



FAIR LABOR  
ASSOCIATION<sub>®</sub>

## INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Fast Retailing Co., Ltd.  
Under Armour, Inc.

COUNTRY: Malaysia

ASSESSMENT DATE: 12/11/17

ASSESSOR: Donny Triwandhani

PRODUCTS: Apparel

NUMBER OF WORKERS: 2940

## 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: Grievance System

##### Finding Explanation

1. The grievance channels as per the grievance procedures are walk ins to HR, SMS (short text message) and email, suggestion box, and monthly dialogue with foreign worker representative. However, the grievance procedures are not implemented adequately since:
  1. There are only two grievance reports from the past several years available for review from walk ins to HR department. There are no grievance records from other channels such as SMS (short text message), email, or suggestion box. ER.2
  2. The procedure for monthly dialogue with foreign worker representatives is not conducted. ER.25
  3. There is no suggestion or grievance box found at the factory, even though it is noted in the procedures. The workers are not aware of confidential grievance channels. ER.25
  4. There is no specific responsible person to record and follow up the grievances for resolution. ER.25
  5. There is no record of management response on the two available grievances from the direct walk ins to the HR department. ER.25

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2 and ER.25)

#### COMPANY ACTION PLANS

##### Action Plan no 1.

##### Description

- 1) The factory must identify the members of top management, managers and team members who will ensure, by drafting, effectively implementing, conducting documented training about, posting full and summary posters of, formal new written policies and procedures that are sufficient to ensure, that from now on it; in accordance with FLA Benchmark ER.25.3, the factory identifies the person who will develop and effectively implement comprehensive written grievance: 1) policies and 2) procedures. The grievance procedures must include: A) a means by which its workers can directly and confidentially report grievances to top management/human resource personnel (for example, by sending text messages to a dedicated H.R. Supervisor's telephone number; an email message to a dedicated H.R. Department email address; making telephone calls to a dedicated H.R. Department hotline or telephone number) without the knowledge of or involvement by supervisors and free from reprisal, retribution and retaliation, and B) a grievance register, in substance reflecting the date and nature of the grievance and the action taken, among other things. Please also confirm that top management will regularly and confidentially meet with employees without supervisors being involved or present.
- 2) The factory should conduct documented training, and with materials, in Bahasa and any other applicable dialects and languages spoken by migrant workers, with its managers, Human Resources personnel and workers about each of the policies and procedures.

3) The factory should document actions it subsequently takes in accordance with, and pursuant to these policies and procedures in any affected managers' and workers' on site personnel files. Management also should: A) install an additional suggestion boxes in convenient yet private places for workers to submit harassment and grievance reports; and B) to outline and post next to the suggestion boxes, a transparent system of worker-management grievance handling including an outlined process that enables all workers (local and foreign) to consult with, and provide input to, management.

Planned Completion Date

09/04/18

Planned completion date

07/07/18

Company Action Plan Update

1.24.19 Update by UA:

AS per factory: "1) Please refer to Annex 1A for grievance procedures in all local languages.

2) Please refer to Annex 1B for grievance record

We confirm that top management will regularly and confidentially meet with employees without supervisors being involved or present. 3) Please refer to Annex 1C for training records. 4) Please refer to Annex 1D for additional suggestion box in a private area with clear grievance procedures posted"

The team noted the Grievance policies and procedures in all languages, the grievance records, the suggestion box photos, the posted procedures, and the training records.

Older Updates

"1. Factory will prepare the related document included company policy & procedures, code of conduct poster in all department. Factory will also implement the grievance procedure with include various of channels to let the workers to sound out their grievances or suggestion. Top management will also regularly meet the employees who submit grievance and suggestion.

2. Factory has scheduled training to all employees including managers and HR on each policies and procedures in all languages understood by all employees.

3. Factory will ensure documentation of actions in affected employee's personnel file.

Suggestion box and grievance system will be posted in more locations that are convenient yet private."

## FINDING NO.2

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Training (Macro)

##### Finding Explanation

1. The new workers are not provided with orientation training that cover Recruitment, Hiring and Personnel Development, Compensation, Hours of Work, Industrial Relation Practice including Freedom of Association, Workplace Conduct and Discipline, Health & Safety, and Environment Protection. ER.15

2. There is no specific training for supervisors on all Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination and Retrenchment, Industrial Relation, Workplace Conduct & Discipline, Grievance, Health & Safety, and Environmental Protection. ER.17

3. There is no training on Workplace Conduct and Disciplinary Practice for HR personnel or Managers. ER.27

4. Personal Protective Equipment training has been conducted for only 52 out of 2,304 production workers in the past 12 months. Furthermore, the training material has not included job hazards for each position, how to identify damaged or expiration, to whom worker should ask for replacement of damaged, or expired or missing PPE. HSE.8

5. Lifting and manual lifting technique trainings were conducted only for 29 out of 200 carton packers in the packing department in the last 12 months. HSE.17

6. There are only 2 out of 4 maintenance workers who have been trained on chemical handling. HSE.9

7. There is no confined space, work in-height and Lock Out/Tag Out trainings for all four maintenance workers. HSE.14

8. Workers have not received basic fire safety training, including their duties in the event of a fire. HSE.6

9. Only 34 out of 2,265 employees were trained for basic first aid training on August 11-12, 2017. Trainings are conducted randomly. ER.1, ER.15 HSE.5, HSE.6

10. Inadequate ongoing Health and Safety trainings such as: ER.1, ER.15

1. No training on sanitation and personal hygiene, blood borne pathogen and airborne diseases, or HIV/AIDS.

2. Machinery Safety training has only been conducted for 3 out of 157 cutters on June 15, 2017 and to 9 out of 1,462 sewing operators on August 18, 2017.

## Local Law or Code Requirement

Act 514 Occupational Safety and Health Act 1994, Article 15.1.2.a-d; Act 139 FACTORIES AND MACHINERY ACT 1967 (REVISED - 1974), Section 21 (4); FLA Workplace Code (Employee Relationship Benchmarks ER.1 and ER.15, ER.17 and ER.27; Health, Safety & Environment Benchmarks HSE.5, HSE.6, HSE.8, HSE.9, HSE.14, and HSE.17)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

The factory must identify the credentialed/trained/knowledgeable manager or 3rd party expert or firm who/that will conduct documented educational sessions (in Bahasa, and any applicable language or dialect spoken by local/foreign workers) to:

1) HR staff and other relevant positions to ensure new workers receive a complete orientation training, at the time of hiring, which includes explanations of the factory's rules, compensation package and policies/procedures for human resources, industrial relations, including respect of the right to freedom of association, and health and safety. Orientation training should be updated in a regular basis. Ensuring all workers receive written documentation that substantiates all the issues covered and a copy of the workplace rules during orientation training. Please send supporting documentation, including attendance sheets, materials used during the orientation, etc.

2) Management to identify someone responsible to ensure new hires are provided with written documentation that substantiates all of the issues covered in orientation briefings, and that supervisors are trained in national laws, regulations, and the Under Armour/Fast Retailing/FLA Codes, and the appropriate practices to ensure compliance;

3) Management to identify someone responsible to ensure that all managers and supervisors are fully familiar and regularly trained, to account for turnover, on the workplace disciplinary system and in applying appropriate, fair and nondiscriminatory disciplinary practices; and lastly,

4) Management to develop and implement a regular training program, for all workers and managerial positions that includes all human resources policies and procedures; from hiring to termination; including health & safety and environmental protection.

5) The factory must identify the person who will: 1) ensure, by implementing a documented personal protective equipment ("PPE") use incentive/award/reward system, that its workers: a) are provided the appropriate PPE; e.g. anti-dust respirator, gloves for those using chemicals (as recommended in MSDS, etc. and b) properly wear/use the PPE including earplugs and facemasks required by their specific workplace conditions; 2) conduct documented training session forcefully emphasizing risks and harms of failing to wear/properly use, PPE and 3) post posters, written in the language(s) understood by its workers (local or foreign) and managers, in each workplace showing the necessary and proper use of PPE for each worker (also please refer to local regulations, if applicable). The factory must send to us photographs to us showing that/documented evidence that workers are provided/use the appropriate PPE.

6) The factory must identify the person who will ensure worker training by a credentialed manager or experienced 3rd party on: 1) lifting techniques, particularly those in the packing/warehouse departments; 2) chemical management/handling, specifically maintenance employees, and anyone else using chemicals; 3) ongoing training on first aid, specifically those in health and safety committees. Factory must ensure to comply with local/applicable regulations with regards to first aid training; 4) worker training on sanitation, personal hygiene, blood borne pathogens, and airborne diseases, or HIV/AIDS; and 5) a comprehensive machine safety training for all workers (local and foreign- in their native/primary language(s)).

Planned Completion Date

10/16/18

#### Planned completion date

07/07/18

#### Company Action Plan Update

1.24.19 Update by UA:

As per factory, ""1) Please refer to Annex 2A for training records.

2) Please refer to Annex 2B for training records.

3) Please refer to Annex 2B for training records.

4) Please refer to Annex 1C and Annex 2B for training records. 5) Please refer to Annex 2C for PPE training records.

6) Please refer to Annex 2C for PPE training records.

7) Please refer to Annex 2D for photos.

8) Please see refer to Annex 2E for lifting training.

9) Please see Annex 2F for chemical training records. 10) Please refer to Annex 2G for first aid training records.

11) Please refer to Annex 2H for training records.

12) Please refer to Annex 2I for machine safety training records."

The team noted the training for orientation, for managers and workers, for PPE, for lifting, for chemical management, first aid, machine safety, and blood borne pathogens. Also noted the PPE before and after photos and posters.

#### Older Updates:

"1. Factory will appoint HR staff to conduct the orientation training to the new hiring employees by using the materials of company policy & procedures, health & safety and factory rules & regulations.

2. HR staff will provide a copies of training materials to every new hired workers
3. Appointed HR staff will schedule training to managers and supervisors.
- 4a. Training program has been developed.
- 4b. The Personal Protective Equipment has been conducted for all workers at the production. The training material also has been included the job hazard and the procedure related to PPE. The step to determine the damaged or expiration
5. Manual lifting technique training has been conducted to the rest carton packers. Total number of workers for carton packing department is 15.
6. All maintenance workers have been trained on chemical handling.
7. Confined space, work in-height and Lock Out/ Tag Out training have been conducted to all maintenance workers.
8. Workers already received basic fire safety training including their duties in the event of fire during fire drill training.
9. The basic first aid training has been conducted on 9 until 10 March 2018. If there is any injury happen to the workers, they will report to the supervisor and seek for the certified first aid. Thus, only first aid will perform first response in case of injury.
10. Training on sanitation, personal hygiene, blood-borne pathogen and airborne diseases has been conducted for their supervisor. Machinery safety training has been conducted and will conducted regularly based on their line."

## FINDING NO.3

### SUSTAINABLE IMPROVEMENT REQUIRED

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

##### Finding Explanation

1. The factory does not communicate policies and procedures and their updates to the general workforce on the following Employment Functions: Recruitment, Hiring & Personnel Development, Termination and Retrenchment, and Environmental Protection ER.1, ER.16, ER.29, ER.30, ER.32
2. The worker involvement component is missing across all Employment Functions. This indicates that the factory has not established procedures to request and/or receive workers' input or feedback regarding the creation, implementation, and updating of its policies and procedures. Workers are neither systematically integrated nor consulted in decision-making processes. ER.1, ER.16, ER.25.2, ER.29.1, ER.29.1.1, ER.30, ER.32

##### Local Law or Code Requirement

FLA Workplace Code (Employee Relationship Benchmarks ER.1, ER.16, ER.25.2, ER.29.1, ER.29.1.1, ER.30, ER.32)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

- a) The Factory must identify the manager and team who will ensure to conduct documented educational and orientation meetings for all employees: 1) The meeting topics and subjects covered must include: explanations of the employers' rules, compensation package and policies for human resources, industrial relations, including respect of the right to freedom of association, health and safety, laws regarding workers' rights, working hours, and distribution of the FLA Code through appropriate means, including posters in local language(s) throughout the workplace's common areas; 2) Management must update training on a regular (meaning at least every 3 months or more frequently, if, and as, needed) basis. Workers are to be provided with written documentation summarizing and reviewing all the information covered in the orientation briefing; 3) the factory must provide every worker with a copy of the workplace rules during orientation.
  - b) Management to establish a formal written process that would result in workers being consulted during the creation, review and update of factory's policies and procedures. Furthermore, management to ensure workers, supervisors, and managers are aware of the workers' integration process.
- Planned Completion Date  
09/29/18

Planned completion date

07/07/18

Company Action Plan Update

1.24.19 Update by UA:

As per factory, "1) Please refer to Annex 2A for training records. 2) Please refer to Annex 1C for training records. 3) All workers are provided with a copy of the employee handbook during orientation.

4) Please refer to Annex 3A for worker integration process."

The team noted the training records for 1 and 2. Noted also the worker integration process.

Older Updates:

a1. Factory will conduct a regular training to the employees in the topic of employee's rights, compensation scheme, health & safety, company policy & procedure and also FLA code in both local languages and worker native languages

a2. Factory will update the training in regular basis a3. Factory will provide a copies of training materials to all trained employees.

b. A formal written policy and procedure will be implement and communicate to the worker for them to integrate in the factory policy & procedure creation, implementation and revision period

## FINDING NO.4

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Responsibility & Accountability (Macro)

##### Finding Explanation

1. The factory does not clearly define the responsible/accountable person(s) for the following Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination and Retrenchment, Industrial Relation, Workplace Conduct & Discipline, Grievance Systems, Health & Safety, and Environmental Protection. ER.1

2. The factory does not formally identify the person with ultimate responsibility. ER.1

##### Local Law or Code Requirement

FLA Workplace Code (Employee Relationship Benchmark ER.1)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1) Factory to identify the manager/team who/that will ensure to define a person responsible managing each employment function- from Recruitment, Hiring & Personnel Development, compensation, ours of work, Termination & Retrenchment, Industrial Relations, Grievance System, Workplace conduct & Discipline, to Health & Safety.

2) Factory management to identify to us the person responsible for the ultimate responsibility.

Planned Completion Date

09/04/18

##### Planned completion date

07/07/18

##### Company Action Plan Update

1.24.19 Update by UA:

As per factory, "1) Please refer to 4A. 2) Please refer to 4A."

The team noted the Responsibility chart.

Older Updates:

1. Factory will conduct a management meeting to identify the responsibility of each in charge person in these employment function. 2. An ultimate responsibility chart of the HR management will be implement to identify the person responsible.

## FINDING NO.5

### SUSTAINABLE IMPROVEMENT REQUIRED



## FINDING TYPE: Review Process (Macro)

### Finding Explanation

The factory has not developed policies and procedures on the review process to ensure updates are made according to local law and FLA Workplace Code requirements. As a result, the factory management does not periodically review its policies and procedures for all Employment Functions. ER.1, ER.29, ER.30, ER.31

### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.29, ER.30, and ER.31)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

The factory must identify the management person/team who/that:

- 1) will implement a formal (according to a written plan and schedule) regular and documented review process of policies, procedures and their implementation in a consultative (documented review of related documents, functional issues with current processes and proposed changes, with identified workers (names, id numbers, signatures/dates on an attendance sheet/in meeting minutes) manner and amend when warranted;
- 2) will enter into a formal written engagement with local legal counsel to periodically (no less than quarterly and promptly, as warranted, by the issuance of new, changes in, important laws, rules, regulations, decrees, etc.); including briefing the factory management, and provide guide for implementing necessary functional/operational changes and revisions of related policies and/or procedures and according to changes in local law, regulations/Under Armour/Fast Retailing, and FLA code and in response to internal/external audit results.

Planned Completion Date

09/04/18

#### Planned completion date

07/07/18

#### Company Action Plan Update

1.24.19 Update by UA:

As per factory, "1) Please refer to 5A.

2) We are still in progress on this."

The team noted the review policies and procedures. Please send us supporting documentation for item 2 when available.

Older Updates:

1. Factory will conduct a management meeting to identify the responsibility of each in charge person in these employment function.
2. An ultimate responsibility chart of the HR management will be implement to identify the person responsible.

## FINDING NO.6

## IMMEDIATE ACTION REQUIRED

## FINDING TYPE: Hours of Work

### Finding Explanation

1. Twenty-five (25) out of the 45 sampled workers in the sewing, finishing and packing sections worked more than 60 hours per week, ranging from 62 to a maximum of 71.5 hours in November 2017. Moreover, 14 of them worked daily excessive hours, exceeding the legal limit of 12 hours per day for up to a maximum of 13.75 hours. HOW.1, HOW.8
2. There are no policy and procedures to identify pregnant and lactating women in hours of work records to ensure they receive legally-entitled protections. HOW.5

### Local Law or Code Requirement

Employment Act (1955) Sec. 60C (2); FLA Workplace Code (Hours of Work Benchmarks HOW.1, HOW.5, and HOW.8)

### Recommendations for Immediate Action

1. Ensure that workers do not work more than 60 hours per week, including overtime.
2. Ensure that workers do not work more than the legal limit of 12 hours per day.
3. 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 hours issue:

1. How to provide better order forecasts to the factories;
2. Possible workshops/consultancy for the factory on how to improve;
3. Clear guidelines on how to extend shipment deadlines in case of contingencies;
4. Steps that factory management must follow if overtime is inevitable (steps for how to communicate with the brand's Sourcing and Social Compliance teams);
5. Clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks;
6. Clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

##### Recommendations for Immediate Action

1. Ensure that workers do not work more than 60 hours per week, including overtime.
2. Ensure that workers do not work more than the legal limit of 12 hours per day.
3. 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 hours issue:
  1. How to provide better order forecasts to the factories;
  2. Possible workshops/consultancy for the factory on how to improve;
  3. Clear guidelines on how to extend shipment deadlines in case of contingencies;
  4. Steps that factory management must follow if overtime is inevitable (steps for how to communicate with the brand's Sourcing and Social Compliance teams);
  5. Clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks;
  6. Clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime.

##### Planned Completion Date

08/31/18

#### Planned completion date

07/07/18

#### Company Action Plan Update

1.24.19 Update by UA:

As per factory, "1. Factory will ensure that every workers maintain 60 hours working hours per week and more than 12 hours per day through the following measures:

- a. Improve the production planning and ensure the production planning only base on normal hours
  - b. Improve the manpower management and monitoring to get more manpower to satisfy the current production output
  - c. Improve the quality control management, decreased the reject/rework rate to prevent from wasting time in conduct redo/rework process
  - d. Improve worker on job skills to increase efficiency in every process
  - e. If they is really a need to extend the worker hours by the reason of quick term shipment or urgent for production, factory management will discuss with buyer immediately and only can operate extra OT hours after buyer's approve/ consent
2. Please see Annex 6B for Women's Rights policy."

The team noted the factory's comments. Please also send us supporting documentation for items 1a - e. Noted the Women's Rights policy.

#### Older Updates:

1. Factory will ensure that every workers maintain 60 hours working hours per week.
  2. Factory will ensure that every workers work not more than 12 hours per day
- Waiting for corresponding supporting documentation by the factory.

### Action Plan no 2.

#### Description

##### Sustainable Improvement Required:

The Top/Senior Management must identify the manager and team who will ensure:

- 1) The factory must not work more than: a) The local legal and Code of Conduct/benchmark limits on overtime hours per worker/per day/week/month/year (that is not more than 3 overtime hours/worker/day and b) 14 overtime /hours/worker/week or 30 overtime hours/worker/month;
- 2) To review the current capacity planning based on the regular workday and not on OT hours;
- 3) Not to include overtime in regular production planning



- 3) All overtime work must be consensual: a) The factory must not request overtime on a regular basis and b) must compensate all overtime work at a premium rate. Other than in exceptional circumstances, the sum of regular and overtime hours in a week shall not exceed 60 work hours and c) documented policy and procedures and trained all employees in the factory;
- 5) Management to submit a letter (with the Company's letterhead) that from now on, the factory will allow workers at least 24 consecutive hours of rest in every seven-day period;
- 6) The working hour's record system include an identification of all special categories of workers, such as pregnant or lactating workers to ensure all legal protections; including those related to hours of work are implemented accordingly;
- 7) Provide the legally required one paid hour daily of breastfeeding time for the lactating workers; consistent with local regulations;
- 8) New workers are provided with an accurate and reliable method to record all hours of worked since the first day of employment;
- 9) Follow the working schedule as regulated in the factory's rules and regulations and as per agreement to the workers' employment contract.
- 10) The working-hours records also contain identification of underage workers and pregnant /lactating women.
- Planned Completion Date  
09/25/18

Planned completion date

07/07/18

Company Action Plan Update

1.24.19 Update by UA:

As per factory, "1. Factory will ensure that every workers maintain 60 hours working hours per week and more than 12 hours per day through the following measures:

- Improve the production planning and ensure the production planning only base on normal hours
  - Improve the manpower management and monitoring to get more manpower to satisfy the current production output
  - Improve the quality control management, decreased the reject/rework rate to prevent from wasting time in conduct redo/rework process
  - Improve worker on job skills to increase efficiency in every process
  - If they is really a need to extend the worker hours by the reason of quick term shipment or urgent for production, factory management will discuss with buyer immediately and only can operate extra OT hours after buyer's approve/ consent
2. Please see Annex 6B for Women's Rights policy."

The team noted the factory's comments. Please also send us supporting documentation for items 1a - e. Noted the Women's Rights policy.

Older Updates:

- Factory will ensure that every workers maintain 60 hours working hours per week.
  - Factory will ensure that every workers work not more than 12 hours per day
- Waiting for corresponding supporting documentation by the factory.

## FINDING NO.7

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Industrial Relations

Finding Explanation

- The factory hires workers from seven different nationalities (local Malaysia, Bangladesh, Cambodia, Sri Lanka, Myanmar, Nepal and Vietnam), but inadequate implementation on Industrial Relation practices such as follows:
  - There are only four worker representatives that are from Vietnam, Sri Lanka, Bangladesh and Nepal. There are no worker representatives from local Malaysia, Cambodia and Myanmar. ER.25
  - There is no record showing that each worker representative was elected by workers themselves. FOA.11
  - Based on the written procedures, monthly dialogue with foreign worker representative is conducted for representative to voice up grievance issues, but no monthly dialogue with foreign worker representative is conducted. ER.25

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.25; Freedom of Association and Collective Bargaining Benchmark FOA.11)

### COMPANY ACTION PLANS

Action Plan no 1.

### Description

- 1) Factory management to identify to us the person/team who/that will ensure foreign/migrant workers are represented in the factory's worker committees. Please send to us your plan on how/when will workers from Malaysia, Cambodia and Myanmar will be included in worker committees;
  - 2) The factory must identify the manager/team who/that will be responsible for ensuring:
    - Workers are able to freely exercise their rights to Freedom of Association and Collective Bargaining.
    - worker are able to elect their own representatives without management interference;
  - 3) Top management at the factory to identify to us the manager/team who/that will be responsible for: a) Seeking/commissioning a 3rd party labor expert to review current factory labor relation practices and recommend areas for improvement based on FLA's Freedom of Association (FOA) Benchmarks, ILO Conventions and Jurisprudence to ensure factory workers are free to join organizations of their own choosing. Expert to train managers, supervisors and workers on the factory's Industrial Relations policy and procedures and Freedom of Association; b) Human Resources staff establishes and implements an effective internal monitoring procedure to ensure that all policies and procedures, other documents and practices are consistent with the local law, FLA Benchmarks and ILO Conventions and jurisprudence; c) to communicate to workers that they have the right to join organizations of their own choosing and that management will not interfere with their decisions; d) to create and effectively implement an Industrial Relations policy and procedures that would include a clear commitment to: 1) respect Freedom of Association and workers' associational rights; and 2) enable workers to consult with and provide input to management through appropriate worker representative structures; e) workers and supervisory and managerial staff to be trained on the newly created policy and procedures; including non-discrimination and freedom of association standards for personnel in charge of policy/procedure development as well as implementation; and f) management allows union representatives to be comprised of workers nominated and elected by workers themselves without management interference.
  - 4) Lastly, develop and implement procedures for monthly meetings/dialog with worker representatives from local/foreign workers
- Planned Completion Date  
09/29/18

### Planned completion date

07/07/18

### Company Action Plan Update

1.24.19 Update by UA:

As per factory, "1) Please refer to Annex 4A for responsibility chart. 2) Please refer to Annex 7A for election procedures.

3) Please refer to Annex 4A for responsibility chart.

Please refer to Annex 7A for election procedures."

The team noted the responsibility charts and the election procedures that specifically call out the minimum number of representatives per country.

Please also send us supporting documentation that there are now worker representatives from Malaysia, Cambodia, and Myanmar.

### Older Updates:

"Gimmill has engaged and commissioned Verite to assist in the development of:

1. Management systems & root cause analysis for areas of concern among migrant labor relevant to the group at large, and emerging from the site-specific FLA assessments:
  - Opportunities for improvement in previous, and ongoing efforts, to track and understand excessive or illegal recruitment fees.
  - Review of existing policies and procedures against customer codes of conduct, international norms, and good practices.
  - Systems approach to meeting requirements for onsite management of migrant workers, focused on risks associated with forced labor.
2. Risk identification in (a) recruitment, selection and hiring, and (b) selection and monitoring of sending country agents:
  - Introduction to the Verité Systems Approach to managing risk in these business processes.
  - What aspects and practices of the labor brokerage system give rise to specific risks.
  - Practical steps in risk identification.
  - Risk prioritization.
3. Development of risk controls in (a) labor recruitment and (b) managing sending country agents
  - Determining controls for identified risk sources.
  - Understanding the impacts of controls.
  - Overview of implementation, monitoring and measuring control effectiveness.
4. Consultation on the company's ongoing corrective action plans (and overall systems implementation) emerging from the initial FLA audits:
  - Setting of key goals and objectives for sustainable improvement under a management systems approach.
  - Shaping the corrective action plan to meet customer (UA) requests.
  - Building of controls to mitigate risk and prevent recurrence of the same or similar issues.
  - Consultation on implementation, monitoring and measuring control effectiveness.

## FINDING NO.8

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Workplace Conduct & Discipline

##### Finding Explanation

1. The process for workers to appeal disciplinary actions and the presence of a third-party witness during imposition of disciplinary actions are not implemented. ER.27
2. Based on disciplinary procedures, counselling is to be used to correct a situation and prevent it from getting worse without having to use the disciplinary procedure. However, the factory does not conduct counseling when workers conduct the same misconducts. Warning letters were issued for the same type of misconduct, in this case, smoking at the factory. Workers are given warning letters continuously, assessors found workers receiving up to seven warnings for smoking at the factory. ER.27
3. The records of disciplinary actions are maintained in a separate folder instead of in workers' personnel files. ER.2, ER.27

##### Local Law or Code Requirement

FLA Workplace Code (Employee Relationship Benchmarks ER.2 and ER.27)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

The Factory must identify the manager and team who will ensure:

- 1) To align with FLA Workplace Code must provide an orientation to new recruitment at the time of hiring and all existing workers a copy of workplace conduct and discipline rules which includes explanation of the employer's rules, compensation package and policies for human resources, industrial relations, including respect of the right of freedom of association, and health and safety;
- 2) The factory must identify the members of top management, managers and team members who will ensure, by drafting, effectively implementing, conducting documented training about, posting full and summary posters of, formal new written policies and procedures that are sufficient to ensure, that from now on that in accordance with FLA Benchmarks ER.27.3 and ER.27.4, management will develop and effectively implement written disciplinary: A) policies and B) procedures. The new written and FLA Code and Benchmark compliant procedures must provide for both: i) having a third-party witness present if, and when, sanctions are imposed, and ii) and an Appeal process. The factory should conduct documented training, and with materials, in Bahasa, and any other applicable dialects and languages spoken by migrant workers, with its managers, Human Resources personnel and workers about each of the policies and procedures. The factory should document actions it subsequently takes in accordance with, and pursuant to these policies and procedures in any affected managers' and workers' on site personnel files.

- 3) Lastly, management to identify to us the person responsible for ensuring that all disciplinary records are kept/maintained in the workers' personal files.

Planned Completion Date

09/29/18

##### Planned completion date

07/07/18

##### Company Action Plan Update

1.24.19 Update by UA:

As per factory, "1. Please refer to Annex 2A for orientation training records.

2. Please refer to Annex 8A for disciplinary.

3. Please refer to Annex 4A for responsibility chart."

The team noted the updated policies and procedures for Disciplinary Action, the orientation training records, and the responsibility chart.

##### Older Updates:

1. HR Department will ensure that every new hire employees will go through an orientation training will include company policy and procedure, health and safety, compensation that comply with buyer and FLA requirement 2.(i) HR Department will ensure that the disciplinary process have a third party witness present and workers have the rights to appeal. (ii) Factory will communicate these implementation throughout annual basis training together with policy and procedures.

## IMMEDIATE ACTION REQUIRED

## FINDING TYPE: Recruitment, Hiring &amp; Personnel Development

Finding Explanation

1. According to factory management, all migrant workers (80% of the workforce) keep their original passports. However, there is no record to support this statement, such as records of the factory retaining the original passport for the working permit process and that the factory gives the passport back to the workers. Moreover, the factory does not provide safety boxes for migrant workers to securely keep their original passport. Based on interviews with migrant workers in dormitories, none of them kept the original passport by themselves and were aware that their passports were kept at the office. However, based on randomly selected migrant workers at the workplace, several of them kept their original passports in their pocket. F.7, F.9, F.10
2. According to factory management, they paid USD 400 for the labor agency fee, which includes visa processing fee and medical examination to recruit each migrant worker. However, the factory does not conduct investigation to ensure migrant workers do not pay any additional fee to the labor agency. Based on migrant workers' statement, they all paid varying fees to labor agencies in their home country. ER.5, ER.6, F.7, ND.3
3. Out of 45 randomly selected sample personal files, the effective dates on 13 employment contracts are left blank. ER.1
4. The probation policy states all new local workers will go through a probation period of 3 to 6 months. C.3
5. Based on employment contracts of migrant workers from Sri Lanka, Nepal and Vietnam, the employee is responsible for paying their own return ticket from Malaysia to the country of origin in cases of premature or early termination of employment due to the following reason: if the doctor certified the worker to be medically unfit for employment when they perform yearly medical check-up as required by the Immigration Department of Malaysia. Moreover, there is no record that the factory paid the cost of transportation (taxi from factory to airport and airplane tickets) for any migrant workers who has failed medical examination conducted by FOMEMA (Foreign Workers Medical Examination Monitoring Agency) and considered unfit for employment and has to be sent back to their home country. There were ten migrant workers who failed the test in 2017 and were sent back to their country. ER.1

Local Law or Code Requirement

Laws of Malaysia Act 150 Passport Act 1966 Art. 12. (1); FLA Workplace Code (Employee Relationship Benchmarks ER.1, ER.5, ER.6 and ER.29; Nondiscrimination Benchmarks ND.3, ND. 5, ND.6, ND.7, and ND.9; Forced Labor Benchmarks F.7, F.9, and F.10)

Recommendations for Immediate Action

1. Ensure all migrant workers keep their original passports by themselves or establish a system for migrant workers to keep their passports in a safe place, such as providing individual lockers.
2. Check with new migrant workers that they have not been charged any fees, and reimburse them if any fees have been charged.
3. Provides workers with complete employment contract with the effective dates reflected clearly.
4. Change all existing workers' probation policy to 3 months.
5. Provides migrant workers with return tickets prior to the end of the contract if the workers become pregnant, medically unfit, has a family emergency or wishes to leave for some other reason, unless in clear breach of contract.

## COMPANY ACTION PLANS

## Action Plan no 1.

Description

1. Ensure all migrant workers keep their original passports by themselves or establish a system for migrant workers to keep their passports in a safe place, such as providing individual lockers.
  2. Factory management to identify to us the person/team who/that will ensure to reimburse all migrant workers of any documented recruitment fees/levies they had paid in connection with their employment including at/in the origin/destination countries; including ANY related deductions made by management from their wages, and government fees/visas/levies, etc. Please conduct a documented review of all migrant workers files, and present/submit to us the list of eligible workers for reimbursement, amounts paid as recruitment fees, transportation, government fees/visas, ANY deductions made from their paychecks, and indicate how/when the factory intends to reimburse migrant workers. WHEN CALCULATING THE REIMBURSEMENTS, the factory TO ITEMIZE, IDENTIFY AND FACTOR IN/REIMBURSEMENTS IF ALREADY MADE BY the factory to each affected worker.
  3. Provides workers with complete employment contract with the effective dates reflected clearly.
  4. Change all existing workers' probation policy to 3 months.
  5. Provides migrant workers with return tickets prior to the end of the contract if the worker becomes pregnant, medically unfit, has a family emergency or wishes to leave for some other reason, unless in clear breach of contract.
  6. Ensure the employment condition for migrant workers does not lead to discriminatory practices; discontinue any form of threat of dismissal or any other employment decision that negatively affects their employment status based their intention to have relationship or married with others.
- In collaboration with the FLA-affiliate and other stakeholders, lobby the Malaysian government to consider reviewing/changing its

regulations. Migrant workers should not be required to undergo pregnancy testing or other medical tests; work permits and employment status should not be contingent the results of these tests.

the factory to consider partnering with the Responsible Labor Initiative's (RLI) Responsible Workplace Program (RWP) or the International Organization on Migration's Corporate Responsibility in Eliminating Slavery and Trafficking (CREST) to seek guidance on how current policies/procedures, and practices conform with internationally recognized standards such as the Dhaka Principles for Migration with Dignity, International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families, BSR, the Interfaith Center on Corporate Responsibility, Verité, the Institute for Human Rights and Business, and other sources); including the possibility of only working with recruitment agencies/labor brokers that are properly licensed, accredited, meet their legal obligations, and enrolled in RLI's Responsible Recruitment Program, and/or on a path to accreditation."

Planned Completion Date  
09/18/18

Planned completion date  
07/07/18

Company Action Plan Update

1.24.19 Update by UA

As per factory, "1. Please refer to Annex 9A for passport tracking record. 2. Our recruitment is zero cost for employees.

Meanwhile, we have engaged Verite to help us review and improve our recruitment fees and migrant related procedures. We will update the report once available."

The team noted the passport tracking record. The factory is working with Verite to help them improve their practices regarding migrant workers.

Older Updates:

"a) New lockers have been added for migrant workers to use (see attachments); and b) Gimmill has engaged and commissioned Verite to assist in the development of:

1. Management systems & root cause analysis for areas of concern among migrant labor relevant to the group at large, and emerging from the site-specific FLA assessments:

- Opportunities for improvement in previous, and ongoing efforts, to track and understand excessive or illegal recruitment fees.
- Review of existing policies and procedures against customer codes of conduct, international norms, and good practices.
- Systems approach to meeting requirements for onsite management of migrant workers, focused on risks associated with forced labor.

2. Risk identification in (a) recruitment, selection and hiring, and (b) selection and monitoring of sending country agents:

- Introduction to the Verité Systems Approach to managing risk in these business processes.
- What aspects and practices of the labor brokerage system give rise to specific risks.
- Practical steps in risk identification.
- Risk prioritization.

3. Development of risk controls in (a) labor recruitment and (b) managing sending country agents

- Determining controls for identified risk sources.
- Understanding the impacts of controls.
- Overview of implementation, monitoring and measuring control effectiveness.

4. Consultation on the company's ongoing corrective action plans (and overall systems implementation) emerging from the initial FLA audits:

- Setting of key goals and objectives for sustainable improvement under a management systems approach.
- Shaping the corrective action plan to meet customer (UA) requests.
- Building of controls to mitigate risk and prevent recurrence of the same or similar issues.
- Consultation on implementation, monitoring and measuring control effectiveness.

Based on a preliminary report by Verite, Gimmill is in compliance with the no recruitment fees paid by worker expectation/Principle."

## FINDING NO.10

### IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Compensation

#### Finding Explanation

1. Overtime hours are deducted when workers arrive late in the morning. For example: the normal hours at the factory is 8:00 to 17:30. A worker came late at 8:17 or late for 17 minutes. He worked overtime from 17:30 to 20:00 that day which then his overtime wage is deducted for 17 minutes, not his basic wage. C.7
2. The number of sick leave as described in the employee handbook is 14 days per year and there is no other explanation to differentiate number of sick leave entitlement based on year of service in employee handbook; while the leave policy and procedure described the details sick leave entitlement based on year of service to follow local law requirement, such as sick leave for year of service less than 2 years is 8 days, more than 2 years but less than 5 years is 12 days, and more than 5 years of service is 16 days sick leave. The employment contract of migrant workers from Bangladesh who have worked over 5 years described sick leave as 14 days per year calendar instead of 16 days. C.1

#### Local Law or Code Requirement

Employment Act (1955), Sec. 60A(3a); FLA Workplace Code (Compensation Benchmarks C.1 and C.7)

#### Recommendations for Immediate Action

1. Discontinue deducting overtime hours and overtime wage for late arrival on regular hours; ensure the reasonable deduction for being late is applied only on basic wage.
2. Reflect the correct number of days for sick leave based on year of service as per Law on employee handbook and employment contract of migrant workers and compensate all sick leave correctly.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Discontinue deducting overtime hours and overtime wage for late arrival on regular hours; ensure the reasonable deduction for being late is applied only on basic wage.
2. Reflect the correct number of days for annual leave based on year of service as per Law on employee handbook and employment contract of migrant workers and compensate all sick leave correctly.

Planned Completion Date

09/04/18

#### Planned completion date

07/07/18

#### Company Action Plan Update

1.24.19 Update by UA:

As per factory, "1) This already been corrected immediately since Dec 2017 right after the audit.

2) Please refer to Annex 10B for updated sick leave entitlement."

The team noted the employee handbook that includes the sick leave entitlement and that the factory has corrected the practices in item 1.

#### Older Updates:

1. Factory has stopped deduct the OT hours and wages for late arrival, late arrival worker will only deduct on their basic wages 2. Factory will re-state the number of annual leave days based on service year in employee handbook and employment contact and compensate all sick leave to workers

### Action Plan no 2.

#### Description

The factory must identify the manager(s) that will ensure:

- 1) To establish, conduct documented training about, and publish, to its managers, Human Resources personnel and workers, new and formal written rules and policies that ensure that any workers who are initially employed under (local and migrant) have equal access to, and receive the same benefits (including to the entitlement of annual leave and two other types of paid leave: special leave and sick leave, which are 14 days each as per law);

- 2) Special leave and sick leaves benefit is communicated, in documented, sessions (all local and migrant workers must attend, sign in, with proof of same maintained in each such worker's on site personnel file, with materials in the languages spoken by workers, and by posting inoffensive, but effective, poster-sized communications in the languages understand by local and migrant workers throughout relevant areas of the factory about the law, the factory's compliant policy and a summary of leave procedure, on an ongoing basis- to all workers. Furthermore, management to develop a procedure for workers to take leave consistent with local regulations. Assign someone responsible for documenting and tracking leave taken;

Planned Completion Date



Planned completion date

07/07/18

Company Action Plan Update

1.24.19 Update by UA:

As per factory, "1. Please refer to Annex 10B for updated sick leave entitlement.

2. Please refer to Annex 1C and 2A for training records."

The team noted the employee handbook that includes the sick leave entitlement and that the factory has corrected the practices in item 1.

Older Updates:

1. Factory has stopped deduct the OT hours and wages for late arrival, late arrival worker will only deduct on their basic wages 2. Factory will re-state the number of annual leave days based on service year in employee handbook and employment contract and compensate all sick leave to workers

## FINDING NO.11

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Environmental Protection

Finding Explanation

1. There is no designated place for temporary storage of toxic and hazardous waste that is separated from solid waste. HSE.9
2. The solid waste is not completely stored inside a secured and protected place since: HSE.1
1. There is no wall and lockable door at temporary storage of solid waste therefore people can enter the area freely.
2. Solid waste is not placed into covered waste container which can easily displaced with natural forces such as rain and wind.
3. There is no permit maintained by factory that they are using a government authorized toxic and hazardous waste handling company to takes care factory's toxic and hazardous waste. HSE.1, HSE.4
4. Factory does not measure their air emission yet since based on letter from the authorized laboratory, this will be proceeded on December 22, 2017 and report will be completed by March 9, 2018. Therefore, no report can be submitted to JKKP (Jabatan keselamatan dan Kesihatan Pekerjaan – Occupational Health and Safety Bureau) for 2017. HSE.1, HSE.4
5. The procedures for emergency response for environmental emergencies is inadequate since:
  1. Missing the next step what need to be done once chemical spillage absorbed.
  2. Missing emergency response for hazardous gas utilization such as CFC R22. ER.31
6. There is no agreement between the factory and the said company furthermore, there is no evidence that toxic waste is sent out to government authorized waste handling company since: HSE.1, HSE.2, HSE.4
1. Factory does not keep permit from toxic waste handling company that they have permit from government to do such activity.
2. There is no inventory of toxic waste.
3. There is no periodic report every 3 months to the local environment bureau.

Local Law or Code Requirement

Environmental Quality (Scheduled Wastes) Regulations (2005), Art. 8.1, Art. 9.1-3, Art. 11, Art. 14.1-4; Environmental Quality (Clean Air) Regulations (1978), Sec. 42; Environment Quality (Scheduled Wastes) Regulations (1989), Sec. 8.3-4, Sec. 9; Factories and Machinery (Safety, Health & Welfare) Regulations (1970), Sec. 26(1); FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.2, HSE.4, and HSE.9)

Recommendations for Immediate Action

1. Separate Toxic and Hazardous waste from solid waste.
2. Put solid waste in a secured and protected place (within walls and lockable door) and use the cover for the solid waste container.
3. Keep the permit from a government authorized toxic and hazardous waste handling company who works with the factory as evidence.
4. Measure air emission by periodic air emission test then submit it to local government bureau (JKKP).
5. Amend the emergency response for environmental emergency by adding the next steps on what needs to be done when need to absorb chemical spillage and for hazardous gas utilization.
6. Establish agreement between factory and the company who handles factory's toxic and hazardous waste, then keep permit from the said company regarding their license from government as toxic waste handling company, record the toxic and hazardous waste generated and temporarily stored at the factory then report it to authorized government body.

### COMPANY ACTION PLANS

## Action Plan no 1.

### Description

1. Separate Toxic and Hazardous waste from solid waste.
2. Put solid waste in a secured and protected place (within walls and lockable door) and use the cover for the solid waste container.
3. Keep the permit from a government authorized toxic and hazardous waste handling company who works with the factory as evidence.
4. Measure air emission by periodic air emission test then submit it to local government bureau (JKKP).
5. Amend the emergency response for environmental emergency by adding the next steps on what needs to be done when need to absorb chemical spillage and for hazardous gas utilization.
6. Establish agreement between factory and the company who handles factory's toxic and hazardous waste, then keep permit from the said company regarding their license from government as toxic waste handling company, record the toxic and hazardous waste generated and temporarily stored at the factory then report it to authorized government body.

Planned Completion Date

09/04/18

### Planned completion date

07/07/18

### Company Action Plan Update

1.24.19 Update by UA:

As per factory, "1. Please refer to Annex 11A.

2. We are in progress to install walls and lockable.

3. Please refer to Annex 11B for permit.

4. Please refer to Annex 11C for air emission report. 5. Please refer to Annex 11D and 11E for chemical management plan and gas release response.

6. Please refer to Annex 11F for waste record."

The team noted the hazardous waste after photos, waste permit, emission report, chemical management plan, gas release response plan, waste records, and environmental impact report, and asked the factory to also send supporting documentation for item 2.

### Older Updates:

"1. Already install the designated place for hazardous waste.

2. Factory will install wall, lockable door and cover the storage of the solid waste.

3. Hazardous waste is handling by Kualiti Alam Sekitar which is authorized by government.

4. The air emission testing has been conducted on 22 December 2017.

5. The step during the chemical spillage has been revised. The emergency response for hazardous gas utilization has been created.

6. Factory send the hazardous waste to the Kualiti Alam Sekitar which is authorized by government. The inventory can be seen in the consignment note. The periodic report for every months are documented.

"

## Action Plan no 2.

### Description

Sustainable Improvement Required:

Details

The Factory must identify the manager and team who will ensure:

- 1) To create and effective implementation of environmental management and monitoring plan; 2) to set up regular Environmental Protection Communication program to all employees and 3) setting up and conducting documented capacity building for/training of workers in waste management and waste segregation and providing related policies and procedures and summary posters in factory;
- 2) To develop a written policy and procedures to enable it to keep a daily log of, and transfer/disposal manifests/records for, its: a) Storage; b) recycling and c) or disposal, of solid and hazardous wastes; 2) to monitor and reduce: a) the solid or hazardous waste generated; b) water usage; c) water leaks and d) spills.
- 3) Hazardous wastes must always be segregated from non-hazardous wastes. If the generation of hazardous waste cannot be prevented, then management should focus on the prevention of harm to health, safety and the environment;
- 4) To enforce no smoking policy/near the waste storage area by: a) Provide trainings to related workers on smoking restrictions and b) posting 'No Smoking' signs;
- 5) To provide secondary containment to proper: a) Collect contaminated water dispensing from the dryer and compressor and b) dispose of hazardous waste water;
- 6) To develop an Environmental Protection policy and supporting procedures for managing environmental impact inside the factory and its surroundings. To communicate the company environmental performance to: a) Business partners; b) suppliers; c) sub-contractors; d) surrounding nearby community and e) stakeholders as deem necessary; 2) must set expectation to commit to a set of guiding principles that require the company to: i) Meet or exceed legal requirements; ii) Take a precautionary approach to environmental, health and safety challenges; iii) Adopt a holistic approach to handle all environmental, health and safety issues as

relevant for their operations; iv) Continuously develop strategies to reduce consumption of resources, prevent pollution and improve the overall environmental impact from their own operations and those of their suppliers, service providers and subcontractors; v) Continuously develop a program and objectives, based on results in the areas, both qualitatively and quantitatively measured via indicators and key performance indicators; vi) Continuously seek ways to improve the work environment to reduce risks that can cause accidents and pollution. This requires the adoption of a risk management perspective and continuously reducing the production related risks regarding accidents, chemicals and toxic substances, including potential future contamination; vii) Adopt and implement certifiable environmental management systems where production processes have the potential for significant environmental impact.

7) To engage a credentialed 3rd party expert or firm (we can refer you to one) must develop and implement an environmental protection communication/training program for all workers and managerial positions with the aim to increase their awareness about the environmental impact of the production processes and channels available to raise environmental concerns at the facility without retaliation.

Planned Completion Date

09/25/18

Planned completion date

07/07/18

Company Action Plan Update

1.24.19 Update by UA:

As per factory, "1. Please refer to Annex 11A.

2. We are in progress to install walls and lockable.

3. Please refer to Annex 11B for permit.

4. Please refer to Annex 11C for air emission report. 5. Please refer to Annex 11D and 11E for chemical management plan and gas release response.

6. Please refer to Annex 11F for waste record."

The team noted the hazardous waste after photos, waste permit, emission report, chemical management plan, gas release response plan, waste records, and environmental impact report, and asked the factory to also send supporting documentation for item 2.

Older Updates:

"1. Already install the designated place for hazardous waste.

2. Factory will install wall, lockable door and cover the storage of the solid waste.

3. Hazardous waste is handling by Kualiti Alam Sekitar which is authorized by government.

4. The air emission testing has been conducted on 22 December 2017.

5. The step during the chemical spillage has been revised. The emergency response for hazardous gas utilization has been created.

6. Factory send the hazardous waste to the Kualiti Alam Sekitar which is authorized by government. The inventory can be seen in the consignment note. The periodic report for every months are documented."

## FINDING NO.12

### IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. The fans in the canteen are heavily dusty as well as the wall exhaust fans in the embroidery room. HSE.13

2. There are several broken washing machines placed at ground floor in office building but there is no definitive plan whether those will be repaired or disposed. HSE.13

3. There is no respiratory chemical mask provided for maintenance who work with chemical. HSE.14

4. There is no proper dangerous working area management for maintenance staffs since: HSE.1

1. There is no marking of "Do not enter" and "Confined Space" for 17 septic tanks and water tanks on rooftop.

2. There is no identification which confined space can be entered by factory authorized personnel and which ones that only 3rd party people are allowed to enter or which ones cannot be entered whatsoever.

3. Factory does not ensure people enters confined spaces do so only when appropriate measures have been taken to protect them from any physical hazards, such as atmospheric tests and provide related PPE.

4. There is no rescue equipment provided for confined space, such as pulley with seat harness.

5. No work permit issued for third party people as well as 4 maintenance workers responsible for work in-height and confined spaces at the factory. Also, these 4 maintenance workers are not aware regarding confined space knowledge.

5. There is no Lock Out/Tag Out program established at the factory. HSE.14

6. The railing installed on the stairway in the cutting building to temporary solid waste area is shaky due to missing bolts on its second foot that tightened the railings to the ground. HSE.14

7. There is no safety information provided for contractors prior to entering the facility. ER.31

8. There is no walk path marked from factory exits to main gate. ER.1, HSE.1
9. There is no proper forklift inspection conducted since: ER.1, HSE.1
1. No individual maintenance card for each 3 forklifts.
2. The maintenance is recorded on 1 sheet of paper without identification which forklift is maintain.
3. No identified maintenance person who does the inspection.

#### Local Law or Code Requirement

Factories and Machinery (Safety, Health & Welfare) Regulations (1970), Sec. 11, Sec. 13.2 0 4, Sec. 16 .1. a-b, Sec 17 .3. b, Sec. 32(g). b; Factories and Machinery (Electric Passenger and Goods Lift) Regulations (1970), Art. 9.2.a-d.; Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations (1970), Art. 14; FLA Workplace Code (Employee Relationship Benchmarks ER.1 and ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.13, and HSE.14)

#### Recommendations for Immediate Action

1. Tightened the cleaning frequency of every fan and exhaust fan installed at the factory.
2. Establish a process for repairing electrical problems found in a timely manner and document it.
3. Provide respiratory chemical mask for workers who work with chemicals.
4. Establish proper dangerous working area management for maintenance staff by marking "Do not enter" and "Confined Space" for 17 septic tanks and water tanks on rooftop, put identification on which confined space can be entered by factory authorized personnel and which ones that only 3rd party people are allowed to enter or which one cannot be entered whatsoever, conduct atmospheric tests and provide related PPE before anyone enter confined space, provide rescue equipment nearby the confined space, such as pulley with seat harness, issue work permit for anyone who enter confined spaces and work in-height.
5. Implement LOTO system.
6. Repair any shaky railing immediately, document it as evidence then monitor it.
7. Provides safety information provided for contractors prior entering the facility.
8. Mark walk path from factory building to main gate. Conduct regular inspection of visibility of markings.
9. Conduct inspection on forklift to ensure individual maintenance card for each forklift is available, with proper identification on the card with related forklift and record the person in charge who does the inspection.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Tightened the cleaning frequency of every fan and exhaust fan installed at the factory.
2. Establish a process for repairing electrical problems found in a timely manner and document it.
3. Provide respiratory chemical mask for workers who work with chemicals.
4. Establish proper dangerous working area management for maintenance staff by marking "Do not enter" and "Confined Space" for 17 septic tanks and water tanks on rooftop, put identification on which confined space can be entered by factory authorized personnel and which ones that only 3rd party people are allowed to enter or which one cannot be entered whatsoever, conduct atmospheric tests and provide related PPE before anyone enter confined space, provide rescue equipment nearby the confined space, such as pulley with seat harness, issue work permit for anyone who enter confined spaces and work in-height.
5. Implement LOTO system.
6. Repair any shaky railing immediately, document it as evidence then monitor it.
7. Provides safety information provided for contractors prior entering the facility.
8. Mark walk path from factory building to main gate. Conduct regular inspection of visibility of markings.
9. Conduct inspection on forklift to ensure individual maintenance card for each forklift is available, with proper identification on the card with related forklift and record the person in charge who does the inspection.

Planned Completion Date

09/04/18

#### Planned completion date

07/07/18

#### Company Action Plan Update

1.24.19 Update by UA:

As per factory, "1. Please refer to 12A.

2. At the time of audit, the washing machines were just not in use, but they are functioning.

3. We are purchasing the respiratory chemical mask.

4. Please refer to Annex 12D for confined space markings, procedures and training.

5. Please refer to Annex 12E for LOTO list.

6. Please refer to Annex 12F for railing installed.

7. Please refer to Annex 12G for safety information 8. Please refer to Annex 12H for paths marked. 9. Please refer to Annex 12I for inspection record."

The team noted the after photos of the fan, the confined spaces marking, procedures, and training, the LOTO list, the railing after

photos, the safety information, the marked paths, and the inspection records, and asked the factory to also send supporting documentation for item 3.

#### Older Updates:

"1. Cleaning frequency of every fan and exhaust fan has been established 2.the process for repairing electrical problems has been documented. 3. Already provide the respiratory mask to the maintenance.  
4.The confined space for septic tanks and water tank have been marked with "Do not enter", "authorized person only". The confined space rescue plan also has been created to ensure that appropriate measure has been taken. There was an identification and mapping to indicate which people are allowed to enter.The factory ensure the appropriate measure are taken to protect from physical hazard. The rescue equipments which are pulley and seat harness have been provided. The permit to work is issued to the maintenance who are working at height and confined space.Confined space training has been conducted to the maintenance workers.  
5.Lock Out/ Tag Out program has been established for the machine.  
6.The railing has been repaired and plastered.  
7.The safety information have been provided for the contractor.  
8.the walk path already installed from the factory to the main gate.  
9.All the forklift driver have their own maintenance cards.  
Forklift has undergo inspection by the forklift driver who has the certificate and competent to do so. The forklifts undergo inspection by using forklift inspection form. Each forklift has their own forklift inspection form.  
"

#### Action Plan no 2.

##### Description

A) The factory must identify the manager who will be responsible for identifying and commissioning a credentialed/accredited 3rd party to issues identified on this assessment, and implement recommendations for any potential improvement to ensure compliance with local/applicable regulations. In collaboration with the 3rd party, responsible manager must ensure that at a minimum: The facility complies with all national laws, regulations and procedures concerning health, safety, and the environment.

B) The factory must identify the manager who will be responsible for ensuring that written, documented policies and procedures are developed or updated to address and ensure compliance with all Health and Safety requirements, and that copies of the policies and procedures are provided to the Fast Retailing/Under Armour Sustainability Teams. This manager must ensure that at a minimum: The health, safety, and environmental policies contain the framework for a comprehensive health, safety, and environmental management system within which the following are clear and regularly tested and reviewed:

- Employers' responsibilities;
- Workers' rights and duties;
- Responsibilities of designated personnel;
- Procedures that enable workers to raise health, safety, and environmental concerns;
- Procedures for reporting death, injury, illness and other health and safety issues (for instance, near-miss accidents) and environmental emergencies; and
- Protections to workers who allege health, safety, and environmental violations.

Planned Completion Date

09/29/18

##### Planned completion date

07/07/18

##### Company Action Plan Update

1.24.19 Update by UA:

As per factory, "1. Please refer to 12A.

2. At the time of audit, the washing machines were just not in use, but they are functioning.

3. We are purchasing the respiratory chemical mask.

4. Please refer to Annex 12D for confined space markings, procedures and training.

5. Please refer to Annex 12E for LOTO list.

6. Please refer to Annex 12F for railing installed.

7. Please refer to Annex 12G for safety information 8. Please refer to Annex 12H for paths marked. 9. Please refer to Annex 12I for inspection record."

The team noted the after photos of the fan, the confined spaces marking, procedures, and training, the LOTO list, the railing after photos, the safety information, the marked paths, and the inspection records, and asked the factory to also send supporting documentation for item 3.

#### Older Updates:

1. HSE team will be appointed to responsible for engage with 3rd party to conduct environmental risk assesment that comply with local legal standard 2. Written policy and procedure will be implemented by HSE person in charge to ensure that the minimum standard achieve buyer and FLA requirement. And also the framework of the policy and procedures will consist the employers and

## FINDING NO.13

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. There is no written procedure to manage factory environmental impact to its surroundings that includes procedures to enable workers to raise environmental concerns, report environmental emergencies, protections for workers who allege environmental violations. ER.31, HSE.1
2. The procedures for Health and Safety do not include: HSE.12, ND.8, ER.31
  1. SOP focused on job safety for packing, finished goods warehouse, fabric and accessories warehouse, general affairs, maintenance and staff.
  2. Measures to protect the reproductive health of workers through minimizing exposure to workplace hazards.
  3. Steps for workers to raise health and safety concerns and protection against retaliation for workers who raise health and safety concerns.
  4. Requirement to have chemical inventory maintained and clear steps taken to protect workers when there is an accidental chemical spill, including identifying those who are responsible for cleaning up the spill, also the required PPE and relevant spill kit.
  5. Requirement to review electrical system by an independent, qualified third party or by government in periodic basis.
  6. List of Confined Space including on how they are to be entered safely, including rescue plans for injured people.
  7. Precautions prior to & upon entry and stay in each confined space.
  8. List of equipment and/or machines that require lockout/tag out.
3. The emergency situation handling plan procedure does not include steps for ensuring that walkways and aisles and emergency exits are free from obstruction, list of responsible person for evacuation, emergency assembly area, steps for ensuring all contractors, service providers are safely evacuated, steps for ensuring special category workers and children that are in the factory are safely evacuated. ER.31
4. There is no fire preparedness procedure that gives guidelines what the worker's duties regarding fire response, guidelines to do fire risk assessment and guideline for evacuation. HSE.5
5. There is no procedure regarding what workers should do in case of injury, list of workers responsible for responding to medical emergencies response (with their qualifications or certifications, names and/or titles) and reporting step for death and illness also other health and safety issues. ER.31

##### Local Law or Code Requirement

Occupational Safety and Health (Use and Standards of Exposure of Chemicals Hazardous to Health) Regulations (2000), Sec. 29.1-3; FLA Workplace Code (Employee Relationship Benchmark ER.31; Health, Safety and Environment Benchmarks HSE.1, HSE.5, and HSE 12; Non-Discrimination Benchmark ND.8)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

The Factory must identify the manager and team who will ensure:

1. To establish a system to protect the reproductive health of employees through minimizing exposure to workplace hazards.
2. To establish a written Standard Operating Procedures (SOPs) on job safety program and includes Job Safety Training to designated employees with special responsibilities, such as: hot punch cutting operator, etc.
3. To implement a lockout-tag out system and train the relevant workers on the system
4. To establish written procedures and steps for workers to report: 1) Accident and incidental cases that might resulted in: a) Death; b) injury; c) illness, and B) other health and safety issues: a) Report Health & Safety concerns, or b) to provide protection against retaliation for workers who raise such concerns.
5. To arrange for a third-party to conduct a fire risk assessment. Review and respond to any imminent hazards.
6. To post evacuation plans in all production and warehouse buildings that reflect the actual layout of the factory.
7. To install exit signs and emergency lights in the warehouse building, and ensure the emergency lights are in the "on" position and charging.
8. To keep all emergency exits clear from obstructions and unlocked during working hours. Ensure all emergency exit doors open outwards with a push-bar system and must not have doorsills.
9. All aisles are free from any obstruction and all workers have easy access to emergency aisles.
10. To develop procedures for evacuation which include steps on how to ensure that all special categories of workers safely evacuated.



Planned Completion Date  
09/04/18

Planned completion date  
07/07/18

Company Action Plan Update

1.24.19 Update by UA;

As per factory, "1. Please refer to Annex 13A for procedures

2. Please refer to Annex 13B for procedures

3. Please refer to Annex 13C for procedures and training

4. Please refer to Annex 13D for reporting accidents and incidents. Annex 13 E for reporting health and safety concerns.

5. Please refer to Annex 13F for fire risk assessment.

6. Please refer to Annex 13G for procedures."

The team noted the Reproductive Health procedure, auto cut machine SOP, LOTO procedure and training, accident and illness reporting procedure, the procedure for reporting environmental concerns and emergencies, fire risk assessment, and procedures for an emergency concerning people with special needs.

Older Updates:

"1.The procedure that enable workers to raise environmental concern has been created.

2. The SOP have been created.

The procedure to protect reproductive health of workers has been created.

The procedure for workers to raise health and safety concerns and protection against retaliation have been created.The chemical management plan has been created.

The electrical system has been inspected by the third party and will be undergo next inspection this month.

The confined space rescue plan has been created.

The precautionary step in confined space has been developed

The equipment and machine that requires lockout tag-out have been listed.

3.The step for ensure all contractors and special category workers has been developed.The responsible person for evacuation is emergency response team.

4.Procedure that give guidelines during fire has been developed.

5.The procedure in case of any injury has been created. First aid will perform the first treatment and if it is unable to be treated by first aid, supervisor will send the workers to the nearby clinic or hospital.

"

## FINDING NO.14

### IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. Fire risk assessment is only conducted internally. HSE.1, HSE.5

2. Fire risk assessment methodology conducted internally is inadequate since: HSE.5

1. Risk identification is based on general view without detailing:

1. Each area to ensure every area at factory is assessed.

2. Work activity occur at the factory (work process, non-work process).

2. Therefore, there are several hazards that are missed such as risks posed by chemical usage and incompatibility storage, risks posed by toxic and solid waste temporary storage, also health risk posed by dust accumulation on electrical equipment.

3. Current recommended control is only training without mechanical engineering nor relevant machinery safety and specific PPE involved such as rubber mat for electrical current isolation means, what type of electrical tape used and related PPE such as rubber sole safety shoes, and rubber anti-fatigue mat for workers to stand.

3. There are only 2 fire extinguishers installed at the side of the exit door at storage area for sewing machine and cutting panel. While fire extinguisher in front of fabric warehouse is blocked with fabric. HSE.5, HSE.6

4. There are no evacuation paths marked on the floor at warehouses, food storage, sample room, marker room, sewing lines and alley from sample and marker rooms to emergency exit, blocked passageway at fabric warehouse with fabric carts and fabric rolls. Also, all passageways at the fabric warehouse leads to one exit instead of two exits as an alternate means of escape in the event of an exit being blocked by fire or other emergency. HSE.5, HSE.6

5. One out of two exits at the male dormitory is locked while the key is kept by one of the worker who was working the factory at that time; despite several workers were in the dormitory at the time of the assessment. HSE.5

6. There is one non-functional exit sign and one emergency light at 3rd floor of storage used for sewing machine and cutting

panels. HSE.5

7. Found that not all employees have undergone evacuation training since:HSE.5

1. Only 1,700 out 2,265 employees have been trained for evacuation at the factory

2. There is no night evacuation drill conducted at the dormitories for both male (H2 building) and female (H3 building)

3. Only 65 out 720 employees at H2 dormitory building (male) and 45 out of 1,090 employees at H3 dormitory building (female).

8. There are no designated fire wardens responsible for helping workers safely evacuate in case of an emergency.

9. Found material and finished goods are stacked in too close proximity with lighting and or sprinkler on ceiling.

#### Local Law or Code Requirement

Guidelines on first-aid in the workplace, DOSH 2014, Section 6.1.1, Guide to Safety, Health and Welfare at Work Act 2005, Section 19, Section 15, Occupational Safety and Health Act 1994; MS 1539:2003 Section 8 Part 3: Selection and installation – Code of practice, Factories and Machinery Act 1967 [ACT 139] P.U. (A) 114/1983 Factories and Machinery (Safety, Health and Welfare) Regulations 1970 (Revised – 1983) Section 22; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.5, and HSE.6)

#### Recommendations for Immediate Action

1. Commission fire risk assessment to a third-party expert.

2. Ensure fire risk assessment includes risk assessment based on each area and work activity occurs at the factory (work process, non-work process) to ensure risks posed by chemical usage and incompatibility storage, toxic and solid waste temporary storage, also accumulation of dust on electrical equipment identified as well, establish risk controls includes training, mechanical engineering and specific PPE provided as per risks posed.

3. Provides additional fire extinguisher at sewing machine and cutting panel storage room and ensure every fire extinguisher is free from any blockage.

4. Mark evacuation path floor at every area, and ensure no blocked passageway for easy egress during emergency occurrence. Also, ensure every area at least has 2 exits.

5. All exits are opened during occupancy at dormitory and relevant key shan't be taken by worker for work when there are other people at the dormitory.

6. Fix 1 exit sign and 1 emergency light at 3rd floor of storage and inspect it from time to time to ensure its functionality.

7. Provides all employees with evacuation training at production floor and dormitory, during day and night time.

8. Designate fire wardens responsible for helping workers safely evacuate in case of an emergency.

9. Ensure material and finished goods are not stacked in too close proximity with lighting and or sprinkler on ceiling.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Commission fire risk assessment to a third-party expert.

2. Ensure fire risk assessment includes risk assessment based on each area and work activity occurs at the factory (work process, non-work process) to ensure risks posed by chemical usage and incompatibility storage, toxic and solid waste temporary storage, also accumulation of dust on electrical equipment identified as well, establish risk controls includes training, mechanical engineering and specific PPE provided as per risks posed.

3. Provides additional fire extinguisher at sewing machine and cutting panel storage room and ensure every fire extinguisher is free from any blockage.

4. Mark evacuation path floor at every area, and ensure no blocked passageway for easy egress during emergency occurrence. Also, ensure every area at least has 2 exits.

5. All exits are opened during occupancy at dormitory and relevant key shan't be taken by worker for work when there are other people at the dormitory.

6. Fix 1 exit sign and 1 emergency light at 3rd floor of storage and inspect it from time to time to ensure its functionality.

7. Provides all employees with evacuation training at production floor and dormitory, during day and night time.

8. Designate fire wardens responsible for helping workers safely evacuate in case of an emergency.

9. Ensure material and finished goods are not stacked in too close proximity with lighting and or sprinkler on ceiling.

Planned Completion Date

09/04/18

#### Planned completion date

07/07/18

#### Company Action Plan Update

1.24.19 Update by UA:

As per factory, "1. Please refer to Annex 13F for fire risk assessment

2. Please refer to Annex 14B for fire risk assessments by work areas.

3. Please refer to Annex 14C.

4. Please refer to Annex 14D.

5. All dormitory occupants now carry keys for both exits.

6. Please refer to Annex 14E. 7. Please refer to Annex 14F.

8. Please refer to Annex 14G. 9. Please refer to Annex 14H."

The team noted the fire risk assessment, the fire risk assessment by work area, the marked evacuation aisles, the emergency lights, the evacuation drills in the dorm and in the production area, the emergency response team, the stacked materials, the HSE team, and the fire extinguishers.

#### Older Updates:

"1. Fire risk assessment by external party has been conducted.

2.1.1. Risk identification have been conducted at every area.

2.1.2 All work activity has been assessed.

2.2 All hazard have been identified at each area.

2.3. The recommended control already specified the type of PPE.

3. The fire extinguisher at the sewing and cutting have been added and the obstruction at the fire extinguisher in front of the fabric warehouse already removed.

4. The evacuation paths have been installed at warehouse, food storage, sample room, sewing lines and alley from sample and marker room.

The obstruction at the passageway at fabric warehouse has been removed.

5. Each worker has their own key for their own used. The room can be opened from inside so if any emergency happen the worker can evacuate from the room.

6. The exit sign and emergency light at 3rd floor of storage used for sewing machine and cutting panels.

7. Evacuation training will be conducted for all workers on 13 April 2018. The past evacuation training has been conducted on March and September 2017. All workers have been involved in the evacuation training.

The night evacuation drill have been conducted at H2 and H3 dormitory.

All workers have undergo evacuation training.

8. The fire wardens who will be responsible for helping workers safely evacuate in case of an emergency are members of emergency response team.

9. The material and finished goods are stacked only 7 feet height from the floor.

"

#### Action Plan no 2.

##### Description

a) The factory must identify the person who will be responsible for implementing systems and controls (such as frequent daily documented inspections, with identified personnel (workers (confidentially elected by workers, and also members of the factory's: a) Fire and b) Health and Safety Committees) and managers on each shift and in each work area who are assigned this responsibility) who will: 1) periodically separate all a) combustible and b) flammable materials from sources (and potential sources) of heat and electricity and 2) ensure the handling of such materials demonstrates the existence of the required Fire Safety Competencies (see attached FLA Materials) follows established policies, procedures and Codes of Conduct The factory must ensure that the following occurs and is documented: 1) workers are confidentially elected by their co-workers and join as full members of the factory's Fire Safety Committee and its Health and Safety Committee; 2) workers must jointly own and share responsibility for safety; 3) these personnel, and in groups and over time, all personnel, should receive, along with managers, documented (sign-in sheets, retain documents of training materials, photograph or video of training, engage local Fire Department and/or certified expert in safety) training on fire safety; 4) daily documented, unannounced and randomly time inspections should be conducted by workers; 5) written inspection reports should be completed by these workers, logged in chart for trends/data/root cause analyses and 6) formally addressed as written agenda items in Weekly or Monthly documented (meeting minutes and attendance registers kept) Fire and Safety Committee Meetings. PLEASE ALSO REVIEW AND IMPLEMENT THE FOUNDATIONAL FIRE SAFETY COMPETENCIES (Copy attached).

b) The factory must identify the manager/team who/that will ensure that: 1) no exits are ever locked and 2) that no aisles, evacuation passages, exit doors, emergency exits, fire hydrants, fire extinguishers, evacuation passages, fire-fighting and emergency equipment, electricity connection boxes/electrical panels and the areas in front of all such exits, aisles, boxes panels and equipment are blocked (even partially); including by implementing written policies, and procedures featuring specific systems and controls (such as frequent daily documented inspections, with identified personnel (workers (confidentially elected by workers, and also members of the factory's Fire and Health and Safety Committees) and managers on each shift and in each work area who are assigned this responsibility). Additionally, the factory must identify the person who personally will make "yellow boxes" (made of taped or painted lines) or other markings to prominently identify/mark the areas in front of emergency exits and fire-fighting/fire extinguishers/equipment, emergency exits and control panels that are to be kept clear at all times. Finally, this person also must clearly mark all aisles, emergency evacuation passages/lanes and walkways with: 1) painted yellow directional arrows and lines or taped photo-luminescent lines on the floor to indicate the areas that are to be kept clear and 2) arrows on the walls that point toward the nearest exit.

Planned Completion Date

09/04/18

Planned completion date

07/07/18

Company Action Plan Update

1.24.19 Update by UA:

- As per factory, "1. Please refer to Annex 13F for fire risk assessment  
 2. Please refer to Annex 14B for fire risk assessments by work areas.  
 3. Please refer to Annex 14C.  
 4. Please refer to Annex 14D.  
 5. All dormitory occupants now carry keys for both exits.  
 6. Please refer to Annex 14E. 7. Please refer to Annex 14F.  
 8. Please refer to Annex 14G. 9. Please refer to Annex 14H."

The team noted the fire risk assessment, the fire risk assessment by work area, the marked evacuation aisles, the emergency lights, the evacuation drills in the dorm and in the production area, the emergency response team, the stacked materials, the HSE team, and the fire extinguishers.

#### Older Updates:

- a. HSE team will be appoint to call for a meeting of safety and health committees. These committees will consist of workers elected from each department. Committees will conduct meeting monthly and when needed. These members will received a fire safety training by authorized person and will be given a training documents. These workers are also responsible for all time when emergency. Also HSE team will conduct a periodically internal check and inspection b. HSE team will be appoint to conduct an inspection or internal audit periodically to ensure that every area or fire fighting equipment are in good condition and no exit doors will be locked. And emergency routes will not be block or aisles, painted yellow arrows and evacuation line must be visible and in good condition.

## FINDING NO.15

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. There is inadequate machinery management since: HSE.14
1. No maximum working load posted on one cargo lift and two passenger lifts at production building and no safety instructions displayed or posted near machinery, in workers' language(s).
2. Observed that 80% of needle guards on sewing machines are installed too high which renders its functionality to protect worker's fingers from getting injured by needle.
2. The second exit door at the female dormitory is a window, while the ledge is too high to step over without any stepper provided. HSE.25
3. Toilets for female workers in the dormitory and production buildings are dirty. HSE.19
4. There are exposed wiring and improper repair of electrical sockets at canteen in dormitory for female workers, since the repair is using paper tape instead of electrical tape. HSE.25
5. Found pressure gauge on one fire extinguisher in the dormitory for female workers is damaged. HSE.25
6. Found there is no thorax x-ray and typhoid health check for food handlers of two canteen operators and there are only two insect traps installed below of 2 food counters instead of hung it above the food counter to minimize flies. Furthermore, there are no soap provided and no working instruction for hand wash method posted at hand wash station in canteen. HSE.22
7. Found the potable water laboratory test on October 2017 was only based on microbiology and chemical parameters without physical parameter. Furthermore, found workers are using water bottles made from PET (Polyethylene Terephthalate) with resin code No 1 instead of resin code No 5 which indicates the plastic is safe for food and beverages. HSE.23
8. There are illness records maintained however, there is no tracking process conducted to minimize recurrence in future, such as establishing root cause analysis, establishing correction action plan, establishing preventive action plan, and establishing a monitoring system. HSE.1, HSE.3
9. There is inadequate first aid management since: HSE.1
1. There are only 15 first aiders instead of 31 as needed as there is total employees at the factory is 2,265 (2 first aiders for every 150 people) and none of them have been immunized for Hepatitis B. Furthermore, there is no insignia provided for 15 first aiders at the factory for easy identification.
2. No registered nurse attends the first aid room at the factory.
3. Missing several equipment at first aid room: Antiseptic hand wash soap, paper towels, Splints for upper & lower limbs, Disposable plastic apron, Separate disposable waterproof waste bag/basket for hazardous & non-hazardous materials, Spinal immobilization equipment for cervical collar spinal, spinal board, and torch light.

##### Local Law or Code Requirement

Factories and Machinery (Electric Passenger and Goods Lift) Regulations (1970), Art. 9.2.a-d, Art.14.2, Factories and Machinery Act (Act 139) (1967), Sec. 14; Factories and Machinery Act (Act 139) (1967), Sec. 13; Factories and Machinery (Safety, Health & Welfare) Regulations (1970), Sec. 21.2-3; Factories and Machinery (Safety, Health & Welfare) Regulations (1970), Sec. 22 ; Fire Services Act (1988), Art. 2, Malaysia Standard 1539: Part 4:2003 ; Food Hygiene Regulation 2009 Part III Chapter I Reg 8, Reg.11, Reg.15; General Standard for Bottled/Packaged Drinking waters (Other than Natural Mineral Waters) CODEX STAN 227-2001 Article 3.1.2 ; Guidelines on first-aid in the

workplace, DOSH 2014, Section 6.1.1; The Occupational Safety and Health Act 1994, DOSH 2014, Section 7.3, The 2nd edition on first aid in the workplace 2004, Article 4.2, Appendix 8; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.3, HSE.14, HSE.19, HSE.22, HSE.23 and HSE.25)

#### Recommendations for Immediate Action

1. Ensure adequate machinery management such as posting maximum working load posted on every cargo lift and passenger lifts used at the factory, post safety instructions displayed or posted near every machinery, in workers' language(s), and inspect daily for needle guard of sewing machine is properly installed to protect worker's fingers getting injured by needle during performing their job.
2. Provide ledge step for easy egress during emergency occurrence.
3. Clean the toilets in more tightened schedule, train workers for flushing as part of personal hygiene and do daily inspection to ensure cleaning is properly proceeded.
4. Conduct daily inspection for electrical installation at dormitory and post instruction at dormitory to enable worker report directly to the designated person in regards electrical installation.
5. Replace the damaged fire extinguisher at dormitory for female workers with a functioning one.
6. Ensure thorax x-ray and typhoid health check for food handlers of 2 canteen operators, add insect traps by hanging them above of food counters. Provide soap and post working instruction for hand wash method at hand wash station in canteen.
7. Potable water laboratory test shall be done based on microbiology, chemical parameters and physical parameter.
8. Include root cause analysis, correction action plan, preventive action plan, monitoring system when tracking the process for illness on illness record.
9. Appoint additional 16 first aiders, ensure every first aider is immunized for Hepatitis B then provide insignia for those first aiders for easy identification. Then, hire a registered nurse to attend the first aid room at the factory and ensure the first aid room is properly equipped as per regulation, such as antiseptic hand wash soap, paper towels, splints (upper & lower limbs), disposable plastic apron, separate disposable waterproof waste bag/basket for hazardous & non-hazardous materials, spinal immobilization equipment (cervical collar spinal, spinal board, and torch light)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Ensure adequate machinery management such as posting maximum working load posted on every cargo lift and passenger lifts used at the factory, post safety instructions displayed or posted near every machinery, in workers' language(s), and inspect daily for needle guard of sewing machine is properly installed to protect worker's fingers getting injured by needle during performing their job.
2. Provide ledge step for easy egress during emergency occurrence.
3. Clean the toilets in more tightened schedule, train workers for flushing as part of personal hygiene and do daily inspection to ensure cleaning is properly proceeded.
4. Conduct daily inspection for electrical installation at dormitory and post instruction at dormitory to enable worker report directly to the designated person in regards electrical installation.
5. Replace the damaged fire extinguisher at dormitory for female workers with a functioning one.
6. Ensure thorax x-ray and typhoid health check for food handlers of 2 canteen operators, add insect traps by hanging them above of food counters. Provide soap and post working instruction for hand wash method at hand wash station in canteen.
7. Potable water laboratory test shall be done based on microbiology, chemical parameters and physical parameter.
8. Include root cause analysis, correction action plan, preventive action plan, monitoring system when tracking the process for illness on illness record.
9. Appoint additional 16 first aiders, ensure every first aider is immunized for Hepatitis B then provide insignia for those first aiders for easy identification. Then, hire a registered nurse to attend the first aid room at the factory and ensure the first aid room is properly equipped as per regulation, such as antiseptic hand wash soap, paper towels, splints (upper & lower limbs), disposable plastic apron, separate disposable waterproof waste bag/basket for hazardous & non-hazardous materials, spinal immobilization equipment (cervical collar spinal, spinal board, and torch light)

Planned Completion Date

09/04/18

#### Planned completion date

07/07/18

#### Company Action Plan Update

1.24.19 Update by UA:

As per factory, "1. Please refer to Annex 15A.

2. Please refer to Annex 15B.

3. Please refer to Annex 15C. 4. Please refer to Annex 15D wiring has been fixed. 5. Please refer to Annex 15E fire extinguisher replaced.

6. Please refer to Annex 15F for thyphoid injection.

We will further provide thorax x-ray.

7. Please refer to Annex 15G for test report. 8. Please refer to Annex 15H.

## 9. In progress"

The team noted the new signs for cargo load, the after photos of the ledge, the cleaned toilets, the fixed wiring, the fire extinguishers, the typhoid vaccine records, the water test report, the RCA, and the ergo program, and asked the factory to also provide supporting documentation for the needle guards on the sewing machines (1), insect traps (6), and first aid management (9).

### Older Updates:

"1.1Maximum load has been pasted. Supervisor will ensure every needle guards are install properly at each sewing machine.

Training has been conducted to educate the workers.

2. Management already contact the contractor

3. The female toilet in dormitory has been cleaned.

4. The exposed wiring and electrical sockets have been repaired.

5. The pressure gauge on the fire extinguisher in the female dormitory is well functioning.

6. The thorax x-ray is not keep by the food handler. After the x-ray examination, the report was kept by the doctor. The date for the typhoid injection was written in the book and kept by the food handler.

The insect traps are affixed to the wall. They cannot be hung above the food counter because the flies will fall in the food counter and will result in hygiene issues.

The soap and hand wash method is provided at the hand wash station.

7.water test has been conducted.

8. The investigation of the illness has been established to establish the preventive action.

9. First aider already sent for immunization No nurse is needed as the injured workers will be treated by first aider as the first responsible person. All the first aiders already attend the first aid training and have certificate. All the equipments have been provided.

"

## Action Plan no 2.

### Description

Factory management must identify the person who will be responsible for ensuring that all applicable laws and regulations related to health, safety, and environment, including fire safety, sanitation, risk protection and electrical, mechanical, and structural safety in the dormitories are met. All dormitories are kept secure, not crowded, clean, with all basic amenities; including access to potable water, and have safety provisions (e.g. fire extinguishers, first aid kits, unobstructed emergency exits, emergency lighting). This manager must ensure that:

- If workers decide to rent their own accommodation, no salary deduction will be made for company provided accommodation.
- Minimal floor space per resident is guaranteed; 4 to 5.5 square meters per resident, or as required in applicable local regulations;
- A separate bed for each worker is provided, with a min space between beds of 1 meter.
- There are mobile partitions or curtains to ensure privacy.
- All walls of personal service rooms should be tiled or clean painted.
- Personal service rooms should have adequate ventilation to ensure that they are free of foul odors.
- Floors should be maintained, so far as practicable, in dry condition.
- Where wet processes are used, drainage should be provided and maintained, and platforms, false floors, mats or other dry standing places should be provided, where practicable, or appropriate waterproof footwear should be provided to the workers.
- Floors of personal service rooms should be sealed (tile or cement), slip-resistant, and wet-mopped at least twice per day with a cleaning solution containing a bactericide
- Any receptacle that is used for solid or liquid waste should be constructed so that it does not leak and may be cleaned thoroughly to be maintained in sanitary condition.
- All sweepings, solid or liquid wastes, refuse and garbage should be removed in such a manner as to avoid the creation of a health risk, and as often as necessary to maintain sanitary conditions
- Vermin control – Every enclosed area of a factory facility should be constructed, equipped and maintained, so far as practicable, to prevent the entrance or harborage of rodents, insects and other vermin.
- An adequate number of fully operational toilet facilities: in separate toilet rooms for each gender, the ratio of sinks or wash basins must not be less than one to six.

Planned Completion Date

09/25/18

### Planned completion date

07/07/18

### Company Action Plan Update

1.24.19 Update by UA:

As per factory, "1. Please refer to Annex 15A.

2. Please refer to Annex 15B.

3. Please refer to Annex 15C. 4. Please refer to Annex 15D wiring has been fixed. 5. Please refer to Annex 15E fire extinguisher replaced.

6. Please refer to Annex 15F for thyphoid injection.



We will further provide thorax x-ray.

7. Please refer to Annex 15G for test report. 8. Please refer to Annex 15H.

9. In progress"

The team noted the new signs for cargo load, the after photos of the ledge, the cleaned toilets, the fixed wiring, the fire extinguishers, the typhoid vaccine records, the water test report, the RCA, and the ergo program, and asked the factory to also provide supporting documentation for the needle guards on the sewing machines (1), insect traps (6), and first aid management (9).

Older Updates:

Factory will appoint HSE and HR team to focus on these responsibility. If worker rent an accommodation outside, their salary is not deduct. For factory own dormitories, minimal floor space as per FLA/buyer requirement will be provided. All the safety and fire fighting equipment will be adequate and in good condition. Rooms and surrounding areas in clean and clear, rooms should have adequate ventilation. An in-house security guards will provide security patrol in every hours. Hygiene protection for waste should be well kept, and should be segregate into solid and hazardous. Toilets numbers have to meet the minimal requirement.

## FINDING NO.16

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. Inadequate PPE management since: HSE.7

1. PPE provided is not based on proper hazard identification risks analysis such as:

1. Dust mask provided instead of respiratory chemical mask for maintenance who work with chemical (diesel).

2. No lifting belt and safety shoes provided for workers who do loading and unloading activity.

3. Three metal gloves for cutters at sample room are three fingers type instead of five fingers type.

4. Four tag gunners are not provided with finger gloves.

5. The risk identified on Hazard Identification Risk Analysis is not properly controlled by the related PPE due to no clear PPE type mentioned to control the risk.

6. Only 2 lifting belts provided for 29 carton packing workers, while there is no clear designated worker who responsible for lifting and which one is only filling the carton packed.

2. Found there is no inspection conducted on the provided PPE for workers, such as for body harness provided for maintenance.

2. There is no written program regarding ergonomics that regulates: HSE.17

1. Job rotation proceeded in terms to reduce repetitive-motion stress/injuries.

2. Stretching and exercise a couple of times in every couple hour during working time.

3. All the seating in the factory is not adjustable and are without back rests.HSE.17

##### Local Law or Code Requirement

Occupational Safety and Health (Use and Standards of Exposure of Chemicals Hazardous to Health) Regulations (2000), Sec. 16(2) - (3), Factories and Machinery (Lead) Regulations (1984), Art. 20; Factories and Machinery (Safety, Health & Welfare) Regulations (1970), Sec. 30 (1); FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.7 and HSE.17)

##### Recommendations for Immediate Action

1. Establish PPE management based on Hazard Identification Risk Analysis to ensure every risk is related with the PPE provided and inspect every PPE provided for the condition and expiration time.

2. Establish ergonomic program that includes repetitive-motion reduce, stretching and exercise.

3. Provide adjustable seating with back-rest.

### COMPANY ACTION PLANS

Action Plan no 1.

##### Description

1. Establish PPE management based on Hazard Identification Risk Analysis to ensure every risk is related with the PPE provided and inspect every PPE provided for the condition and expiration time.

2. Establish ergonomic program that includes repetitive-motion reduce, stretching and exercise.

3. Provide adjustable seating with back-rest.

Planned Completion Date

09/04/18

Planned completion date

07/07/18

Company Action Plan Update

1.24.19 Update by UA:

As per factory, "1. In progress

2. Please refer to Annex 15J.

3. Our chairs do have back rest but we are in progress to provide adjustable chairs."

The team noted that the factory is working on item 1. Noted the ergo program and the chairs.

Older Updates:

"1. The dust mask has been provided to the workers.

The lifting belt has been provided to the workers.

The five fingers metal gloves has been provided.

The fingers glove has been provided to the workers.

The type of PPE has been specifically mentioned in the Risk Identification.

Already provide the lifting belt. The inspection has been done for the body harness.

2. The procedure for the ergonomic issues has been established.

3 already provide the back rest

"

Action Plan no 2.

Description

1) To develop a system to ensure workers are provided the appropriate PPE. Newly created system will ensure to: a) Provide PPE to a particular group of workers in order to achieve effective protection; b) track the usage and timely replacement of PPE through the factory; c) replace damaged PPE and provide new steel gloves for the workers working in the cutting section in UC 1 building; d) ensure, by implementing a documented personal protective equipment ("PPE") use incentive/award/reward system, that its workers: i) are provided the appropriate PPE; e.g. anti-dust respirator, etc. and ii) properly wear/use the PPE including earplugs and facemasks required by their specific workplace conditions; e) conduct documented training session forcefully emphasizing risks and harms of failing to wear/properly use, PPE and f) post posters, written in the language(s) understood by its workers and managers, in each workplace showing the necessary and proper use of PPE for each worker

2) Ensure that the workers use the machine guards properly. Train and regularly communicate to workers on proper machine guard's usage a ensure, by drafting, effectively implementing, conducting documented training about, posting full and summary posters of, formal new written policies and procedures

3) Provides lifting belts to all employees lifting heavy materials; a) Documented initial and periodic refresher training to all employees on proper lifting techniques and use of lifting belts; b) Ensuring the training program promotes an ergonomic approach to lifting that includes: i) Consider alternative ways to accomplish the same lifting or handling; ii) Assess the weight of the object before attempting lifting or handling; iii) Ask for assistance if necessary; d) Determine the best way to hold or maneuver the object before lifting the object; iv) During repetitive lifting activities, try to minimize the vertical distance of the lift from origin to destination, and minimize the amount of twisting and bending; v) Use the legs for lifting rather than the back and g) use the feet to turn, rather than twisting the trunk of the body.

4) Conducted documented chemical safety handling training session forcefully emphasizing to chemical handlers the risks and harms of failing to wear/proper use of PPE;

5) Engaged an authorized third party ensuring to: a) Control the grounding system of the factory; b) assess electrical system is intrinsic safe for operation by workers and c) maintain the records for periodic control of the electric system, including grounding measurements, as legally required.

6) The factory must identify the authorized and qualified expert (3rd Party or internal) person/team who/that will: 1) conduct an ergonomic assessment; 2) implement a formal written ergonomics program, based on results of point above, implement recommendations from the experts, which may include: a) adaptation of work equipment- e.g., chairs based workers' height; b) daily exercises or breaks that are conducted according to a written schedule and are aimed at decreasing the effects of repetitive movements; c) purchasing and install in groups and over time ergonomically designed chairs with back supports and d) anti-fatigue mats for workers who stand when they work, to name a few of the features to include in a preventive occupational hazards program and 3) documentation of each of these processes should be maintained on file, and whenever applicable, with worker's and trainer's signatures.

Planned Completion Date

09/25/18

Planned completion date

07/07/18

Company Action Plan Update

1.24.19 Update by UA:

As per factory, "1. In progress

2. Please refer to Annex 15J.

3. Our chairs do have back rest but we are in progress to provide adjustable chairs."

The team noted that the factory is working on item 1. Noted the ergo program and the chairs.

#### Older Updates:

1. HSE team will develop a system to track whether all related employee using their PPE in right way and properly. And all PPE must be replace when there is damaged or expired. A written poster to remind worker the importance of wearing PPE will post in all department in workers native languages 2. All of the section head and HSE team will also track and ensure every machine operator using their machine guards properly. 3. Lifting belt will be provided for workers who carry out the heavy weight works. Training of Lifint Techniques will be provided to related workers to educate the importance and periodically trained. Poster related to ergonomic will also post in related department. 4. HSE team will also conduct the chemical safety handling training focus on the PPE using 5. HSE team will engage with 3rd party to ensure and maintain the electrical safety in the factory 6. Engage 3rd party will also conduct the electrical/ergonomic assessment and implement the written procedures. Also the ergonomic rubber mats and chairs will be provided for workers who needed. A short break and simple exercise will be implement for ergonomic concern, a related poster will be posted and training will be provided together with ergonomic training

## FINDING NO.17

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Environmental Protection

##### Finding Explanation

Factory has not established a system to reduce environmental impact since there is no target set up related with reduction waste water, green house emission and carbon footprint to ensure the environmental impact reduction program is effectively implemented. ER.1, HSE.1

##### Local Law or Code Requirement

Environmental Air Regulation Appendix H Article 10 (i); FLA Workplace Code (Employee Relationship Benchmarks ER.1; Health, Safety and Environment Benchmark HSE.1)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

The Factory must identify the manager and team who will ensure:

- 1) To create and effective implementation of environmental management and monitoring plan; 2) to set up regular Environmental Protection Communication program to all employees and 3) setting up and conducting documented capacity building for/training of workers in waste management and waste segregation and providing related policies and procedures and summary posters in factory;
- 2) To develop a written policy and procedures to enable it to keep a daily log of, and transfer/disposal manifests/records for, its: a) Storage; b) recycling and c) or disposal, of solid and hazardous wastes; 2) to monitor and reduce: a) the solid or hazardous waste generated; b) water usage; c) water leaks and d) spills.
- 3) Hazardous wastes must always be segregated from non-hazardous wastes. If the generation of hazardous waste cannot be prevented, then management should focus on the prevention of harm to health, safety and the environment;
- 4) Provide shelter for waste storage and dispose of hazardous waste in an appropriate manner to the approved authorized third party company.
- 5) To engage a credentialed 3rd party expert or firm must develop and implement an environmental protection communication/training program for all workers and managerial positions with the aim to increase their awareness about the environmental impact of the production processes and channels available to raise environmental concerns at the facility without retaliation.
- 6) The factory must schedule a regular environmental monitoring report for second half of 2018.

Planned Completion Date

09/25/18

##### Planned completion date

07/07/18

##### Company Action Plan Update

1.24.19 Update by UA:

As per factory, "1. Please refer to Annex 11G for environmental impact assessment and 17A for environmental conservation plan. We will develop our targets thereafter."

The team noted the environmental impact assessment and the environmental conservation plan.

Older Updates:

Environmental impact assessment has been conducted that related to the waste water, green house emission and carbon footprint.

## FINDING NO.18

### UNCORROBORATED RISK OF NON-COMPLIANCE

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

##### Finding Explanation

According to Malaysian government regulations, migrant workers headed to the country are required to undergo a medical examination before departing their countries of origin, and to be re-examined within one month of their arrival in Malaysia, including legally mandated pregnancy tests. A private firm, the Foreign Workers Medical Examination Monitoring Agency (FOMEMA), which oversees the administration of the medical examination requirement under a contract with the Malaysian Ministry of Health, provides a list of physicians from which employers choose a provider to examine their migrant worker employees. FOMEMA evaluates each migrant worker's fitness for work based on the medical examination report. Malaysian law requires that even after passing these initial health checks, workers must still undergo an annual medical examination in Malaysia under the administration of FOMEMA. The annual medical examination is compulsory only up to the third year of employment and there is no other requirement of medical examination after the migrant workers have passed three years of employment. After the third year of employment, there is no requirement for any further medical examinations, including pregnancy tests. Since this is a legal requirement, factories/companies cannot reject the medical examinations. If a female worker migrant worker is found to be pregnant once she undergoes the FOMEMA medical examination, the pregnant woman will be send back to the country of origin and the immigration department will not renew her work permit. If the factory/employer still continues to employ her, the migrant worker would therefore become an illegal migrant worker with the employer possibly being charged in court with a penalty of RM 10,000 and six months jail term. This procedure is also applied to any workers found with contagious diseases.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

Factory senior management to lobby the Malaysian government to consider changing its regulations with regards to migrant workers being required to undergo pregnancy testing or other medical tests to maintain employment at the factory. Work permits and employment status should not be contingent the results of these tests. The factory's top management to conduct a documented review of the FLA's Brief on discrimination of women, pregnant and migrant workers at: <http://www.fairlabor.org/report/triple-discrimination-woman-pregnant-and-migrant> and advise to us about your plan how these issues will be addressed.

Planned Completion Date

09/29/18

##### Planned completion date

07/07/18

##### Company Action Plan Update

The factory is working with Verite to help them improve their practices regarding migrant workers.

## FINDING NO.19

### IMMEDIATE ACTION REQUIRED

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

##### Finding Explanation

1. Based on employment contract of migrant workers from all nationalities, the workers shall not engage in any romance or immoral relationship or marry or intend to marry any Malaysian national or a person from the same country either same or opposite gender during the continuance of the period of this employment contract. ER.1, ND.6
2. By law, migrant workers are required to undergo a medical examination before departing their countries of origin, and are to be re-examined within one month of their arrival in Malaysia. The examination involves recording the worker's medical history, a physical

examination, blood tests, urine tests, and X-rays. These tests screen workers for pregnancy, tuberculosis, hepatitis B, syphilis, HIV, malaria, and leprosy. Subsequently, migrant workers are subject to annual medical examinations for the first three years of employment. If the migrant worker tests positive for pregnancy or any of the aforementioned diseases during the first three years of employment, the Immigration Department will not renew their work permit and the factory will be required to send the worker back to the country of origin. If the employer continues to employ the migrant worker, the employer is charged with a penalty of MYR 10,000 (USD 2,241) or 6 months of jail term. Any employer who does not report any of these conditions, including pregnancy, will also have their security bond confiscated, for which the employer pays between MYR 250 (USD 56) and MYR 1,500 (USD 336) depending on the nationality of the migrant worker. The security bond is a legally required bank guarantee for the issuance of the visa for the migrant worker. As a result of these legal requirements, the factory has sent a number of migrant workers back to their country of origin. While legal, this practice is in violation of FLA Benchmarks stating that employers shall not, on the basis of a person's health or pregnancy status, make any employment decisions that negatively affect the person's employment status. ND.5 ND.7 ND.9 ND.10

3. The performance review is conducted only for staff and not for all production workers. ER.29

#### Local Law or Code Requirement

Laws of Malaysia Act 150 Passport Act 1966 Art. 12. (1); FLA Workplace Code (Employee Relationship Benchmarks ER.1, ER.5, ER.6 and ER.29; Nondiscrimination Benchmarks ND.3, ND. 5, ND.6, ND.7, and ND.9)

#### Recommendations for Immediate Action

1. Ensure the employment condition for migrant workers does not lead to discriminatory practices; discontinue any form of threat of dismissal or any other employment decision that negatively affects their employment status based their intention to have relationship or married with others.
2. In collaboration with the FLA-affiliate and other stakeholders, lobby the Malaysian government to change its regulations. Migrant workers should not be required to undergo pregnancy testing or other medical tests; work permits and employment status should not be contingent the results of these tests.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

Factory management to engage/commission an experienced 3rd party capacity building firm/individual, chosen by Under Armour/Fast Retailing, to address issues around discrimination/harassment or abuse at the workplace. The third party will ensure:

- Review the factory's non-discrimination, non-harassment policies and procedures,
- Assist the factory develop a system to discipline managers, supervisors, or workers who engage in any physical, sexual, psychological or verbal violence, harassment or abuse, through measures such as compulsory counseling, warnings, demotions, and terminations or a combination thereof regardless of whether such action was intended as a means to maintain labor discipline.
- Conduct trainings to make it clear that the office staff, managers, supervisors and any other employee who has workers under his/her responsibility must not use any form of discrimination, verbal violence, including screaming, yelling, or the use of threatening, demeaning, or insulting language, as a means to maintain labor discipline.
- Supervisors, and other managerial positions, working with migrant workers, must to be trained on migrant workers' culture and customs that would enable better communication, and working relations.
- Assist the factory review their grievance policy and procedures and verify it is properly implemented so workers (local and migrant) can communicate discrimination/harassment issues through several channels, including confidential and anonymous channels.
- Train and communicate the factory's revised non-discrimination/non-harassment policies to all employees at all production departments.

The factory must identify the person who will be responsible to ensure:

- The factory's revised non-discrimination/non-harassment policies and procedures and grievance system is communicated to the general workforce through postings, and documented/regular refresher training.
- The factory non-discrimination/non-harassment policies and procedures must be periodically reviewed.
- The factory must effectively implement periodic training modules on their non-discrimination/non-harassment policies and procedures and grievance system.
- All employees (workers, supervisors, staff, and managers) receive a copy of the workplace rules (including the factory's disciplinary system) and non-discrimination/non-harassment policies and procedure during orientation.

Lastly, the factory to lobby the Malaysian government to consider changing its regulations with regards to pregnancy testing or other medical tests. Migrant workers should not be required to undergo pregnancy testing or other medical tests; work permits and employment status should not be contingent the results of these tests.

#### Planned completion date

07/07/18

#### Company Action Plan Update

Factory will discuss with management to engage a consultation firm to carry out the in review factory non-discrimination/ non-harassment policies and procedures. Assists in implement the disciplinary system for harassment/ violence/ discrimination.

Conduct training to the office staff and all workers for the discrimination and violence. Furthermore, factory will also brief the supervisor and staff that work with migrant workers their nations culture and customs. Also the consultant firm to review the grievance policy and procedure. Factory will also ask for the assist of consultant firm to review the grievance system for non-discrimination/non-harassment and communicate to all employees. Last but not least, factory will also review the policy all together with all policy periodically.