



COMPANIES: Fast Retailing Co., Ltd.

COUNTRY: Bulgaria

ASSESSMENT DATE: 09/13/17

ASSESSOR: FLA EMEA

PRODUCTS: Apparel

NUMBER OF WORKERS: 620

## FLA Comments

Company Exit language: This was not a major factory for Fast Retailing production. It produced around 30,000-40,000 pieces in total for Fast Retailing since 2017, accounting for an approximate average of 2-3% of the factory's production capacity until January 2019. There was no Fast Retailing production in 2019 and there is no production planned for 2020. There is no risk of retrenchment associated with our exit because the factory is able to replace Fast Retailing production with orders from other brands. Fast Retailing will not be able to pursue remediation for the noncompliances identified in the report, nor are there currently any other FLA company affiliates sourcing from the factory to pursue remediation.

## Summary of Code Violations

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.

While it is important to note when violations of the FLA Workplace Code of Conduct occur, the purpose of these assessments is not simply to test compliance against a particular benchmark, but rather to develop an understanding of where and how improvements can be made to achieve sustainable compliance. Code of Conduct violations can be found throughout the course of an assessment of the employment and management functions, and are addressed in companies' action plans.

## Findings and Action Plans

### FINDING NO.1

#### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Policies & Procedures (Macro)

##### Finding Explanation

1. The factory does not have written Policies or Procedures on Retrenchment, Industrial Relations, and Environmental Protection. ER.1 ER.31 ER.32 HSE.1
2. The Workplace Conduct & Disciplinary procedures do not include the requirement to record all warnings and disciplinary actions, filing requirements, or the procedure for workers to appeal the disciplinary action. ER.27
3. Although it is implemented, the grievance procedures do not include a direct settlement of the grievance by the worker and the immediate supervisor. ER25
4. The factory does not review its policy and procedures on a periodic basis. However, follows local law updates and make required changes when it is needed. ER.1 ER.29, ER.30
5. Health and Safety procedures do not include measures to protect the reproductive health of workers through minimizing exposure to workplace hazards, steps for workers to raise health and safety concerns and protection against retaliation for workers who raise Health & Safety concerns. ER.31 HSE.12 ND.8

##### Local Law or Code Requirement

FLA Workplace Code and Benchmark (Employment Relationship Benchmarks ER.1, ER.25, ER.27, ER.29, ER.30, ER.31, and ER.32; Nondiscrimination Benchmark ND.8; Health, Safety & Environment Benchmark HSE.1, HSE.12)

#### COMPANY ACTION PLANS

##### Action Plan no 1.

##### Description

1. There is a new Environmental Protection Policy (see below). The factory still cannot provide new policies on Retrenchment and Industrial Relations because it is in the middle of re-signing the Collective Bargaining Agreement. Also the negotiations are being held between the factory and Branch organization of textile industry workers and FNSOLP (Federation of Independent Trade Unions of Light Industry).  
Factory will create on Retrenchment, Industrial Relations procedures after new CBA is released.
2. Factory will update disciplinary procedures according to requirements.
3. During orientation all the workers get the copy of internal regulations rules and are encouraged to address their concerns to their immediate supervisor. Factory also will include direct settlement of the grievance by the worker and the immediate superiors in grievance procedure.
4. The factory does follow all the local law updates, makes all the required changes and does review its policies and procedures periodically.

5. Reproductive health is a crucial part of general health. Women bear by far the greatest burden of reproductive health and traditionally most of the employees in factory's branch of industry are women. As a company factory is working on minimizing exposure to workplace hazards, and creating environment where workers feel free to raise health and safety concerns. However, there are more initiatives that can be implemented. Particularly, factory is planning on improving their occupational medicine procedures. Factory will include measures to protect the reproductive health of workers through minimizing exposure to workplace hazards, steps for workers to raise health and safety concerns and protection against retaliation for workers who raise Health & Safety concerns in factory written procedures

## FINDING NO.2

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Training (Macro)

##### Finding Explanation

1. The factory does not provide written documentation that substantiates all issues covered in orientation. ER.15
2. The factory does not provide ongoing training on any of the Employment Functions except Health and Safety. ER.1 ER.15 ER.25
3. The factory does not provide specific training to supervisors on any of the Employment Functions. ER.1 ER.17 ER.27

##### Local Law or Code Requirement

FLA Workplace Code and Benchmark (Employment Relationship Benchmarks ER.1, ER.15, ER.17, ER.25 and ER.27)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. The factory provides following copies of the following documents during orientation:
  - a. Internal Labor Order (internal labor regulations)
  - b. Internal rules on Salary Organization (Internal Salary regulation)
  - c. Collective Bargaining Agreement
  - d. Developed policies and proceduresThe orientation is followed by the instruction at employee's workplace.
2. Factory will conduct ongoing training for Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Industrial Relations, Workplace Conduct & Discipline, Grievance System, Termination & Retrenchment, and Environmental Protection.
3. Factory will conduct specific training to supervisors for Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Industrial Relations, Workplace Conduct & Discipline, Grievance System, Termination & Retrenchment, and Environmental Protection.

## FINDING NO.3

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Communication & Worker Involvement (Macro)

##### Finding Explanation

The worker integration component is missing across Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Industrial Relations, Workplace Conduct & Discipline, Grievance System, Termination & Retrenchment and Environmental Protection. Workers are neither systematically integrated nor consulted in decision-making processes. ER.1 ER.25

##### Local Law or Code Requirement

FLA Workplace Code and Benchmark (Employment Relationship Benchmarks ER.1 and ER.25)

## COMPANY ACTION PLANS

Action Plan no 1.

### Description

Factory will ensure that workers are consulted, and involved on policy procedure creating/ updating process, and all factory policy, procedures are communicated to workers.

## FINDING NO.4

### IMMEDIATE ACTION REQUIRED

**FINDING TYPE:** Recruitment, Hiring & Personnel Development

### Finding Explanation

The factory did not submit information to the local labour office about the job positions available for disabled people in 2017.

### Local Law or Code Requirement

Labor Code Article 315.1; FLA Workplace Code and Benchmark (Employment Relationship Benchmarks ER.1)

### Recommendations for Immediate Action

Notify the labor office about the job positions available for disabled people.

## COMPANY ACTION PLANS

Action Plan no 1.

### Description

On February, 05 2018, the information about the job positions available for disabled people is submitted to the local labor office.

## FINDING NO.5

### IMMEDIATE ACTION REQUIRED

**FINDING TYPE:** Hours of Work

### Finding Explanation

The factory does not use an electronic system to record the working hours. The working hours are recorded manually by the workers. Normally, Laundry section operates on two shifts, however, during peak months they work in three shifts. According to management, as the regular hours, the working hours for these three shifts are stated in the order issued by management and signed by the workers which is in compliance with law. However, the unit's responsible person failed to find and submit the presence records and assessors could not verify the compliance with Hours of Work or Compensation. Workers stated during the interviews that they are aware of working hours and they put themselves time-in and time-out. The working hours of employees in the Laundry unit are not stated in the internal regulations or employees' contracts.

### Local Law or Code Requirement

Ordinance on Working Hours, Breaks and Leaves (1986), Article 4a; FLA Workplace Code (Employment Relationship Benchmarks ER.2 and ER.23; Compensation Benchmarks C.5 and C.6)

### Recommendations for Immediate Action

- 1.State clearly working hours, including shifts, in internal regulations and ensure that the all working hours records are kept.
- 2.Ensure that all working hours are full proof and recorded accurately and that workers are compensated correctly for their working hours.

## COMPANY ACTION PLANS

## Action Plan no 1.

### Description

The new registry (paper journal) is introduced at the entrance to the factory, where the workers clock-in when they enter the workplace and clock-out when they leave. All the employees (including employees in the Laundry unit) use this registry.

## FINDING NO.6

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Grievance System

### Finding Explanation

Suggestion box is located in the entrance of the factory main building instead of places that would ensure confidentiality such as restrooms or locker rooms. ER.25

### Local Law or Code Requirement

FLA Workplace Code and Benchmark (Employment Relationship Benchmark ER.25)

### COMPANY ACTION PLANS

#### Action Plan no 1.

### Description

The suggestion box will be moved to locker rooms. The responsible person will be appointed to check it regularly.

## FINDING NO.7

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Industrial Relations

### Finding Explanation

- 1.Probation period is determined as 6 months in the Collective Bargaining Agreement which offers less protection and benefits to workers than provisions in the FLA Code. FOA.20
- 2.The factory does not provide a copy of Collective Bargaining Agreement to the workers. ER.16

### Local Law or Code Requirement

FLA Workplace Code and Benchmark (Employment Relationship Benchmark ER. 16; Freedom of Association Benchmark FOA.20)

### COMPANY ACTION PLANS

#### Action Plan no 1.

### Description

1. The factory follows the provisions of the Collective Bargaining Agreement. The factory is in the middle of re-signing the Collective Bargaining Agreement. Also the negotiations are being held between the factory and Branch organization of textile industry workers and FNSOLP (Federation of Independent Trade Unions of Light Industry). All the policies will be aligned with the requirements of this agreements once they are signed and Bulgarian legislation and regulations.
2. A copy of the Collective Bargaining Agreement will be put on the information board in the main building.

## FINDING NO.8

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Workplace Conduct & Discipline

#### Finding Explanation

1. The factory does not record all disciplinary actions. Only termination cases, in case termination depends on disciplinary action the records are kept. ER.2 ER.27
2. The factory does not provide a copy of Workplace Rules during orientation. ER.15
3. Disciplinary actions are not witnessed by a third party during imposition. ER.27

#### Local Law or Code Requirement

FLA Workplace Code and Benchmark (Employment Relationship Benchmarks ER.2, ER.15 and ER.27)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. The factory is in the middle of re-signing the Collective Bargaining Agreement. Also the negotiations are being held between the factory and Branch organization of textile industry workers and FNSOLP (Federation of Independent Trade Unions of Light Industry). All the policies will be aligned with the requirements of this agreements once they are signed and Bulgarian legislation and regulations.  
Meanwhile, the factory keeps record of all the disciplinary actions.
2. The factory provides following documents during orientation:
  - a. Internal Labor Order (internal labor regulations)
  - b. Internal rules on Salary Organization (Internal Salary regulation)
  - c. Collective Bargaining Agreement
  - d. Developed policies and proceduresThe orientation is followed by the instruction at employee's workplace.
3. The factory will ensure third party witness system in disciplinary procedures to apply in case needed.

## FINDING NO.9

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. The protection shield on one of the grinder machines in the maintenance room was not in use (visibly unclear, with dust on it). HSE.14
2. Protection guards were missing from a couple of machines in sewing section. HSE.14
3. The security chain in front of the exit from storage area in cutting building is not in use. HSE.7 HSE.8
4. There is a door opening outside which is above the ground level and carry risk of falling in ground floor of main building. This door is only used to reach compressor room, however during audit it was open and there was no protective chain. HSE.14
5. The small compressor's engine which is used for cooling room in the kitchen does not have a cover. HSE.14

#### Local Law or Code Requirement

Ordinance No 7 23.09.1999 On the Safe Use of Equipment, Ordinance 81213-647 of 2014 on Rules and Norms in the Use of Buildings; FLA Workplace Code and Benchmarks (Health, Safety & Environment Benchmarks HSE.7, HSE.8 and HSE.14)

#### Recommendations for Immediate Action

1. Enforce the use of protection shield.
2. Provide protection guards and enforce use of protection guards on sewing machine.
3. Ensure that security chains is effectively used in the areas that carry risk of falling.
4. Provide a protection cover to the compressor in the kitchen.

## COMPANY ACTION PLANS

## Action Plan no 1.

### Description

- 1 and 2. Factory will conduct periodic checks of machine guards.
3. The security chain in front of the exit from the storage area in cutting building is being used.
4. Protective chain is in place.
5. Factory will cover of the engine.

## FINDING NO.10

### IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. One of the emergency exits which is located at the street side was locked during the lunch time because of the security reasons.
2. One out of 7 emergency exits in cutting building (ground floor only, 55 people in a big hall, storage areas, a couple of smaller rooms for CAD) was found equipped with a sliding door which is heavy metal one that is not easy to slide, which remains open during operation hours. Additionally there is one metal rod in front of exit in order to prevent people from falling from the platform and it is located at approximately 1m from the floor which still carries the risk of falling.
3. The stairs leading out of the same platform are narrowed by a security rail put too close to the wall, limiting the width of the stairs.
4. Passage on the platform leading out of storage area in the cutting building is narrowed and obstructed by canon boxes and palettes.
5. The compressor room is not properly indicated as the compressor room. The sign says "Storage of luminescent lamps".
6. There is no fire extinguisher in the compressor room.
7. There is one fire extinguisher found on the ground in raw material storage area that used to be used and attached to the forklift. It has not been removed after a new one was put (less heavy) on the forklift.
8. One of the evacuation plans does not reflect the actual layout of the area since it is not updated in the sampling room. The plan is also missing details such as "You are here" sign, color indications, assembly point, etc. Additionally, one of the evacuation plans in sewing section in third floor of main building is not updated. The new one in this section was prepared in the opposite direction.
9. The evacuation route leading out from the sampling room and from one of the raw material storage areas is not clearly indicated outside in the yard. After emergency exit, the pathway is blocked by a locked door from the outside. Although it provides direct access to outside, it does not allow workers to reach the assembly point located on the other side of the building. Moreover there is an unused lifting machine in front of the emergency exit in sampling room, obstructing the door.
10. One of the emergency exit doors is opening inwards in laundry section in main building, and there is no emergency exit sign on this door.
11. Emergency evacuation arrows on the ground in laundry section have been faded out.
12. Only one fire extinguisher is located in canteen.
13. There is no evacuation map in the canteen.
14. One of the emergency exits in storage area in main building was obstructed with boxes.
15. There are trolleys in the second floor that obstruct the stairs between floors where the sewing sections are located in main building.

#### Local Law or Code Requirement

Ordinance 81213-647 of 2014 on Rules and Norms in the Use of Buildings; FLA Workplace Code and Benchmark (Health, Safety & Environment Benchmark HSE.5)

#### Recommendations for Immediate Action

1. Ensure that all emergency exit doors are kept open during working hours.
2. Replace the sliding door with a door that opens outwards easily and provides proper protection guard for the high platform.
3. Move the security rail to free the staircase.
4. Ensure that passage leading out of storage area is not obstructed.
5. Indicate appropriately the compressor room.
6. Provide a fire extinguisher in the compressor room.
7. Remove unused fire extinguishers from the production area.
8. Update the evacuation plans in sampling room and sewing section properly.
9. Clearly indicate the evacuation route leading out of sampling room and raw material storage area and keep the gate unlocked. Keep evacuation routes and exits free from obstacles.
10. Ensure that all emergency exits opens outwards and provide exit signs.
11. Provide at least one more fire extinguisher to the canteen.
12. Provide evacuation map to the canteen.



## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Factory will ensure that emergency exit doors are not locked during lunch.
2. Assessment done by local fire department official has shown that the metal rod is enough to prevent people from falling and this emergency exit does not present danger according to current local safety regulations.
3. Factory will eliminate the risks can be occurred in case of emergency on narrowed area.
4. Factory will conduct periodic checks for non-obstruction.
5. The old sign is still there (because old lamps are still stored there) but there is a new additional "Compressor" sign on the door.
6. There is a new fire extinguisher in the compressor room.
7. Old fire extinguisher removed from the ground in this area.
8. New and updated evacuation plans were issued and put it in all buildings of the company.
9. The evacuation routes are updated and new evacuation schemes are in place. The unused lifting machine cannot be removed, because it is attached to the floor, but it is not obstructing the door. According to current fire emergency regulations there should be at least 90 centimeters in front of emergency exit and there are 130 centimeters in factory's case. Fire department officials was present at the measuring and confirmed that lifting machine can remain there.
10. There is new additional door made for this exit. Factory will provide emergency exit to this door.
11. The arrow signs in the laundry room are being renewed on a regular basis, because they fade out easily due to heavy duty and humidity.
12. One is located near the stove and another one is near the window.
13. There is a new evacuation map in the canteen.
14. Special attention is paid to whether there are any obstructions in the corridors and near the emergency exits.
15. Factory will remove the obstruction from the stairs.

## FINDING NO.11

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

#### Finding Explanation

1. There is spot removing process in ironing section in an open area without proper ventilation system. Moreover, medical mask is used for this process.
2. The chemical barrels are located on pallets instead of proper secondary containment. Additionally, bowls are provided as secondary containment for the chemical barrels in laundry section which are not sufficient in case of chemical spill.
3. There are small desks in the boiler room where the authorized personnel take samples from the water used for the laundry section. There are chemicals under this table and one of the small barrels has no label.

#### Local Law or Code Requirement

FLA Workplace Code and Benchmark (Health, Safety & Environmental Benchmarks HSE.9)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description



1. The area has a ventilation system. Masks are provided throughout the facility. The use of special masks is required during spot removing process and whenever is necessary and required by the health and safety standards.
2. Special concrete barrier was build in order to prevent possibility of chemical spill. All the barrels are placed on pallets within this designated area.
3. Nothing is stored under the desk anymore. All the barrels are labeled properly.

## FINDING NO.12

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. One medicine was expired (Valeriane 2016), in first aid box in cutting section. Two others were missing as per list of medicaments to be provided (Paracetamol and Aspirin). Those medicines are provided to the workers upon request to the person in charge of first aid. HSE.6
2. There were old chemicals barrels in the kitchen which are used to place pickles for lunch in canteen. HSE. 22

##### Local Law or Code Requirement

Ordinance No & of 23.09.1999 on the Minimum Health and Safety Requirements at the Workplace and Using the Working Equipment, Article. 242 Rules on Providing First Aid at Work, Approved with Order RD 09 FLA Workplace Code and Benchmark (Health, Safety & Environmental Benchmarks HSE.6 and HSE.22)

##### Recommendations for Immediate Action

1. Remove expired medicament from the first aid kit and keep it well supplied.
2. Ensure that chemical barrels are not used for storage for any kind of food.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. All the medicines in the first aid box are with checked expiration dates and all the medicines according to the approved list are present.
2. The old barrels are empty, stored and are not being used in the canteen. The new barrels for pickles are bought for the need of the canteen. The invoice for the new barrels is present.