

Fair Labor Association: Independent External Factory Assessment

Assessment Date :

17 Aug 2023



Factory Information

FLA Affiliates	Arena S.p.A.
Country	Malaysia
Number of Workers	488

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)	1
Employment Relationship (ER)	6
Harassment Or Abuse (H/A)	1
Health, Safety And Environment (HSE)	5
Hours Of Work (HOW)	1

Assessment Information

Assessor	OneStep Viet Co., Limited
Assessment Date	17 Aug 2023

Assessment Purpose

Factory Assessment (In-Person)

ASSESSMENT RESULTS

Compensation (C)

Benchmark ID	C.17
Benchmark Details	Employers shall ensure that all legally required payroll documents, journals and reports are available, complete, accurate and up-to date.
Finding Details	The company does not conduct due diligence of contracted security guard company with 6 full-time security guards and 2 guards on rotation assigned at the site to ensure the company complies with this standard and local legal requirements. Full set of payment records of latest 12 months of the security guards are also not available for review.
Recommendation for Immediate Action	Monitor and keep payroll and benefit records of all onsite workers.
Compliance Classifications	Immediate Action Required
Local Law	

Employment Relationship (ER)

Benchmark ID	ER.2
Benchmark Details	Employers shall ensure that all legally mandated requirements for the protection or management of special categories of workers, including migrant, juvenile, contract/contingent/temporary, probationary workers, home workers, and pregnant or disabled workers, are implemented. Where local laws and FLA standards differ, the employer is expected to follow the highest applicable standard.

Finding Details	One sampled migrant worker (Nepalese) got expiration of his work-permit/visa on May 28, 2023. However, his/her work-permit/visa has not been renewed due to the late submission. The factory paid for the renewal fee on May 25, 2023 to the local department (MyEG) and is waiting for the renewal result.
Recommendation for Immediate Action	Follow up closely with MyEG to ensure the work permit/visa of the sampled Nepalese worker is renewed as soon as possible.
Compliance Classifications	Immediate Action Required
Local Law	
Benchmark ID	ER.17.6
Benchmark Details	Employers shall have a system in place to prevent retaliation against or discrimination towards workers who are filing grievances, including grievances regarding harassment, abuse, violations of factory procedures, compensation, or unsafe working conditions
Finding Details	The company has a grievance mechanism as per the Grievance and Suggestion Box Policy. However, the policy does not clearly state a commitment to allow workers to report grievances confidentially and does not describe the system to protect workers who raise grievances from discrimination or retaliation.
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.
Finding Details	The factory does not have policies and procedures regarding retrenchment.
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 policy on performance appraisal. However, the factory does not conduct the regular performance appraisal for all workers (only conducting performance appraisal for staff and office levels). Besides, the performance appraisal form does not have area for employees feedback. The factory management shares that the feedback forms are separated from the performance appraisal form, but it could not be verified as the forms were not available to review.
Recommendation for Immediate Action	Conduct the performance reviews for all workers.
Compliance Classifications	Immediate Action 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	The factory does not have policies and procedures on promotion, demotion and job reassignment.
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 company does not conduct due diligence of contracted security guard company with 6 full-time security guards and 2 guards on rotation assigned at the site to ensure the company complies with this standard and local legal requirements. Review of employment contracts of 2 sampled security guards show that employment contracts are not signed by workers, do not state some mandatory benefits (e.g. annual leave, sick leave, etc.) and clause 3.5 of the contracts state that guards shall perform overtime if requested by the company.
Recommendation for Immediate Action	Ensure employment contract included legally required information.

Compliance Classifications	Immediate Action Required
Local Law	

Harassment Or Abuse (H/A)

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 anti-harassment and abuse procedure only covers sexual harassment only instead of all types of harassment and abuse.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	

Health, Safety And Environment (HSE)

Benchmark ID	HSE.5.1.4
Benchmark Details	All applicable, legally required or recommended elements of safe evacuation shall be complied with, including all the following: ensuring aisles/exits are not blocked and that workers are not blocked within their workstations
Finding Details	Two exit aisles are obstructed by tables, carton boxes, trolley at incoming (material) warehouse and sewing section.

Recommendation for Immediate Action	Ensure emergency exit free from obstruction.
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	At least three chemical containers are not labelled, and stored in secondary containers at cutting area and firefighting pump rooms.
Recommendation for Immediate Action	Ensure that all chemical containers are stored in secondary containment and labelled clearly with their contents and main hazards.
Compliance Classifications	Immediate Action Required
Local Law	
Benchmark ID	HSE.14.1
Benchmark Details	All production machinery, equipment and tools shall be properly guarded and regularly maintained.
Finding Details	1. At least five workers do not put eye-guards of sewing machines at correct position.
Recommendation for Immediate Action	1. Mark walking paths clearly. 2. Ensure worker uses machine safety guard properly.
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.
Finding Details	The emergency eyewash station at chemical warehouse is not fully functional due to the low water pressure.
Recommendation for Immediate Action	Ensure that all emergency eye wash facilities are fully functional with good water pressure at all times.
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	1. The factory has changed the usage of band knife and straight knife cutting machines to automatic cutting machines for 2 months. However, the safety risk assessment (HIRARC) conducted on Dec 2, 2022 was not mentioned about the automatic cutting machine. The PIC shares that it will be updated in December 2023 during the annual review. 2. Flammable material (five paper rolls) are stored close to electrical wire at incoming (material) warehouse which could cause fire risk.
Recommendation for Immediate Action	1. Review and update the safety risk assessment to all risks. 2. Flammable material shall be stored properly to eliminate the fire risk.
Compliance Classifications	Immediate Action Required
Local Law	

Hours Of Work (HOW)

Benchmark ID	HOW.22.3
Benchmark Details	Time worked by all workers, regardless of wage system, shall be fully documented by time cards or other mechanical or electronic recording systems.
Finding Details	The company does not conduct due diligence of contracted security guard company with 6 full-time security guards and 2 guards on rotation assigned at the site to ensure the company complies with this standard and local legal requirements. Working hour records of latest 12 months of the security guards are also not available for review.
Recommendation for Immediate Action	Monitor and keep working hour records of all onsite workers.
Compliance Classifications	Immediate Action Required
Local Law	

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