



COMPANIES: Fast Retailing Co., Ltd.

COUNTRY: Myanmar

ASSESSMENT DATE: 11/16/17

ASSESSOR: FLA China

PRODUCTS: Apparel

NUMBER OF WORKERS: 428

FLA Comments

Exit language: This was not a major factory for Fast Retailing production. It produced around 50,000 pieces per month for Fast Retailing, accounting for an approximate average of 10-20% of the factory's production capacity until Fast Retailing decided to exit in February 2018. Fast Retailing's decision to exit was part of the company's strategic prioritization of production partners that consistently meet quality standards. In this case, there were some delivery and quality issues prior to exit. Also the factory management was not very cooperative regarding remediation, so Fast Retailing will not be able to pursue remediation of noncompliance identified in this report. There are no other FLA company affiliates sourcing from the factory to pursue remediation.

Summary of Code Violations

Companies that join the FLA agree to uphold the FLA Workplace Code of Conduct throughout their entire supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and defines labor standards that aim to achieve decent and humane working conditions.

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

Findings and Action Plans

FINDING NO.1

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Policies & Procedures (Macro)

Finding Explanation

1. The factory does not have policies for Recruitment, Hiring & Personnel Development, Compensation, Hour of Work, Termination and Retrenchment, Industrial Relations, or Workplace Conduct & Discipline. However, some documents exist to manage these Employment Functions in the "Company Pledge for Code of Conduct Compliance and Organizational Policies." ER.1, ER.28, ER.29, ER.30
2. The factory does not have procedures for Recruitment, Hiring & Personnel Development, Compensation, Hour of Work, Termination and Retrenchment, Industrial Relations, or Workplace Conduct & Discipline. However, some documents exist to manage these Employment Functions in the "Organizational Policies." ER.1, ER.29
3. The factory does not have Environmental Protection Policy. ER.1, HSE.1
4. The factory has contracted an external environmental consultant service to establish an Environmental Management Plan with guidelines for the factory to implement an Environment Protection Program. However, there are no procedures which clearly define the scope, role and responsibility of employer and employees, environmental protection implementation process, environmental risk assessment. ER.31, HSE.1
5. The factory does not have a health, safety environment policy in place. HSE.1
6. The factory does not have general health and safety procedure. However, there are some safety standard operating procedures for Knitting, Linking Machine, Printing Machines, Embroidery Machines and Boilers. ER.3.
7. The factory does not have safety procedures for visitors and contractors who come to the factory. ER.31 HSE.5 HSE.12

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.28, ER.29, ER.30, and ER 31; Health, Safety, & Environment Benchmarks HSE.1, HSE.5, and HSE.12)

FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

1. There is no training for supervisors and managers on the FLA Workplace Code and Benchmarks, nor is there training for the general workforce on the FLA Workplace Code. Additionally, The FLA Workplace Code and Benchmarks have not been posted in the factory. ER.1
2. The factory does not provide specific training for all relevant supervisors on any of the Employment Functions. ER.17
3. The factory only provides ongoing training for employees on health and safety. ER.1, ER.26
4. Workers are not provided with complete training materials and documentation of the topics covered during orientation.ER.15
5. Training related to the environmental program was conducted in October 31 and November 1, 2017 for all the workforce and supervisors. The training was rotationally conducted by group throughout the year, therefore not all of the workforce has been trained. ER. 1
6. While workers were correctly using personal protective equipment (PPE), the factory has not conducted training on PPE use. HSE.8
7. The factory does not have an ergonomic program to provide training for the workforce on how to perform their work in a correct position and to prevent long term injury. HSE.17
8. The factory does not provide safety training for maintenance workers on Lockout-tagout, Confined Spaces, and Working at Heights. HSE.14
9. The factory does not provide workers with training on proper lifting techniques. HSE.17

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, ER.17; Health, Safety & Environment Benchmark: HSE. 8, HSE.14, and HSE.17)

FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

1. The factory does not communicate the policies and procedures and their updates to the general workforce for any of the employment functions. ER.1, ER. 25, ER.28, ER.29, ER.16, ER.32
2. The factory does not involve any worker representatives in the development of the policies and procedures for any of the Employment Functions. ER.25

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, ER.25, ER.28, ER.29, and ER.32)

FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Review Process (Macro)

Finding Explanation

1. The factory does not have procedures to review the policies and procedures for any of the employment functions. ER.1
2. The factory has not clearly defined, in writing, the person(s) responsible for overseeing the implementation of any of the employment functions. The responsibilities are only partly and informally defined. ER. 1

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.1)

FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. Assessors identified 3 workers from a random sample of 40 workers' files & work floor who are 15 years old, this was confirmed through worker interviews. Local law defines persons younger than 16 years old as "children," but allows for employment of workers as young as 14 years old provided certain restrictions are in place at the workplace. These 3 workers used fake IDs that stated their ages as 16, when applying for a job with the factory. No health certificates were available for those workers. The likely ages for these workers were between 13 and 15 years old. The factory policy prohibits hiring of workers younger than 18 years old and the management claims they were not aware that they employed workers considered "children" by local law. CL.1, CL.2, CL.3, ER.4
2. Since the factory was unaware that they had employed any "child" workers, they have not provided these workers with any of the necessary legal protections; including, task restrictions, hours of work limits, hazardous work protections, or medical assessments. CL.1 CL.3
3. Only simple Job descriptions are developed for all positions, which only mention the employee duties. They do not include details of the employee role & responsibility and procedures regarding performance reviews. ER.1,C.1
4. The factory uses the monthly performance evaluation results for providing the performance allowance and when renewing workers' contracts. However, there is no written policies and procedures regarding performance reviews that outline the review steps and process, demonstrate linkages to job grading, prohibit discrimination, are provided in writing and seek feedback and agreement and/or disagreement from employees in writing, and that follow all local legal requirements. ER.29
5. The employment contracts are not provided to workers. ER.1

Local Law or Code Requirement

Factories Act (1951), Art. 77, Art 80; FLA Workplace Code (Employment Relationship Benchmark ER.1, ER.4; ER.29, ER. 30, Child Labor Benchmark CL.1, CL.2, CL.3)

Recommendations for Immediate Action

1. The factory should take the following actions to ensure strict implementation of the age verification procedure: ensure complete, authentic, and accurate proof of age documents, verify proof of age documents with workers during recruitment process, train personnel administering recruitment and hiring process, review all existing worker personnel files and verify with workers and third parties (parents, local authorities) if there are discrepancies, If there are young workers, continue employment, but ensure that their work conditions meet legal requirements. For further reference, please see: FLA Code and Benchmarks, pages 4-6, Factories Act (1951), Art. 77: Aptitude certificates, Child Labor in Myanmar's Garment Sector (BSR)

FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. Although it is legally allowed, during the probationary period workers are paid below the minimum wage During the following probationary period, they are paid 2,700 MMK/day for 2 months. (75% of legal minimum wage). ER.13.1, C.1, C.2, C.3
2. The factory made wrong deduction for Social Security Board contribution (S.S.B.) as the factory uses a fixed the rate according the length of the month. For months with 31 days the S.S.B contribution was deducted at 2,232 MMK, months with 28 days the S.S.B. Rate is at 2,016 MMK, months of 30 days the S.S.B. rate is at 2,160 MMK for all workers. However workers do not work this exact number of days each month. For example, a worker who works for 29 days in September 2017, their S.S.B contribution should be 2,088 MMK instead of 2,160 MMK. C.10
3. The factory includes rest days when workers take annual leave taken. For example, if a worker were to take annual leave from June 14 to 23, 2017 they are deducted a day of leave for Sunday June 18th. ER.22, HOW.11, HOW.14
4. In Myanmar certain currency denominations are difficult to find, therefore the factory avoids paying workers in intervals less than 100 MMK. To do this the factory rounds the wage down. For example, if a workers salary is 108,380 MMK the factory rounds the wage down

to 108,300 MMK. When the factory does distribute these denominations in pay it allows the supervisors to distribute them, which could lead to discrimination. C.1

5. Payday is on 5th of each month and paid in cash together with a pay slip. Therefore, the workers are not able to check the whether their wage is correct before receiving the wage. C.1

Local Law or Code Requirement

The Social Security Law 2012 (Come into force on 1 April 2014) and the Social Security Rule (Notification No. 4/2014), Leave and Holiday Act (1951), Art. 4, FLA Workplace Code (Employment Relationship Benchmarks ER.13, ER.19, ER.22; Compensation Benchmarks C.1, C.2, C.3, C.10, C.15, C.16, and C.17; How of Work Benchmarks: HOW.11)

Recommendations for Immediate Action

1. Ensure workers are paid at least the legal minimum wage (3,600 MMK/day) upon hire, regardless of worker employment status.
2. Do not include rest days when deducting used annual leave.

FINDING NO.7

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. The factory has missing proof of age documentation, and discrepancies in those age documents that it does possess. There are several workers below the age of 18 at the factory, but the management claims they were not aware that they employed young workers. Thus, the attendance system and records are not able to identify the workers under age 18 and the working hours records does not identification of pregnant and lactating women in the system. HOW.5

2. The working hour announcement (12th January, 2017) posted in the factory mentioned that the factory starts work at 8:00am and finishes at 8:00pm. HOW.1, HOW.8

3. The factory have a system to record working hours on a time clock systems; however, working hours records do not include break time, or identify workers under age 18. The factory does not have system to identify and limit the working hours of pregnant or lactating women. HOW.5

4. The night shift starts at 8:00pm and finishes at 4:40am with a 40 minute supper break from 11:50pm to 12:30am. Before working overtime, a 20 minute overtime break is provided from 4:40am to 5:00am. The overtime is from 5:00am to 8:00am. Most of the workers complained that the factory selectively assigned workers to work overtime. In this case, they often feel discriminated against, as the workers close to supervisors are likely to be given the chance to work overtime. ND.1

Local Law or Code Requirement

The Factories Act (1951), Art. 60(1); FLA Workplace Code (Hours of Work Benchmarks HOW.1, HOW.5, and HOW.5; Non Discrimination Benchmarks: ND.1)

Recommendations for Immediate Action

1. Ensure that the working hour records are identification of workers under age 18, pregnant and lactating women and break time in the system.
2. Develop a system to assign overtime hours in an equitable manner.

FINDING NO.8

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. The warning letters issued for disciplinary violations do not include the misconduct and the clause the workers have breached. The factory does not have procedures on how workers can appeal disciplinary actions taken against them. ER.27

2. Disciplinary actions are not witnessed by a third-party. ER.27

3. Around 10% of the workers interviewed complained that they felt insulted and disrespected as the Korean management yelled at them from time to time, and pass things to them by kicking the object with their feet, which is considered disrespectful in the local culture. Moreover, a few workers felt intimidated by the office staff, as they treated them as inferiors. For example, workers have to take off their shoes when they come to office, even though at the office wears shoes, and no indoor shoes are provided for workers to wear. H/A.2, H/A.5

4. A gate-pass is a compulsory if workers wish to leave the factory, go out at lunchtime, or do not wish to work overtime. If workers do not want to work overtime they need to obtain a gate pass with signatures from the Department Manager and Office Manager. If workers attempt to leave the factory premises without this pass, the security guards stop them. F.4, H/A.7

5. The Workplace Conduct & Discipline procedures do not specify the disciplinary actions that should be taken for any of the listed infractions, including the steps for disciplining supervisors and managers who harass or abuse workers. There is also no oversight mechanism in place to ensure that management does not engage in harassment, abuse, or discrimination against employees when implementing disciplinary measures. ER.27

6. There is discrimination in the application of disciplinary actions. For example, a Korean manager who attempted to point scissors at a worker's neck was only given warning letter, although it was a serious misconduct that should be given termination. H/A.1

7. Worker representatives are not involved in the development or review of the Workplace Conduct & Discipline policies and procedures. H/A.1

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.27; Force Labor Benchmarks: F.4; Harassment & Abuse Benchmarks H/A.1, H/A.2, and H/A.5)

Recommendations for Immediate Action

1. Ensure disciplinary practices are progressive, including application of escalating disciplinary action moving from verbal warnings to written warnings to suspension and finally to termination. Disciplinary actions should be documented.

2. Ensure that factory management and supervisors do not use any form of verbal violence, including screaming, yelling, or the use of threatening, demeaning, or insulting language, as a means to maintain labor discipline.

3. Cease restricting the movement of workers, and ensure that workers are allowed to go out for lunch and back home after finishing work, at their convenience.

4. Train supervisors on the disciplinary system and establish a system to discipline supervisors who harass or abuse workers. Obtain a commitment from all management level employees that they will not harass or abuse workers.

FINDING NO.9

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

1. The termination letter does not include specific misconduct and the clause the workers have breached to result in termination. ER.32

2. The factory does not arrange consultation meetings with workers or worker representatives before management reaches any final decisions on layoffs. ER.32

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.32)

FINDING NO.10

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. A Workplace Coordinating Committee (WCC) has been formed and two worker representatives were appointed by management; thus, the worker representative structure is not independent from management interference. FOA.10, FOA.11

2. The management does not provide any office space or other facilities for the worker representative. FOA.15

Local Law or Code Requirement

The Labor Organization Law, 2011 Clause 17; FLA Workplace Code (Freedom of Association Benchmarks: FOA.10, FOA.11, and FOA.15)

Recommendations for Immediate Action

1. Ensure that worker representatives are elected by the workers.

FINDING NO.11

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Grievance System

Finding Explanation

1. The factory's Grievance procedure is available; however, the factory did not involve any worker representatives in the development of this procedure. Furthermore, worker representatives are not included in the evaluation of the grievances collected.ER.25

2. The factory has provided suggestion boxes at the each production hall; however, no signs or instructions, such as updated grievance policy and procedure, have been posted. Additionally these suggestion boxes are not confidential, as they are posted at the front entry gate. ER.25

3. The workers do not trust the grievance system at the factory, since the direct communication with the Korean management team has not been effective, as the workers believe that the interpreters do not provide full interpretation. ER.25

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.25)

FINDING NO.12

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. Oil contaminated water from the generator near the administrative office drains directly into the rain gutter. HSE.1

2. Drinking water bottles are used for storing lubricant oil in the knitting department. HSE.9

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmark HSE.1 and HSE.9)

Recommendations for Immediate Action

1. Ensure that oil-contaminated water from the generator is not discharged into environmental.

2. Do not use unlabeled or unsuitable containers for storing chemicals.

FINDING NO.13

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The assembly point location is listed on the evacuation maps, but the factory has not erected signs at this location. HSE.5

2. Basic PPE is provided for the firefighting team, such as hardhats and masks, but breathing apparatus, axes, saw, and hammers have not been provided. HSE. 6, HSE.7

3. The fire alarm stops sounding if the worker lets go of the switch. Additionally, the fire alarm system was directly connected to the power system, instead of having a backup battery system. HSE.5

4. The fire alarm system does not have alarm control panel, nor is it centralized to notify the local fire department. HSE.5

5. The sound of the fire alarm is the same sound used to notify workers of break time and production time. HSE.5

6. There is no emergency exit light and emergency power light installed on the staircases of the warehouse mezzanine. HSE.5

7. One of the exit doors located at the back of the production floor leads through the boiler area. HSE.5

8. A fire drill has not been performed for night shift. Fire training has only been provided for firefighting team members and some groups of workers. HSE.5

Local Law or Code Requirement

The Factory Act, 1951; FLA Workplace Code (Health, Safety, & Environment Benchmarks: HSE. 5, HSE.6, HSE.7)

Recommendations for Immediate Action

1. Change the current fire alarm point by a proper alarm system. Ensure that the alarm system is equipped with back up battery.

2. Changing the sound of the fire alarm system to ensure it produces a different sound from the one used to notify about break time, production time. Train workers about this change in the fire alarm system.

3. The exit routes should not be led through boiler rooms and other high hazard areas.

4. Conduct fire drills for all shifts.

FINDING NO.14

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory has basic lockout-tagout procedures, but they do not fully covered all elements needed for a lockout-tagout system, such as notifying the affected person, turning off the source of energy, lock & tag the control point, release stored energy, the person who keep the key during maintenance process, and safety step to recover the operation. HSE. 14

2. Basic safety measure for a fall protection program have been implemented, such as full body harnesses, warning signs, and risk assessments. However the working at heights procedures do not include how to identify the anchor point, what type of PPE should be used, what type of fall protection devices should be installed, how is the rescue process should be implemented in case of accident, and what type of training should be provided. HSE.14

3. The factory has not implemented any confined space safety measures.HSE. 13

4. The factory only provides a shared drinking water cup at each workshop. HSE.23

5. The factory has not performed an asbestos exposure assessment and taken the proper steps to ensure that workers are not exposed to asbestos. HSE.9

6. Adjustable workstations are not provided to workers. Additionally, the workers are not provided with adjustable chairs with backrests. HSE.17

7. The factory does not provide any lifting belts to applicable workers. HSE.7

Local Law or Code Requirement

The Factory Act, 1951; FLA Workplace Code (Health, Safety, & Environment Benchmarks: HSE.5, HSE.9, HSE.13, HSE.14, HSE.17, and HSE.23)

Recommendations for Immediate Action

1. Implement a complete lockout-tagout system.

2. Implement a complete working at heights procedure.
3. Develop and implement safety measures for confined space work.
4. Provide individual drinking cups or bottles to workers.
5. Establish a periodic and documented visual control system for asbestos containing roofing material and Install warning signs for the hazardous waste area that has asbestos containing roofing material, indicating it as such and potential health hazards.
6. Provide lifting belts to the relevant workers.