FLA Comments

Company Exit Language: arena exited the factory in March 2019 since it was no longer meeting our commercial needs. At the time of exit, arena’s production of the factory was 85,000 pcs/year – around 0.8% of total production. There was no risk of retrenchment due to the company’s exit, given the very low impact of arena’s production. At the time of exit, most of remediation plans were implemented, with the exception of some minor findings which were still in progress. To arena’s knowledge, no other FLA company affiliates were sourcing from the factory.
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 are no written policies and procedures with regard to performance reviews, promotion, demotion, and job reassignment that are transparent and fair in their implementation for the workers.
2. The recruitment procedure was set up according to the ISO 9001 management system, in which the factory is certified, but there is no written policy for recruitment.
3. The factory does not have a written policy or procedures on Compensation; however, there is a statement in the Social Compliance procedure that mentions wages will be paid according to the minimum wage standard for regular working hours (8 hours) and overtime at 1.5 of regular working hour.
4. The factory does not have a written policy on Hours of Work, or procedures for managing working hours; however, there is a statement in the Social Compliance procedures that mentions working hours as 48 hours per week and overtime not to be more than 12 hours per week.
5. The factory does not have a written policy on Industrial Relations or Freedom of Association; however, there is a statement in the Social Compliance procedures that mentions the company being respectful of the worker’s right to form welfare and occupational committees where the workers are able to raise their concerns and suggestions.
6. There are no written policies or procedures on Termination & Retrenchment. There is only a written procedure for managing termination available in the company regulation.
7. The factory does not have a written policy on Workplace Conduct & Discipline or Grievance System.
8. The factory does not have a written policy on any grievance system; only a grievance procedure that is part of factory regulation and the Standard Operating Procedures for a suggestion box is available in workplace.
9. The factory does not have a written policy regarding environmental protection, or procedures for managing environmental impact within the factory or its surroundings.

Local Law or Code Requirement
FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.23, ER.25, ER.27, ER.29, ER.30, ER.31 and ER.32; Health, Safety and Environment Benchmarks HSE.1)

FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)
Finding Explanation
1. The factory does not provide specific training to supervisors on Recruitment, Hiring & Personnel Development.
2. The factory does not provide specific training to supervisors or ongoing training to workers on Compensation, Termination and Retrenchment, Grievance Mechanisms, Industrial Relations, Freedom of Association, Workplace Conduct and Discipline, or Environmental Protection.
3. Workers and supervisors have not received any training on the FLA Workplace Code and Benchmarks; thus, workers are not aware of them. Additionally, the FLA Workplace Code and Benchmarks is not posted in the factory.
4. The orientation training provided to new workers does not cover the factory’s HR policies and FLA Workplace Code and Benchmarks. Furthermore, workers are not provided with complete training materials during orientation, including the FLA Workplace Code and Benchmarks.
5. As the factory is missing policies and procedures on anti-harassment and abuse, no training has been conducted for all line leaders, supervisors or managers.

Local Law or Code Requirement
FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, ER.16, ER.17, ER.25, ER.27; Health, Safety and Environment HSE.5)

FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation
1. During the hiring process, the factory requires female candidates to take a pregnancy test and to submit the test results before starting work, in order to avoid hiring pregnant workers. The worker is responsible for paying for the test, which costs THB 250 to THB 300 (USD 7.2 to USD 8.7).
2. Workers pay THB 250 to THB 300 for medical testing (drug and pregnancy testing) required by the factory during recruitment.
3. Job application forms include questions on age, weight and height, race, marital status, and family information. These questions pose a risk of discrimination during the recruitment process.
4. The Recruitment procedure has a statement that requires applicants be 18 years old and above, and that males must have been in military service or exempted from military service.
5. There are no job descriptions for any of the positions at the factory.

Local Law or Code Requirement
FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.3, ER.5.3, and ER.6.2; Nondiscrimination Benchmarks ND.1, ND.2, ND.5.1, ND.6.1, and ND.7.1; Forced Labor F.7.4)

Recommendations for Immediate Action
1. Stop requiring female candidates to take pregnancy tests and stop using pregnancy test results to select for hiring as this is a discriminatory practice.
2. Revise the application forms to remove any questions that require discriminatory information, such as on marital status, military status or blood type. Ensure that such information is only collected after the recruitment process is concluded, if necessary.
3. Pay for all associated fees during the hiring process. Retroactively compensate workers who paid such costs.

FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation
Annual performance reviews are conducted by supervisors and department managers without specific or agreed upon targets and objectives. Workers are not able to give their feedback or comment on the review process and are not able to agree or disagree with the results. Additionally, the factory does not document, in writing, the performance reviews. The only documentation is of the approved data sheets that show the increase in salary, along with comments and promotion approval.

Local Law or Code Requirement
FLA Workplace Code (Employment Relationship Benchmarks ER.30)
FINDING NO.5
SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation
1. The factory does not communicate the Recruitment, Hiring & Personnel Development policies and procedures and their updates to the general workforce.
2. The factory does not communicate its Termination & Retrenchment policy and procedures to the general workforce and in cases of Termination & Retrenchment, there is no procedure to engage or arrange consultation meetings with workers or worker and union representatives before management reaches any final decisions on layoffs.
3. As there are no policies or procedures on Hours of Work or Industrial Relations, the factory does not communicate to the general workforce regarding these Employment Functions.
4. The factory only sporadically provides verbal communication on the Grievance System and its updates to the general workforce.
5. The factory does not communicate its Environmental Protection program to the general workforce, including new workers.

Local Law or Code Requirement
FLA Workplace Code (Employment Relationship Benchmarks: ER.1, ER.16, ER.25, ER.29, ER.30, ER.32)

FINDING NO.6
SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Review Process (Macro)

Finding Explanation
The factory does not periodically review the policies and procedures on Recruitment, Hiring & Personnel Development or Workplace Conduct & Discipline. It does not review the procedures for the Grievance System.

Local Law or Code Requirement
FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.29, and ER.30)

FINDING NO.7
IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation
1. The factory does not compensate workers for sick leave if they do not present a medical certificate to the facility.
2. The factory does not compensate workers for their unused annual leave when they resign.

Local Law or Code Requirement
The Labor law, Section 64; Labor Protection Act B.E. 2541, Section 57; FLA Workplace Code (Employment Relationship Benchmarks ER.22, Hours of Work Benchmarks HOW.11, HOW.14, and HOW.16)

Recommendations for Immediate Action
1. Implement the sick leave policy and assure that workers are entitled to sick leave compensation. Inform workers regarding the sick leave policy.
2. Compensate resigned workers their unused annual leave.

FINDING NO.8
IMMEDIATE ACTION REQUIRED
FINDING TYPE: Hours of Work

Finding Explanation
1. Of the workers sampled, 90% worked more than 60 hours per week in the past 12 months. The production target includes weekly overtime hours of 24 hours per week for a total of 64 hours per week. The factory has an average of overtime working hours ranging from 14 hours to a maximum of 17.5 hours per week, or 62 hours to 65.5 hours per week of total weekly working hours.
2. Working hours are from 7:45 to 17:30, in which the factory includes 45 minutes of overtime as part of the working day from Monday to Saturday. This overtime is compulsory and workers are compensated at overtime rates for the additional 45 minutes.
3. Workers, especially workers in the injection department, work on Sundays at least twice a month, therefore do not receive 24 hour consecutive rest every seven days.
4. There is overtime because there are not enough workers to reach production target.

Local Law or Code Requirement
FLA Workplace Code (Hours of Work Benchmark HOW.1, HOW.2, HOW.6, HOW.7 and HOW.8)

Recommendations for Immediate Action
1. Ensure that weekly total working hours does not exceed 48 hours per week. Revise the weekly production target to not exceed 48 hours per week.
2. FLA affiliate Company’s Sourcing and Social Compliance teams should: a) implement FLA Principles of Fair Labor and Responsible Sourcing and b) accordingly coordinate on the topics mentioned below to help the factory address its excessive hour’s issue:
   How to provide better order forecasts to the factories;
   Possible workshops/consultancy for the factory on how to improve;
   Clear guidelines on how to extend shipment deadlines in case of contingencies;
   Steps that factory management must follow if overtime is inevitable (steps for how to communicate with the brand’s Sourcing and Social Compliance teams);
   Clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks;
   Clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime.
3. Ensure that workers are entitled to at least 24 consecutive hours of rest in every seven-day period. If workers must work on a rest day, an alternative consecutive 24 hours must be provided within that same seven-day period or immediately following.

FINDING NO.9
SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation
The factory management team appoints seven members of the welfare committee; therefore, they are not democratically elected. Furthermore, the members are made up of supervisors, line leaders and HR staff, and thus the welfare committee does not include any workers and is not independent from management interference.

Local Law or Code Requirement
Labor Protection Act B.E. 2541, Clause 96; FLA Workplace Code (Freedom of Association Benchmarks FOA.1, FOA.10, FOA.11)

FINDING NO.10
IMMEDIATE ACTION REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation
1. A review of disciplinary records showed that the disciplinary rules and procedures were not being implemented. The records showed that all warning letters had standard language with no mention of the disciplinary rule that had been violated.
2. The factory only communicates and provides the handbook to the general workforce during orientation. The handbook includes simple workplace rules and regulations, such as escalating procedures for disciplinary action. It is missing all human resources functions, Recruitment, Hiring and Personnel Development, and Grievance Mechanisms.
3. Disciplinary actions are not witnessed by a third party during the appeal process.
4. A number of workers indicated that, if they leave or are absent during the overtime which they had agreed upon by signing a datasheet, they would receive warning letters. In one case, a worker signed the overtime datasheet but had a family emergency so left
the factory before the end of the overtime period. He received a punishment of one month work suspension.

**Local Law or Code Requirement**
FLA Workplace Code (Employment Relationship Benchmarks ER.15, ER.16, ER.25, ER.27; Forced Labor Benchmark F.4; Harassment or Abuse Benchmarks H/A.1 and H/A/.7)

**Recommendations for Immediate Action**
1. Ensure that disciplinary practices are be imposed under the company rule and procedure.
2. Allow workers to freely leave the factory without restrictions and without disciplinary punishment.

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**FINDING NO.11**

**IMMEDIATE ACTION REQUIRED**

**FINDING TYPE:** Health & Safety

**Finding Explanation**
1. The chemical storage next to Building F1 is located next to an electrical transformer. The chemical storage is not made from fire resistance walls but of a steel cage and roof which is not protected from extreme weather, heat sources or direct sunlight.
2. The factory has not provided any secondary containment in Building F3 which has oil containers, Building F7 which has releasing agents, Building F9 which has glue and ink, or in the chemical storage area next to Building F1, which has hydraulic oil containers.
3. In the chemical storage next to Building F1, chemical containers are stored without identification and the factory has not posted any warning signs, non-smoking signs, or unauthorized access signs.
4. There is no absorbent material for chemical leakages or spills available in the chemical storage next to Building F1 or chemical storage in Buildings F8 and F9.
5. The factory has not registered all chemicals with the Labor Department (Sor Aor 1), this includes LPG, diesel, and sprays (Axe-Lube, WD-40, Wurth, ES-200, etc.). The last registration was in January 2016.
6. LPG cylinders used in Building F2 (one cylinder) and Building F4 (two cylinders) are not chained to prevent falling.
7. There are no eye wash stations installed in Buildings F1, F2, F3 and F7 where chemicals are used.
8. The factory does not provide the Material Safety Data Sheets (MSDS) in Thai or label in Thai for a number of chemicals such as sprays (Wurth, ES-200, and WD-40, Releasing agent, and Vacuum oil). The MSDSs are only available in English, Japanese or Chinese.
9. The factory has not installed an alarm notification system (e.g. fire or smoke detector) in all chemical storage areas.

**Local Law or Code Requirement**
The Notification of the Department of Welfare and Labour Protection, Re : Description the criteria and delivery procedure of transportation, storage, delivery and waste disposal or packaging of hazardous chemical, section 3 (4); The Occupational Safety, Health and Environment ACT B.E. 2554 (A.D. 2011) Section 17; The Ministerial Regulation on setting standards for management and implementation of occupational health and safety in the work environment with dangerous chemicals BE 2556 Article 2, Article 6, Article 9, Article 10, Article 11, Article 17, Article 20; FLA Workplace Code (Safety, and Environment Benchmarks HSE.1, HSE.4, HSE.5, HSE.9.1, and HSE.10)

**Recommendations for Immediate Action**
1. Organize and manage the chemical storage areas so that it is located in suitable areas away from electrical hazards and the walls are made of fire resistant material.
2. Provide a secondary containment system in the chemical storage areas and locations where chemicals are used.
3. Provide absorbent materials to prevent chemical leakages or spills in all chemical storage areas.
4. Report and register all hazardous chemicals used at the factory to the Labor Department.
5. Chain all cylinders to prevent falling.
6. Label all chemical containers properly with the appropriate precautions. Post any necessary warning signs, non-smoking signs, and unauthorized access signs in the chemical storage.
7. Install eye wash station in areas where hazardous chemicals are used.
8. Provide Material Safety Data Sheets (MSDS) and label chemical containers in workers’ language(s).
9. Install an alarm notification system in all chemical storage area.

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**FINDING NO.12**

**IMMEDIATE ACTION REQUIRED**

**FINDING TYPE:** Environmental Protection

**Finding Explanation**
1. The factory has not identified whether its on-site operations generate any negative environmental impacts.
2. The factory stores hazardous waste and chemical containers outside which exposes the containers to rain.
3. The factory does not separate hazardous waste and non-hazardous waste in the chemical storage areas next to Building F1 and near Building F7. They are not properly labeled to distinguish between hazardous and non-hazardous waste.

**Local Law or Code Requirement**

The Ministerial Regulation on the Prescribing of standard for administration and management of Occupational safety, health and environment relating to protection and prevention of fire B.E. 2012 Clause 23; FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety, & Environment Benchmarks HSE.1 and HSE.9)

**Recommendations for Immediate Action**

1. Identify whether on-site operations generate any negative environmental impacts.
2. Ensure there is adequate protection for hazardous waste and chemical containers that are stored outside safe from the environment.
3. Separate hazardous waste from non-hazardous waste in the storage areas. Environmental impacts should be taken into consideration when managing and organizing chemical storage.

**FINDING NO.13**

**IMMEDIATE ACTION REQUIRED**

**FINDING TYPE:** Health & Safety

**Finding Explanation**

There is no inspection report for any of the buildings to ensure that the structure of the building and the safety systems are in safe condition. Additional stories and mezzanine floors would compromise structural safety.

**Local Law or Code Requirement**

The Building Act (issue 3) B.E. 2543, FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2)

**Recommendations for Immediate Action**

Ensure that all buildings on the factory premises are inspected and the inspection report is maintained to verify the building safety condition.

**FINDING NO.14**

**IMMEDIATE ACTION REQUIRED**

**FINDING TYPE:** Health & Safety

**Finding Explanation**

1. The factory does not have a list of equipment and/or machines that require lockout-tagout. The factory does not have Standard Operating Procedures (SOP) for lockout-tagout equipment.
2. The maintenance personnel and operators who work with hazardous machines, which includes the electrical system and air-compressor, have not been trained on the lockout-tagout procedure.
3. Seven workers who operate cranes in Building F2 are not trained on crane safety.
4. There is no evidence to ensure that two electricians are trained and qualified as per law.
5. One hook on the crane used in Building F2 and three hooks on the cranes used in Building F1 are not equipped with lock devices.
6. Work instructions and precautions posted on each injection machine in Buildings F1, F2, and F3 are in English and not in the local language.
7. One operator in the maintenance workshop of Building F3 was cutting metal without wearing gloves and did not have a hot work permit. In the glass making section in Building F4, workers who work in the glass cleaning process do not wear gloves; the edges of the glasses are sharp.
8. The factory has not provided forklift operators with safety shoes.
9. The factory has not provided the crane operators with helmets or safety shoes, it was observed that one worker operating the cranes in Building F1 was not wearing appropriate Personal Protective Equipment.
10. The majority of storm drains around every building (Building F1 to F11) were open, which is poses a falling risk to workers.
11. Hand lifting devices do not have signs that indicate the maximum working load.
12. The nurse was not available between 5:00am and 8:00am or between 5:00pm and 8:00pm; more than 200 workers work overtime during these hours.
13. In the dormitory for Thai staff, the stairs are not equipped with handrails.
14. Confined spaces are not marked and the factory has not put in place any measures to protect workers from harm. Workers who enter
confined spaces do not know how to do so safely.

**Local Law or Code Requirement**

**Recommendations for Immediate Action**
1. Make a list of all equipment and machines that require lockout-tagout and develop lockout-tagout procedures.
2. Train all relevant personnel in lockout-tagout.
3. Contact the Safety Training Organization recognized by the Ministry Industry or any relevant authorization bureau to provide the crane and electricity safety training for the operators for certification by this organization.
4. Regularly inspect all cranes and make repairs as necessary.
5. Post instructions and cautions signs on each machine in the local language.
6. Provide all necessary PPE to workers and train them on its use, maintenance, and importance when performing hazardous tasks.
7. Cover the drains located around all buildings (F1 to F11) to prevent risk of falling.
8. Ensure there is a nurse on duty full time whenever there are more than 200 workers working in the workplace.
9. Equip the stairs in the Thai staff’s dormitory with rails.
10. Provide PPE and ensure consistent and effective use by workers.

**FINDING NO.15**

**IMMEDIATE ACTION REQUIRED**

**FINDING TYPE:** Health & Safety

**Finding Explanation**
1. Four fire extinguishers are blocked by finished goods in Building F6.
2. Designated evacuation route and designated exit are blocked by goods in Building F6. However, no workers are stationed there.
3. There is no automatic fire alarm and fire detection system in any of the buildings.
4. The factory has not installed any automatic fire extinguishers or a sprinkler system in Buildings F4, F5, F6, F7, F8, F9, and F11 where materials, semi-products, and finished goods are stored. The size of these areas is more than 1,000 square meters (2,784 square meters for F4, F5, F6, F7 and 3,000 square meters for F8, F9, F11).
5. There is no fire extinguisher in the chemical storage area next to Building F1.
6. One worker in the maintenance workshop in Building F3 is cutting metal near flammable chemicals (thinner).

**Local Law or Code Requirement**
The Notification of Ministry of Industry Re: Fire prevention and protection in the factory B.E. 2552 Section 4, Section 9, Section 12, Section 22; The Ministerial Regulation Re: Prescribing the criteria for storage which may catch fire and place having risk against fire and protection and prevention of fire B.E. 2548 Clause 2 (2); The Ministerial Regulation B.E. 2548 Re: Prescribing Welfare in the Business Establishment, Clause 2 (3); The Ministerial Regulation No. 2 (B.E.2541) Issued under the Factory Act B.E. 2535 Clause 5 (4); The Occupational Safety, Health and Environment ACT B.E. 2554 (A.D. 2011) Section 6; FLA Workplace Code (Health, Safety, and Environment Benchmarks HSE.1, HSE.5, HSE.6, HSE.7 and HSE.8)

**Recommendations for Immediate Action**
1. Ensure all fire extinguishers are easily accessible at all times. Regularly monitor for compliance.
2. Ensure all designated evacuation routes and exits are free from any obstruction at all times.
3. Install automatic fire alarms and fire detection systems in all buildings.
4. Install automatic fire extinguishers or sprinkler system where the materials, semi-products, and finished goods are stored in areas that are more than 1,000 square meters.
5. Provide fire extinguishers in all the chemical storage areas.
6. Ensure workers do not perform hot work, such as welding or cutting, near flammable chemicals; provide training when necessary.

**FINDING NO.16**

**SUSTAINABLE IMPROVEMENT REQUIRED**

**FINDING TYPE:** Health & Safety
Finding Explanation
1. The factory has not provided training to workers in proper lifting techniques when handling heavy materials.
2. The factory has not provided tools or equipment to ergonomically support workers to minimize bodily strains for workers working in the packing and assembly section. This includes seating and standing arrangements, and the distance needed to reach required tools. Workstations should be designed and set-up in a manner that minimizes bodily strains.
3. Only 32% of the total workforce received preliminary firefighting training while the law requires at least 40% of the total workforce in each work unit to receive training.

Local Law or Code Requirement

FINDING NO.17
SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation
1. The factory does not have procedures, including an emergency plan or hazard identification process, to prevent Health & Safety issues such as food poisoning or poor hygiene.
2. The factory does not have the license needed to sell or store food in the canteen.

Local Law or Code Requirement
The Department of Health Section 8, Clause 38; the Notification of the Ministry of Public Health No. 61 (B.E.2524) and No.135 (B.E.2534); FLA Workplace Code (Health, Safety, and Environment Benchmarks HSE.1, HSE.4, HSE.19, and HSE.22)

FINDING NO.18
IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation
1. The factory does not provide workers with a copy of the employment contract after it has been signed by both management and workers.
2. The factory's probation period is 119 days, which complies with local law but does not meet the FLA Workplace Code and Benchmarks' limit of three months.

Local Law or Code Requirement
FLA Workplace Code (Employment Relationship Benchmarks ER.5 and ER.7; Compensation Benchmark C.3)

Recommendations for Immediate Action
1. Ensure workers receive a copy of their employment contract, in their native language, which includes contract details, such as working conditions.
2. Limit the probation period to three months. Change all existing workers' probation period to three months.