   |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           |   |
| Benchmark ID                        | HSE.10.2  |



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| Benchmark Details                   | Workers shall have free access to MSDS.  |
| Finding Details                     | There is no MSDS for the chemical named thinner at the chemical using area at spot cleaning in the production building of factory No. 2                                    |
| Recommendation for Immediate Action | Post MSDS in chemical-using areas for workers' reference.  |
| Compliance Classifications          | Immediate Action Required  |
| Local Law                           |  |
| Benchmark ID                        | HSE.17.1   |
| Benchmark Details                   | Workstations, including seating and standing arrangements and reach required to obtain tools, shall be designed and set-up in such a manner as to minimize bodily strains. |
| Finding Details                     | The factory has not provided backrest chairs for workers who handle prolonged seated work.   |
| Recommendation for Immediate Action | Provide the chair with a backrest for all eligible workers.  |
| Compliance Classifications          | Immediate Action Required  |
| Local Law                           |  |
| <b>Hours Of Work (HOW)</b>          |  |
| Benchmark ID                        | HOW.22.2   |
| Benchmark Details                   | Accurate time records shall be maintained by employers, including overtime, breaks, and leave.   |
| Finding Details                     | The time records are found incomplete, inconsistent and unable to verify accurately. Please refer to ER 18.1   |

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| Recommendation for Immediate Action | Ensure to record accurately and completely for all hours worked.  |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           |   |
| Benchmark ID                        | HOW.8.2   |
| Benchmark Details                   | All overtime work shall be consensual, and employers shall enact a voluntary overtime system, including for overtime utilized in exceptional circumstances*.  |
| Finding Details                     | Worker are disciplined due to refusal of working overtime. Please refer to F.8 for more details.  |
| Recommendation for Immediate Action | Allow workers to work and refuse to work overtime voluntarily.  |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           |   |
| Benchmark ID                        | HOW.22.1  |
| Benchmark Details                   | Employers shall have in place policies for managing all working hour, overtime, and leave records in normal and exceptional circumstances.  |
| Finding Details                     | During CCTV check and interview with workers, it is noted that around 290 workers in many positions such as cutting, sewing, QC, etc., have the time-in from 7:00 AM to 7:15 AM every day while the official working time is from 7:30 AM. The factory does not have effective mechanism to ensure workers do not work before the official starting time. Interviewed worker at QC department responses that QC department started to work from 7:25 AM every day to clean their working positions required by their leaders. |

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| Recommendation for Immediate Action | (1) Develop mechanism to monitor and ensure workers do not have to work earlier than the official working hour. (2) Pay workers as overtime accordingly for all workers who work out of their normal working hours. |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           |   |

