



COMPANIES: Fast Retailing Co., Ltd.

COUNTRY: Peru

ASSESSMENT DATE: 09/16/16

ASSESSOR: FLA China

PRODUCTS: Apparel

NUMBER OF WORKERS: 500

## FLA Comments

Exit language: This was not a major factory for Fast Retailing production. It produced around 7,000 pieces per month, accounting for an approximate average of 50% of the factory's production capacity until Fast Retailing decided to exit in June 2017 as 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. There is no risk of retrenchment associated with Fast Retailing's exit because the factory is able to replace Fast Retailing production with orders from other brands, including their own brand. Fast Retailing will not be able to pursue remediation for the noncompliance identified in this report, nor are there currently any other FLA company affiliates sourcing from the factory to pursue remediation.

## Summary of Code Violations

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

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

## Findings and Action Plans

### FINDING NO.1

#### SUSTAINABLE IMPROVEMENT REQUIRED

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

##### Finding Explanation

1. The factory does not have written policies or procedures on the following Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, and Industrial Relations.

2. Management does not have written procedures for Personnel Development that: a) outline the criteria for promotion, demotion, and job reassignment, demonstrate linkages to job grading, and prohibit discrimination or the use of demotion or job reassignment as a form of penalty or punishment; and, b) encourage ongoing training of all categories of workers with the goal of raising or broadening skills in order to advance in their careers within the factory and beyond.

3. The factory does not have procedures on Termination & Retrenchment that: a) include methods of calculating final payouts in accordance with legal requirements; b) require communication and consultation with workers' representatives in cases of retrenchment, before reaching a final decision on a layoff with the purpose of averting or minimizing its effects; and, c) include a mechanism that allows workers to report concerns or problems they may experience with regard to legally-owed payments during the retrenchment process.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.19.1, ER.19.2, ER.23.1, ER.25.2, ER.28.1, ER.29.1, ER.30.1, ER.30.1.1, ER.32.1, and ER.32.3)

#### COMPANY ACTION PLANS

##### Action Plan no 1.

##### Description

Create written policies/procedures on recruitment, hiring and personnel development, compensation, hours or work, termination and retrenchment, plus industrial relations including the worker integration and accountability elements to imply that workers are consulted and asked for feedback during the creation of new policies and procedures, and that the management assign one responsible of ensuring the proper implementation of the newly created policies and procedures.

##### Company Action Plan Update

04/17/17 : In Progress

##### Action Plan no 2.

#### Description

Create written procedures for personnel development, such as outlining the criteria for promotion, demotion, job reassignment, job grading and procedures for job encourage with the goal of raising skills to have the opportunity to advance in their careers including the worker integration and accountability elements to imply that workers are consulted and asked for feedback during the creation of new policies and procedures, and that the management assign one responsible of ensuring the proper implementation of the newly created policies and procedures.

#### Company Action Plan Update

04/17/17 : In Progress

#### Action Plan no 3.

#### Description

Create procedures for termination and retrenchment, including methods for calculation of final payouts, forms of communication/consultation for workers before final layoffs and create mechanisms to allow workers to report problems or concerns on legally-owed during retrenchment process, including the worker integration and accountability elements. It would imply that workers are consulted and asked for feedback during the creation of new policies and procedures, and that the management assign one responsible of ensuring the proper implementation of the newly created policies and procedures.

#### Company Action Plan Update

04/17/17 : In Progress

## FINDING NO.2

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Training (Macro)

#### Finding Explanation

1. The factory does not provide any ongoing training for workers or specific training for the relevant supervisors on the following Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, and Grievance System.

2. The factory does not provide orientation training to new workers on Personnel Development.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15.1, ER.15.2, ER.17.1, ER.17.3, and ER.27)

### COMPANY ACTION PLANS

#### Action Plan no 1.

#### Description

Create policies pertaining recruitment, hiring and personnel development, compensation, hours of work, termination and retrenchment, industrial relations, workplace, conduct and discipline and grievance. And, also, focus on the provision of ongoing training to workers and supervisors in the different FLA Employment Functions.

#### Company Action Plan Update

04/17/17 : In Progress

#### Action Plan no 2.

#### Description

Orientation training for new workers will include Personnel development.

#### Company Action Plan Update

04/17/17 : In Progress

## FINDING NO.3

## SUSTAINABLE IMPROVEMENT REQUIRED

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

#### Finding Explanation

1. As the factory is missing policies and procedures on Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, and Industrial Relations, there is no communication on these Employment Functions with workers.

2. The Worker Involvement component is missing from 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 involved with nor consulted in the decision-making processes.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.1.3, ER.16.1, ER.25.1, ER.25.2, ER.29.1.1, and ER.30.2; Compensation Benchmark C.17)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

Create and implement procedures to communicate workers all employment functions in a regular basis and through different communication channels.

#### Company Action Plan Update

4/17/17 : In Progress

### Action Plan no 2.

#### Description

Elaboration of staff functions as well as establishing procedures to allow workers to involve in employment functions processes.

#### Company Action Plan Update

04/17/17 : In progress

## FINDING NO.4

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Review Process (Macro)

#### Finding Explanation

1. As the factory does not have written policies or procedures on the following Employment Functions, there is also no review process: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, and Industrial Relations.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.29.1.1, and ER.30.2)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

Development of induction procedure to review the process of recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, and Industrial Relations. Review progress will be regularly conducted.

#### Company Action Plan Update

04/17/17 : In progress

## FINDING NO.5

### IMMEDIATE ACTION REQUIRED

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

##### Finding Explanation

1. The employment application form that the factory uses during the Recruitment process for all positions asks for information on the applicant's age, gender, and marital status. Although there is no evidence that such information is requested for discriminatory purposes, this practice poses a risk of discrimination.
2. The factory regularly employs workers through multiple short-term contracts. All production workers renew their employment contracts every two or three months. This practice complies with local law and the prevailing practice in the country; however, it is not allowed under the FLA Workplace Code and Benchmarks.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.3.2, ER.8, and ER.9; Non-Discrimination Benchmark ND.2.1)

##### Recommendations for Immediate Action

1. Remove questions about age, gender, and marital status from the employment application forms to ensure Recruitment & Hiring decisions are based solely on the qualifications of the applicant. Revise the current Recruitment & Hiring procedures to ensure that information related to workers' age, gender, marital status is collected only after workers have been hired.
2. Cease the practice of issuing and signing multiple short-terms contracts. Make all necessary efforts to shift employment contracts from temporary to permanent contracts. Engage with local and international CSOs to analyze long-term solutions at the national level.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

Employment application form updated to avoid asking information on applicant's age, gender and marital status.

##### Company Action Plan Update

04/17/17 : In Progress

#### Action Plan no 2.

##### Description

Anazer Sac use the contractors to meet the seasonal orders and sudden orders, not to save the cost. By law, the contracts are for non-traditional exports and their validity is according to Production orders. Anazer Sac, is under the law N.22342 for non-traditional exports, which allows exporters to hire personnel for short terms, being able to review contracts every 2 or 3 months, depending on the Purchase Order lead time. These Purchase orders are registered at the Ministry of Work, along with the workers contracts.

## FINDING NO.6

### SUSTAINABLE IMPROVEMENT REQUIRED

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

##### Finding Explanation

1. The factory does not have job descriptions for production positions.
2. The factory does not conduct performance reviews for any of its employees.
3. Workers are not provided written documentation regarding promotion, demotion, or job reassignment.

## COMPANY ACTION PLANS

### Action Plan no 1.

Description

Create job descriptions.

Company Action Plan Update

04/17/17 : In progress

### Action Plan no 2.

Description

Create performance reviews for workers. And, worker performance reviews will be conducted, documented and used to make employment career decisions, such as promotions.

Company Action Plan Update

04/17/17 : In Progress

### Action Plan no 3.

Description

Create procedures/policies for jobs promotion, demotion and/or reassignment including a commitment to provide workers with written documentation on promotion, demotion or reassignment, whenever, any of these actions are implemented.

Company Action Plan Update

04/17/17 : In Progress

## FINDING NO.7

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Compensation

Finding Explanation

1. The factory has not designated an appropriate room for lactating women to pump and store breast milk, as legally required.

2. The factory uses two subcontractors to perform all the cutting and finishing activities. However, the factory does not ensure that the subcontractor companies comply with all labor laws and regulations, especially those related to payment of minimum wage and legal benefits. These two subcontracting companies operate in the same building used by the factory. Interviews with the subcontracted workers revealed that they do not receive the legal benefits they are entitled to; however, FLA assessors were not able to corroborate these allegations as the factory does not keep related documentation (e.g., employment contracts, personal files, payroll, and other documents related to payment of benefits) on site.

Workers' salaries are paid every seven days, but they only receive a pay slip once every month. This pay slip includes all relevant payment information for the four weekly salary payments made to the workers each month. However, based on the FLA Workplace Code and Benchmarks, workers should be provided a pay slip for each individual salary payment they receive.

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Local Law or Code Requirement

Law that Regulates the Outsourcing Services (Law 29245), Article 9; Regulations to the Law that Regulates the Outsourcing Services (Supreme Decree 006-2008-TR), Article 7; Law that Regulates the Activity of Special Services Companies and Cooperatives (Law 27626), Article 7; Peruvian Law that Establishes the Implementation of Lactating Rooms in the Public and Private Sector (Law 29896), Article 1; FLA Workplace Code (Non-Discrimination Benchmarks ND.1 and ND.8.1; Compensation Benchmarks C.13 and C.15; Employment Relationship Benchmarks ER.2 and ER.11)

Recommendations for Immediate Action

1. Designate an appropriate room for lactating women to pump and store their breast milk. Communicate with workers about this benefit.
2. Maintain and regularly review the employment contracts, personal files, payroll, and other documents related to payment of benefits of workers employed by the subcontractor to ensure compliance with all labor laws and regulations (including payment of minimum wage and legal benefits). Ensure that all workers who have not received their legally required wages and benefits in the last 12 months are paid retroactively.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

Lactating room set up. Communication and training to eligible female workers on the availability for using the lactating room, and applicable rules.

#### Company Action Plan Update

04/17/17 : In Progress

### Action Plan no 2.

#### Description

Develop procedures/policies to ensure subcontractors comply with labor laws in general.  
Have the commitment to supervise sub-contractors and to make a registration and keep the record properly.

#### Company Action Plan Update

04/17/17 : In Progress

### Action Plan no 3.

#### Description

Developed a payroll sheet for every week's payment. And, delivered a weekly pay slip.

#### Company Action Plan Update

04/17/17 : In Progress

## FINDING NO.8

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Grievance System

#### Finding Explanation

1. Suggestion boxes are not equipped with pencils for workers to write their complaints and suggestions, which makes the system ineffective.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.25.2)

#### Recommendations for Immediate Action

1. Equip all suggestion boxes with pencils so workers can write their complaints and/or suggestions.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

Suggestion box installment.  
Reviewed and place paper and pencil daily.

## FINDING NO.9

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Environmental Protection

##### Finding Explanation

1. The factory does not separate the solid waste and hazardous waste collection areas. The waste collection area is also not protected from the sun and rain.
2. The factory does not have an environmental permit, or an legal exemption that demonstrates that it does not have a significant impact on the environment.

##### Local Law or Code Requirement

Regulations to the National System of Evaluation of Environmental Impact Law, Articles 15, 16, and 17; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.4)

##### Recommendations for Immediate Action

1. Segregate the solid and hazardous waste collection areas and protect both from the elements.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

Solid waste and hazardous waste collection areas set up, protected.  
Solid waste and hazardous waste areas are segregated/separated.

##### Company Action Plan Update

04/17/17 : In Progress

#### Action Plan no 2.

##### Description

Processing permits/legal exemption on environmental impact.

##### Company Action Plan Update

04/17/17 : In progress

## FINDING NO.10

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. There is a rolling door in the weaving department that opens sideways that is used as an emergency exit. The door does not open easily due to lack of lubrication on the doors' wheels, and at the time of the assessment it was obstructed with fabric rolls that were being offloaded.
2. One of the smoke detectors in the fabric warehouse is not installed in the correct place. It should be directly above the fabric rolls to work effectively in case of a fire. It is currently installed about 1.5 meters away from the fabric roll storage area.
3. At the time of the assessment, three out of four of the factory's earthquake safety areas were obstructed. One was blocked by boxes of finished products, and the other two were blocked by machinery.



4. All of the fire alarm buttons in the factory are labelled in English, but the workers' local language is Spanish.
5. There is one emergency exit in the screen-printing area that does not have a rest-landing, which poses a risk of falling during an evacuation.
6. Two liquefied petroleum gas (LPG) cylinders stored in the screen-printing area were not separated, labeled, or chained.
7. The factory does not have any formal written guidance documents for external contractors/service providers concerning Health & Safety.

#### Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.5.1 and HSE.14.1)

#### Recommendations for Immediate Action

1. Replace the rolling emergency exit door in the weaving department with a new one that opens outwards or cease using the rolling door as an emergency exit. Ensure that all emergency exits are clear of obstructions.
2. Reinstall the smoke detector in fabric warehouse in the correct position so it will work effectively in the event of a fire.
3. Remove any obstructions from the earthquake safety areas.
4. Post signs in Spanish to label all fire alarm buttons.
5. Equip the emergency exit in the screen-printing area with a rest-landing.
6. Safely store all gas cylinders in the screen-printing area, by ensuring they are separated, labeled, and chained.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

Repair/fix rolling door and clean obstacles (fabric rolls).

Requirement for HSE staff to regularly monitor that emergency exits are kept unobstructed at all times.

#### Company Action Plan Update

04/17/17 : In Progress

### Action Plan no 2.

#### Description

Replace smoke detectors to be in the correct places.

#### Company Action Plan Update

04/17/17 : In Progress

### Action Plan no 3.

#### Description

Clean earthquake safety areas.

Requirement for HSE staff to regularly monitor that safety areas are clear at all times.

#### Company Action Plan Update

04/17/17 : In Progress

### Action Plan no 4.

#### Description

Label fire alarm buttons in Spanish.

#### Company Action Plan Update

04/17/17: In Progress

### Action Plan no 5.

#### Description

Clear emergency exit in screen print area

Requirement for adding a rest-landing, or other action to eliminate uneven floor.

#### Company Action Plan Update

04/17/17 : In Progress

#### Action Plan no 6.

#### Description

Properly label LPG cylinders and separate them.

#### Company Action Plan Update

04/17/17 : In Progress

#### Action Plan no 7.

#### Description

Create health and safety manual to focus on safety rules for service providers/ contractors.

#### Company Action Plan Update

04/17/17 : In Progress

## FINDING NO.11

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

#### Finding Explanation

1. Eight chemical containers (cleaners and isopropyl alcohol) located in the male restrooms, compressor area, screen-printing department, and cutting departments are not labeled.

2. There is no secondary container for the isopropyl alcohol containers in the general warehouse.

#### Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmark HSE.9.1)

#### Recommendations for Immediate Action

1. Label all chemical containers used in the work areas and restrooms.

2. Equip all alcohol containers in the general warehouse with secondary containment systems.

### COMPANY ACTION PLANS

#### Action Plan no 1.

#### Description

Removed all chemical containers from non-correct areas and it is required that all chemicals and stored in a designated chemical storage area.

#### Company Action Plan Update

04/17/17 : In Progress

#### Action Plan no 2.

#### Description

Provide secondary container for isopropyl alcohol in general warehouse.

#### Company Action Plan Update

04/17/17 : In Progress

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. Workers are not subjected to general health examinations during the hiring process or regular examinations during employment, as legally required.
2. The factory has not conducted assessments on thermal comfort, lighting, and noise, as legally required.
3. The factory has not conducted an ergonomic risk assessment, as legally required; as a result, no proactive steps to reduce repetitive-motion injuries have been taken (e.g. training on ergonomics, ergonomic breaks, or adjusting workstations to fit individual workers).
4. Some workers store their food in the microwave, which might increase the risk of contaminating the microwave.
5. The factory's Identification of Dangers and Evaluation of Risks (IPER), a legally required risk assessment, is not complete, as it overlooks some physical risks (e.g., risk of injuries/cuts when operating sewing machines, risk of musculoskeletal injuries, electrical risks, and risks of injuries for maintenance workers) and lacks a means of verification (e.g. a yearly review of accident/incident statistics, assessing the results of health and safety inspections, etc.) to ensure that the current protective measures effectively address all risks, as required by law.
6. The factory has not hired an occupational doctor, as legally required.

##### Local Law or Code Requirement

Peruvian Law on Health and Safety at the Workplace (Law 29783), Articles 49 (Sections A, B, C and D) and 56; Regulations on Health and Safety at the Workplace, Articles 39 (Section D) and 45; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.17.1, HSE.18.1, HSE.18.2.1, and HSE.19)

##### Recommendations for Immediate Action

1. Conduct all legally required health examinations.
2. Commission all occupational assessments required by law, such as thermal comfort, lighting, noise, and ergonomics.
3. Ensure that workers do not store food in the microwave to prevent contamination.
4. Ensure that the identification and evaluation of risks covers all workplace risks and includes a verification mechanism.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

Establish health examination policies.

All new workers will be subjected to health examinations during the hiring process.

Ensuring that regular workers are subjected to the annually required medical examinations.

##### Company Action Plan Update

04/17/17 : In Progress

#### Action Plan no 2.

##### Description

Establish policies for checks of thermal comfort, lighting and noise.

Requirement for factory to commission thermal comfort, lighting and noise assessments with accredited external service providers

##### Company Action Plan Update

04/17/17 : In Progress

### Action Plan no 3.

#### Description

Create procedure/policies for ergonomic risk assessment.

#### Company Action Plan Update

04/17/17 : In Progress

### Action Plan no 4.

#### Description

Prepare signs to avoid food being store in microwave.

Communication and training to workers on safe food storage practices.

#### Company Action Plan Update

04/17/17 : In Progress

### Action Plan no 5.

#### Description

Create procedures to identificate dangers and evaluation of risks and the respective follow-up.

Requirement for providing training to HSE staff, so they can gain knowledge on how to better identify all HSE risks at the workplace.

Then, a new risk assessment should be conducted.

#### Company Action Plan Update

04/17/17 : In Progress

### Action Plan no 6.

#### Description

Review of occupational doctor enforcement by law.:The law R.M. N° 571-2014/Minsa from Ministry of Work, modified the criteria of mandatory hiring a doctor in the company. The companies with 500 employees or less do not need an occupational doctor, nor having a minimum of hours of a doctor in the company

WE ARE DEVELOPING THE ANNUAL OCCUPATIONAL HEALTH PLAN. Even though the hired doctor is not in the factory,the first-aider is available and trained periodically, and the hospital is at within 3km from the factory.