



COMPANIES: Fast Retailing Co., Ltd.

COUNTRY: India

ASSESSMENT DATE: 08/07/17

ASSESSOR: Insync Global

PRODUCTS: Apparel

NUMBER OF WORKERS: 3586

FLA Comments

Exit language: This was not a major factory for Fast Retailing production. It produced around 50,000 pieces per month for Fast Retailing, accounting for an approximate average of 4% of the factory's production capacity. Fast Retailing had not placed any orders with this facility since March 2017 and ultimately decided to exit in April 2018. Between March 2017 and April 2018, Fast Retailing was evaluating the factory capability by testing different kind of products. The factory did not meet Fast Retailing's expectations for product capability and quality, which resulted in lower cooperation from the factory. Fast Retailing's decision to exit was part of the company's strategic prioritization of production partners that consistently meet cost competitiveness. Fast Retailing will not be able to pursue remediation for the noncompliance identified in this report, and there are no 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. There is no written policy on Recruitment, Hiring & Personnel Development, Termination and Retrenchment, Workplace Conduct & Discipline, and Grievance system. However, there are some documents pertaining to Workplace Conduct & Discipline and the Grievance System. ER.1, ER.19, ER.27, ER.28, ER.29, ER.30, and ER.32

2. Policy on compensation does not include information on compensation for work done on national holidays, benefits for sick and maternity leave and information on loans and advances. HOW.5

3. Factory does have any written procedures for Workplace Conduct & Discipline, Hours of Work, Termination & Retrenchment, Personnel Development, or Environmental Protection. There are no written procedures on compensation however some documents or systems exist to manage compensation practices. ER.1, ER.23, ER.27, ER.29, ER.30, ER.31, and ER.32

4. The factory does not have any procedures for Industrial Relations and freedom of association, nor does the factory have any procedures on the formation of a works committee and ensuring that workers elect their representatives. ER.25

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.19, ER.23, ER.25, ER.27, ER.28, ER.29, ER.30, ER.31, and ER.32; Hours of Work Benchmark HOW.5)

FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Review Process (Macro)

Finding Explanation

1. The policies for all employment functions are dated March 1, 2017, and do not have defined review period. ER.1.3

2. The management staff responsible for managing the various employment functions is not defined in writing, but is verbally communicated. ER.1.2

Local Law or Code Requirement

FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

1. Factory does not conducted training for Supervisors and workforce on specific employment functions however has provided some awareness during the orientation. ER.17
2. Factory does not provide specific training on the workplace conduct to the relevant HR personnel, administrative staff, relevant managers and supervisors. ER.17
3. Use of PPE is included in basic health & safety training program conducted for all new recruits. No further training is provided. Workers are not trained in proper lifting techniques, but are provided with necessary PPE (lifting belts). Training is not conducted for workers with specific, additional fire fighting responsibilities so they can effectively execute their fire fighting duties and workers with specific, additional responsibilities in responding to an emergency so they can effectively execute these responsibilities. Information on basic fire fighting is communicated. Information on electrical, mechanical and chemical safety is not communicated to all workers. No on-going training is provided on health & safety to workers. HSE.6, HSE.8, and HSE.14.2
4. Training on chemical management has been conducted for 15 out of 38 workers in printing section and to the operator of effluent treatment plant. HSE.9
5. No training is provided to person responsible for unloading diesel into power generators. HSE.14.2
6. Training schedule does not ensure coverage of 100% of employees. ER.15
7. The orientation program does not include Recruitment, hiring and Personnel Development and Freedom of Association. Workers do not receive written documentation that substantiates all the issues covered in the orientation. ER.1 and ER.15

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, ER.16, and ER.17; Health & Safety Benchmarks HSE. 8, HSE.9, HSE.14, and HSE.17.2)

FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The recruitment procedures include minimum age, height, and weight requirements. It also requires that candidates have no chronic diseases. Workers undergo a general medical examination, but the policy does not define the nature of examination that will be conducted. ND.2
2. The written recruitment procedures do not include the use of employment agencies, even though two agencies are used currently, and 5% of production workers are employed through these agencies. The Recruitment, Hiring & Personnel Development procedures do not include the maintenance of written agreements that define employment terms and conditions. ER.8 and ER.9
3. The contract between the factory and one of the employment agencies supplying workers to the factory does not comply with the FLA Workplace Code of Conduct on hours of work; including, rest day, maximum working time, and overtime payments. Additionally the contract does not include and safe operating instructions or use of personal protective equipment (PPE). The factory does not have a signed contract with the other employment agency. There is a letter of intent dated August 25, 2016 to confirm that workers would be recruited from the agency. A condition in the letter states requests that only female workers are provided, and that the agency must ensure selected workers work with the factory for a period of 12 months. These clauses indicate discrimination and bonded employment. ER.2, ER.5, ER.6, and F.3
4. Employment terms are not communicated to the recruitment agencies prior to workers travelling to the factory location, except for basic information on wages and working hours. Candidates are interviewed and hired upon arrival in the factory. There have been

instances when workers have returned home post hiring, as they did not wish to continue working here, due to culture shock. ER.5 and ER.6

5. Written procedures on recruitment do not include written consent from workers for the physical examination. ER.1

6. In the written procedures on hiring, workers are always considered female, in most instances the term "she" is used instead of the term "worker." Additionally there is a major gender imbalance at the factory, with 98% of the workers being women. ND.2

7. There are no written job descriptions prepared for positions when personnel need to be hired. ER.1

8. Employment contracts and the signed consent forms to live in dormitories do not include information on the wage deduction for dormitory accommodations. C.11

9. There are no written procedures for dormitory residents if they wish to stay with friend, parents, or relatives during short vacations, procedures allowing free movement outside the dormitory and factory compound during week days after completing working hours. As stated by workers interviewed, they are allowed to go out on weekly rest days, but not on weekdays. ER.1

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2, ER.5, ER.6, ER.8, and ER.9; Forced Labor Benchmark F.3; Compensation Documentation C.11; Nondiscrimination Benchmark ND.2)

FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. Employment contracts are in Tamil, the local language spoken by workers. However, for migrant workers from Odisha (a separate province/state in eastern part of the country), contracts are in Hindi and is signed by the worker and HR Manager, but the HR Manager does not read or understand Hindi. Furthermore the confirmation letter for migrant workers is in Tamil, and not in Hindi. Dormitory rules and regulations are in Tamil, and not in a language read or understood by the migrant workers. In two of the sampled worker files, the wage figure in the appointment letter was incorrect, INR 316 instead of INR 325 per day, and one appointment letter is not signed by the HR Manager. ER.5 and ER.10

2. Eight of the twenty-five sampled migrant workers stated that they had paid the recruitment agency for the travel costs to reach the factory, and were told that they will be reimbursed; however, they have not been reimbursed four to seven months later. Management stated that factory pays the travel costs to the agencies, but the factor does not have any procedures to check that the payments have been made. ER.5, ER.6, and ND.3

3. The registration certificates of the recruitment agencies providing workers to the factory were not available for review. Hence, assessors could not verify their legal status. ER.2 and ER.6

4. Factory could not provide any documentation of the process followed to ensure that the evaluation and promotion of workers is fair, and that there is no discrimination. ER.30

5. Factory shared the employment documents of four workers who were promoted, and management stated that these employees were hired as workers and promoted to staff category. Review of the documents revealed that appointment letters are reissued to workers when they are promoted. Once promoted, a new set of employment documents is maintained, hence two sets (prior to and after promotion) of documents are maintained. Additionally the date of joining the factory as recorded in employment documents reflects the date when the employee was promoted and their category was changed from worker to staff; not the date when these workers were initially hired as workers in the factory. Incorrect date of employment could cause workers to lose access to benefits to which they are entitled. ER.1 and ER.30

6. The contents of the appointment letters issued to workers who are promoted are in English, and not in local language. Furthermore the probation period is defined as six months in the English appointment letters, but letters in Tamil do not include a defined probation period. The promotion letter does not include change in designation and the increase in wages per month. Management stated that workers were not "promoted," but rather a pay increase was provided in the updated service record. However, the letter from the factory manager to the Executive Director recommends the workers for Promotion and not just a pay increase. ER.1 and ER.30

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2, ER.5, ER.6.2, ER.10 and ER.30; Non-discrimination Benchmark ND.3)

Recommendations for Immediate Action

1. Provide letters communicating confirmation of employment and dormitory rules to migrant workers in a language they understand.
2. Reimburse travel costs directly to migrant workers.
3. Use registered and licensed recruitment agents.
4. Do not change the date of hiring when workers are promoted, and record accurate date of hire on all legal documents.
5. Provide letter to communicate promotions to workers with revised wages, designations, and job descriptions.

FINDING NO.6

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. Factory has joint worker-management committees for the following areas: works committee, Health & Safety committee, Canteen committee, and Internal Compliant committee. However, the signatures of workers who attended these meetings, do not match the attendance recorded in the meeting minutes. ER.2 and FOA.1

Local Law or Code Requirement

FLA Workplace Code (Employment Relation Benchmark ER.2; Freedom of Association Benchmark FOA.1)

FINDING NO.7

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The factory does not obtain written consent from workers for the deduction of INR 49 towards dormitory costs from their wages. C.11
2. Dormitory and canteen charges are calculated and deducted from wages based on the worker's presence in Dormitory, irrespective of worker consuming food from the canteen. So workers pay for the food even though they may not have eaten food from the canteen. If a worker informs management, and leaves the dormitory for couple of days, no deduction is made. C.11
3. The factory does not keep payment receipts, leave records, and time cards for the month prior to resignation for workers who have left the factory. Therefore, assessors could not confirm the accuracy and timely payment of termination dues. ER.19
4. Sick leave is only provided to workers if they visit a hospital under the Employees State Insurance Scheme and obtain a sick slip. If workers are sick and the factory doctor advises rest, they are not paid wages for the days they are sick and remain away from work. Additionally this impacts calculation of annual leave days and yearly bonus. ER.22, HOW.16, and C.18
5. While local workers sign a copy of their wage slips, migrant workers sign wage slips that are in the local language, even though they do not understand the contents. C.14
6. Four out of ten canteen employees, ten out of twelve electricians, four out of nineteen dormitory employees, seven out of nine maintenance employees, and 18 out of 20 mechanics are designated as staff and not compensated for overtime. Based on the nature of their work, these employees are workers and are entitled to overtime compensation. C.1
7. Records of maternity benefits were not provided for review, so assessors could not verify that maternity benefits have been provided for the two workers who are on maternity leave. ER.2

Local Law or Code Requirement

The Payment of Wages Act , 1936 -section 5 - Not to make Unauthorized deduction from wages and Maternity Benefit Act 1961-section 4 - Maintenance of records and registers ; FLA Workplace code (Employment Relation Benchmarks ER.2, ER.19, ER.22; Compensation Benchmarks C.1, C.11, C.14, and C.18; Hours of Work Benchmark HOW.16)

Recommendations for Immediate Action

1. Obtain written consent from workers for deduction of INR 49 from dormitory residents.
2. Deduction for services not utilized by dormitory residents should not be deducted from wages.
3. Maintain all documents related to pay records of termination dues.
4. Provide benefit of sick leave to dormitory residents based on the recommendation of the factory doctor.
5. Provide wage slips to migrant workers in a language they understand.
6. Correctly compensate workers for all hours worked.
7. Maintain records related to maternity benefits.

FINDING NO.8

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

1. There is no evidence to confirm that termination dues are paid. Management stated that termination dues are paid in cash on the last day of work. The factory does not keep payment receipts, leave records, and time cards for the month prior to resignation for workers who have left the factory. Therefore, assessors could not confirm the accuracy and timely payment of termination dues. ER.2 and ER.32
2. Even though workers have signed on the full and final calculation sheet confirming receipt of termination dues, there is no date recorded in the paperwork. C.4
3. From six sampled records, the calculation of termination dues for three workers reflects that no payment was made for three days worked in June 2017. Although management stated that all workers were paid correctly, records corresponding to the payments were not available for review. ER.2 and ER.19

Local Law or Code Requirement

Payment of Wages Act, 1936- records and receipts; FLA Workplace Code (Employment Relation Benchmark ER.2, ER.19, and ER.32; Compensation Benchmark C.4)

Recommendations for Immediate Action

1. Maintain all documents pertaining to administration of termination dues to confirm compliance with legal requirements.

FINDING NO.9

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. Although it is included as misconduct in the factory standing orders, no disciplinary is taken for unauthorized absenteeism. ER.27
2. Verbal warnings are not documented. ER.2 and ER.27

Local Law or Code Requirement

FLA workplace Code (Employment Relations Benchmarks ER.2 and ER.27)

FINDING NO.10

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Grievance System

Finding Explanation

1. There is no written non-retaliation policy for workers who register complaints. ER.25
2. Information on the action taken to remediate grievances is not recorded in grievance log. ER.2 and ER.25

Local Law or Code Requirement

FLA workplace code (Employment Relation Benchmarks ER.2 and ER.25)

FINDING NO.11

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. There are no written procedures for identification of waste generated from production processes, biomedical waste, electric, and electronic waste. Additionally the factory does not have procedures for storage and disposal of waste, and has not assigned someone to oversee this process. There factory does not have written procedures for managing its environmental impact to its surroundings, procedures enable workers to raise environmental concerns, procedures for reporting environmental emergencies, procedures include protections for workers who allege environmental violations. ER.31 and HSE.1

Local Law or Code Requirement

FLA workplace code (Employment Relation benchmark ER.31; Health & Safety Benchmark HSE.1)

FINDING NO.12

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Strong chemical fumes were present in the Dye storage room, which does not have any ventilation. The stain removing stations are located next to sewing lines, and fumes from chemicals are present. MSDS are not provided in the stain removing areas. Spill kits are not provided in the chemical and dye storage areas. HSE.9 and HSE.10
2. Load capacity is not marked on the automatic stacker and all of the hydraulic forklift vehicles. HSE.1
3. The factory did not provide enough dust masks for all workers, and some workers were not using the masks provided to them. Many workers cover their noses with clothing while working. The hand gloves provided to the welder are worn out and damaged. HSE.7
4. Workers with sitting jobs are provided with cushioned seats, but not with backrests. Anti-fatigue mats are not provided to workers with standing jobs. Some workers were seen standing with bare feet or wearing high-heeled shoes. Rest areas are not provided for workers with standing jobs, as legally required. Individual workstations are not adjustable to fit individual height of workers. HSE.17
5. Traffic lanes and walking paths are not marked. There are no visual management systems, such as indicators, reflectors, and convex mirrors in blind turns at the exit from main gate from factory, to ensure safe driving on the factory premises. HSE.1
6. Confined spaces are not marked as such. Ropes and rescue equipment are not provided to workers entering confined spaces, and workers are not trained on proper confined space safety. HSE.1
7. The factory does not have a lockout-tagout program for machinery and equipment HSE.14

Local Law or Code Requirement

Factories Act 1948 – Health, Safety and Welfare; FLA workplace code (Health & Safety Benchmarks HSE.1, HSE.7, HSE.9, HSE.10, HSE.14, and HSE.17)

Recommendations for Immediate Action

1. Install an exhaust fan in the dye storage room. Relocate the stain removing station to a well-ventilated area, that is isolated from sewing areas. Post MSDS in the stain removing stations. Provide a spill response kit in the storage area.

2. Mark the load capacity on the automatic stacker and all hydraulic forklift vehicles.
3. Provide dust masks to sewing operators. Replace the damaged hand gloves.
4. Install backrests on chairs, and provide anti-fatigue mats to workers with standing jobs. Provide rest areas for workers with standing jobs.
5. Mark traffic lanes and walking paths. Install speed breakers, indicators, reflectors, and convex mirrors at blind turn at exit from main gate from the factory to ensure safe driving practices.
6. Mark confined spaces, and provide rope and rescue equipment to workers entering confined spaces.
7. Implement a lockout-tagout program.

FINDING NO.13

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Several aisles in sewing section are only 32 inches wide, which makes them too narrow to accommodate two workers at once. The aisles and evacuation routes are not marked, in the kitchen. Evacuation routes are not marked in unite 2 of the sewing section. HSE.5
2. Emergency lights are only installed above the designated emergency exits in the work areas, and not above all potential emergency exits in the work areas. These unmarked exits would be used for evacuation in an emergency. Emergency lights are not installed above the exits on the ground floor in the male dormitory. HSE.5
3. Evacuation routes were blocked by garment trolleys in the sewing section. Several garment trolleys were left unattended in front of an exit. HSE.5
4. Based on records, emergency drills are conducted once in every two months. Logs from drills conducted in July 2016 and November 2016 had the same picture of workers with different dates printed on them. Pictures from drills conducted in April 2017 and June 2017 were same with different dates printed on them. HSE.5
5. The factory has not provided gas masks, torch, hand gloves, helmets, fire suits, long sticks, spade, axe, cutters and ladders are not provided to the fire fighting team.. HSE.7

Local Law or Code Requirement

Factories Act 1948 – Health, Safety and Welfare; FLA workplace code (Health & Safety Benchmarks HSE.5 and HSE.7)

Recommendations for Immediate Action

1. Mark the aisles and evacuation routes in the kitchen and unit 2 of the sewing section.
2. Install emergency lights above all available exits in the work areas. Install emergency lights above the exits on the ground floor of the male dormitory.
3. Ensure that all evacuation routes and exits are clear at all times.
4. Provide appropriate equipment to fight fires (including the correct PPE, e.g., breathing apparatus, safety shoes, fire resistant gloves.

FINDING NO.14

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Beds are not provided for dormitory residents. Mats and pillows are provided, and workers sleep on the floor. HSE.25

2. Kitchen floors are dirty and sticky. Canteen workers are not provided with safety shoes, aprons, facemasks, and hand gloves. Food handlers are not provided with aprons and nose masks, and the gloves provided are not used. Prepared food was left open in the kitchen and serving counters in the canteen and bakery. Insect repellents are not installed in the kitchen and dining areas. HSE.22

3. The doctor is present from 10:00 to 18:00, but is not available from 6:00 to 10:00, for morning shift workers, and during overtime work hours. There are four female nurses, but no male attendant or medically trained person. An instrument sterilizer is shared between the ambulance room in the factory and the health clinic in the dormitory. Only one bed is provided in the ambulance room, for use by both male and female workers. Gloves and wood splints are not provided in first aid kits. HSE.18.

4. The childcare facility is not operational as there are no children. There are no beds in the childcare facility and it is located adjacent to the sewing floor. The child-care attendant is trained in first aid, but not child care. There is procedure to ensure that children are only released to parents or other authorized adults. HSE.1 and HSE.27

5. Only two glasses are provided for workers to drink water. HSE.23

6. There are only 66 toilets for 3523 female workers, while there are 16 toilets for 63 male workers. An additional 73 toilets need to be provided to achieve a ratio of 1 per 25 workers. Soap and hand drying equipment is not provided in the toilets. HSE.20

Local Law or Code Requirement

Factories Act 1948 – Health, Safety and Welfare; FLA workplace code (Health & Safety Benchmarks HSE.1, HSE.18, HSE.20, HSE.22, HSE.23, HSE.25, and HSE.27)

Recommendations for Immediate Action

1. Provide beds for dormitory residents.

2. Ensure that the kitchen floors are clean at all times. Provide protective equipment to cooks to prevent burn injuries from hot water and, aprons, facemasks, and hand gloves. Provide aprons and facemasks to food handlers and monitor their use. Prepared food should be kept covered at all times in kitchen, canteen, and bakery. Install Insect repellents in the kitchen and dining areas.

3. Arrange for a Doctor to be present during all working hours, as legally required. Provide an instrument sterilizer and additional beds in the ambulance room. Provide sterilized gloves and wood splints in first aid kits.

4. Relocate childcare room away from production areas, and ensure that it complies with all legal requirements.

5. Make appropriate arrangements for hygienic drinking water.

6. Provide 73 additional toilets for use by female workers, to comply with legal requirements.

FINDING NO.15

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. There is a policy on Personal protective equipment and chemical usage; however, it does not define the factory policy or objective. There are no written procedures on measures to protect the reproductive health of workers through minimizing exposure to workplace hazards; however, the policy states that pregnant women will be provided with light works, transportation will be arranged, they will be allowed to take un scheduled breaks, allow medical consultation, and provide comfortable work areas. There are no written procedures on steps for workers to raise health and safety concerns and protection against retaliation for workers who raise health and safety concerns. ER.31 and HSE.1

2. The written procedures on emergency safety do not include information on ensuring that walkways/aisles and emergency exits are free from obstructions, how to ensure that all personnel, visitors, contractors, and service providers safely evacuated, how to ensure that all special categories of workers and children in childcare facilities safely evacuated, information on confined spaces, or a list of equipment and machines that require lockout-tagout, a list of the workers (names and/or titles) responsible for managing fire equipment, requirement to conduct fire risk assessments, Identification of managers and/or workers responsible in case of emergency. There are no written procedures on what workers should do in case of injury and Steps for reporting death, injury, illness, and other health and safety issues. There are no guidance documents for external contractors/service providers concerning health and safety. ER.31 and HSE.1

3. The chemical risk assessment does not include information on the frequency of accidents, number of employees in the work area, or risk control measures. Additionally it does not include the stain removal chemicals. ER.31 and HSE.1

Local Law or Code Requirement

FLA workplace code (Employment Relationship Benchmark ER.31; Health & Safety Benchmark HSE.1)