



COMPANIES: Outerstuff LLC

COUNTRY: Philippines

ASSESSMENT DATE: 12/14/17

ASSESSOR: Donny Triwandhani

PRODUCTS: Apparel

NUMBER OF WORKERS: 165

## FLA Comments

Outerstuff Exit Language 8/27/2018: Outerstuff has placed work at this factory for the last three years. Currently we do not have any work placed at this facility. Over time, this facility's quality, delivery, product development have failed the Outerstuff standards. Over the years, the team business structure proved to be challenging and Hello Baby was unable to show success in sewing quality and multiple times delivery was compromised. Outerstuff's last season at Hello Baby made less than 10% capacity at this facility. Factory management was informed of the exit decision on January, 2018 and there are no further SCI updates available as Outerstuff no longer has a relationship with the facility.

## 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: 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

Occupational Safety and Health Standards, Rule 1040 - Health and Safety Committee (1990), Sec. 1043.01 subsection 4; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.29, ER.30, and ER.31)

#### COMPANY ACTION PLANS

##### Action Plan no 1.

##### Description

Polices are in place. We continue to coordinate with Philippine Department of Labor to update polices.

##### Planned Completion Date

01/02/19

##### Planned completion date

05/27/18

### FINDING NO.2

#### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Training (Macro)

##### Finding Explanation

1. The orientation training does not cover Recruitment, Hiring & Personnel Development, Hours of Work, Industrial Relations, Workplace Conduct & Discipline, Grievance System, Termination & Retrenchment, and Health, Safety & Environment Protection. Orientation for

- new workers only cover employment status, position, wage term, social benefit and service incentive. ER.15
2. There is no ongoing training for workers on Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, Grievance system, Health & Safety (except fire and evacuation), and Environment Protection. The last training on January 19, 2015 covered only rules and regulation, major and minor offences, introduction of grievance mechanisms, sexual harassment, and health & safety committees. ER.1, ER.15, ER.25
  3. There is no specific training for supervisors on any of the abovementioned Employment Functions. ER.17
  4. There is no training for HR personnel and Managers on Workplace Conduct and Disciplinary Practice. ER.27
  6. There is no annual Health & Safety trainings such as: ER.1 ER.15, HSE.6, HSE.8, HSE.14, HSE.17
    - a. Personal Protective Equipment training conducted for relevant workers.
    - b. Machinery Safety training conducted for sewing workers and snap button workers.
    - c. Chemical handling, Lockout-Tagout and work at height trainings conducted for maintenance workers.
    - d. Basic or general first aid training for all employees regarding the First Aid processes and procedures such as:
      - i. Who to contact for any incident that requires first aid or other medical assistance.
      - ii. Location of first aid equipment in work area.
      - iii. How to report any work-related incident, which requires first aid or other medical assistance.
      - iv. Proper use of emergency eyewash or body flush units if exposed to hazardous material resulting in eye, face or body injury
    - e. Sanitation & Personal Hygiene and Ergonomic.

#### Local Law or Code Requirement

Presidential Decree No. 856 regarding Code on Sanitation (1975), Art. 47.a.2; Occupational Health and Safety Standards, Rule 1090 - Hazardous Materials (1990), Sec.1093.09(2); FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, ER.16, ER.17, ER.25, and ER.27; Health, Safety & Environment Benchmarks HSE.1, HSE.6, HSE.8, HSE.14, and HSE.17)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Orientation is usually scheduled during lean months such as August. Company wide orientation takes place once per year. We provide the following training materials to workers flyers and power point in local language. Policies have been drawn up to include training on Recruitment, Hiring & Personnel, compensation, hours of work, industrial relations, workplace code of conduct, grievances, termination, retrenchment, health & safety, and environment.
  2. Training of new employees will be scheduled as per training chart. Follow-up training is conducted every time a new item is introduced to production. Employees sign a training sign-in sheet. The supervisor of each department is in charge of training a new employee. Production manager is in charge of final raining approval and incorporate it into the company, HR Manager briefs employees on company rules, benefits and probation status.
  3. We have added training schedule for new supervisors every month. Supervisors are trained by the Production Manager . HR explains company rules and benefits, employees positions and grievance procedure. Reading material is provided and an attendance sheet is filled out every meeting.
  4. The Department of Labor conducts seminars and orientations which is attended by the HR Manager. HR Manager is trained in matters regarding: Company Rules, Grievance, Hiring and Retrenchment From Dole Assistance, Hello Baby retains a lawyer that helps the HR Manager in special cases and provide guidance. [www.dole.gov.ph](http://www.dole.gov.ph), [www.philhealth.gov.ph](http://www.philhealth.gov.ph), [www.sss.gov.ph](http://www.sss.gov.ph)
  5. POINTS a to e  
The Philippine Department of Labor assists companies in caring for employees and dealing with company issues. They send us material for training which our HR Manager adjusts to fit company rules and culture. Philippine Agency - WEM [www.oshc.dole.gov.ph](http://www.oshc.dole.gov.ph) helps measure the effects of environment, water, air and noise pollution in connection with the safety of employees. Local Fire Department provides training for Health and Safety Committee and it trains workers on Fire Safety evacuation.
- Planned Completion Date  
06/01/18

Planned completion date  
05/27/18

## FINDING NO.3

## IMMEDIATE ACTION REQUIRED

## FINDING TYPE: Health & Safety

#### Finding Explanation

1. The emergency alarm at the factory is not automatic and centralized since the type is a manual push button. Also, it is powered by electricity without any back up power such as stand-alone battery or UPS (Uninterrupted Power System). HSE.5
2. Management has not commissioned a fire risk assessment by a third-party expert nor does it internally conduct fire risk assessments. HSE.1, HSE.5
3. Smoke detector and push-button fire alarm have not been installed in 2 out of 3 stairways and the eating area. HSE.5
4. There is no fire hose with water tanks available at the factory also factory does not use a sprinkler system as part of its factory fire protection plan. HSE.6
5. One out of 2 emergency ladders at the sewing lines are on the 2nd floor which is difficult to access as there is an iron bar preventing the ladder to easily disband from the rope then open towards ground for use. HSE.5
6. Arrow sign marks on the floor at sewing lines area are heavily faded which renders its functionality to show direction during evacuation. Also, the evacuation map posted at the factory is not made of illuminated material. HSE.5

#### Local Law or Code Requirement

Act No. 9514 Otherwise Known as the "Fire Code of the Philippines of 2008" (2009), Rule 10: Fire Safety in Buildings, Structures & Facilities, Division 6: Features of Fire Protection, Sec. 10.2.6.4.1.b; Revised Fire Code of the Philippines (2008), Sec. 7(d).1; Implementing Rules and Regulations (IRR) of Republic Act No. 9514 Otherwise Known as the "Fire Code of the Philippines of 2008" (2009), Rule 10: Fire Safety in Buildings, Structures & Facilities, Division 2: General Requirements Point D, E and L; Implementing Rules and Regulations (IRR) of Republic Act No. 9514 Otherwise Known as the "Fire Code of the Philippines of 2008" (2009), Revised Fire Code of the Philippines (2008), Sec. 8; Rule 10: Fire Safety in Buildings, Structures & Facilities, Division 5: Means of Egress, Sec. 10.2.5.12 A.5; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.5, and HSE.6)

#### Recommendations for Immediate Action

1. Install an automatic and centralized emergency alarm and power with stand-alone battery or UPS (Uninterrupted Power System).
2. Establish a fire risk assessment then commission it to a certified third-party expert.
3. Install smoke detector and push-button fire alarm at 2 out of 3 stairways and eating place.
4. Install fire hose with water tanks along with a sprinkler system or its replacement as part of factory fire protection plan.
5. Ensure every emergency ladder is easily accessible and used.
6. Repaint arrow signs marking on floor at all areas and make evacuation map from illuminated material.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. An electrician was contacted on January 8, 2018 to install additional fire alarms. Health and safety officer checks and keeps records of the functionality of the alarms on a daily basis at 11 am.
  2. We conducted fire risk assessment with Bulacan Fire Department annually. Scheduled fire risk assessment for April 4, 2018. Fire drills are conducted semi annually and records are kept.
  3. An electrician was contacted on January 8, 2018 to install additional fire alarms.
  4. Fire Department assessed that factory size does not call for a fire hydrant. This assessment was preformed in 2016. Instead 3 large size fire extinguishers were purchased and placed in strategic places in the factory. The Fire Department continues to monitor annually, while health and safety committee checks fire extinguishers on a monthly basis. January 15, 2018 Fire Clearance for 2018 was issued.
  5. Health and safety officers are in charge of checking fire alarms, hydrants, fire escape doors and passage ways monthly. if issues are found, they are brought up during our monthly meetings. Each member of the Health and Safety committee is in charge of his/her area. Committee meetings are conducted monthly on issues, urgent matters and new recommendations that need to be announced to all employees.
  6. All arrow signs were painted all over the factory in January 8, 2018. Completion of renovation took place January 8, 2018. Health and safety committee was present during the planning of renovations and painting of arrow signs in the factory, in addition to checking and confirming that all improvements were completed and acceptable
- Planned Completion Date  
06/10/18

## FINDING NO.4

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. Machinery safety management is inadequate: HSE.14

- a. None of the four snap button machines have safety guards on its snap point to protect the operator's fingers from accidental injury.
- b. Around 80% of sewing machines have needle guards that are too high which render its functionality to minimize injury of worker's fingers from sewing machine's needle's rapid movement.

2. Four maintenance workers are not provided with appropriate PPE in accordance with the job hazards they are exposed to, such as safety shoes, lifting belt, hard hat, leather gloves, and eye protector. They are only provided with a dust mask. HSE.7

3. There is no ergonomic program established yet by the factory, this includes: HSE.17

- a. Job rotation, training, stretching, exercise and proactive steps to reduce repetitive-motion stress and injuries.
- b. Not all seating has removable padding and the seating cannot be adjusted to compensate the height difference between each relevant worker's body posture and worktable.

##### Local Law or Code Requirement

Occupational Health and Safety Standards, Rule 1200 - Machine Guarding (1990), Sec. 1202; Occupational Health and Safety Standards, Rule 1080 - Personal Protective Equipment and Devices (1990) Sec. 1081.1, Sec 1082.01, Sec 1084, Sec. 1085, Sec. 1087; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.7, HSE.14, and HSE.17)

##### Recommendations for Immediate Action

1. Maintain machinery safety management by doing internal audits on a regular basis and ensure all machinery are equipped with appropriate safety devices.
2. Provide PPE based on risk exposure such as safety shoes, lifting belt, hard hat, leather gloves, and eye protector for maintenance workers.
3. Establish an ergonomic program that includes job rotation, training, stretching, exercise and proactive steps to reduce repetitive-motion stress and injuries. Then ensure all seating has removable padding and the seating cannot be adjusted to compensate the height difference between each relevant worker's body posture and worktable.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. A professionally trained mechanic is on hand in factory during working hours. The mechanic checks all needle guards daily and checks machines monthly. Each machine has a checklist attached. When a machine is out of service, a card is attached to the machine that says "lock out" while mechanic fix it. If mechanic is not able to work on the machine in the production floor, the machine is pulled out and replaced by a functioning spare machine. COMPLETED 1/8/18
2. Head of health and safety committee in factory is a licensed nurse and along with two certified first aid employees, they train workers on PPE. Health and safety manager makes sure that workers are using the proper PPE and it is being used appropriately. MONTHLY PROCESS
3. Production Manager is a trained mechanical engineer along with the Department of Labor are in communication to put together an ergonomic policy to help employees better with less stress and risk on body. During one hour lunch break, employees take a nap to rest. Workers can freely get up to stretch and loosen muscles. IN PROGRESS. expected date of completion 6/30/18

Planned Completion Date  
04/30/18

Planned completion date

## FINDING NO.5

## IMMEDIATE ACTION REQUIRED

## FINDING TYPE: Health &amp; Safety

Finding Explanation

1. There is inadequate electrical safety management in place since: ER.2, HSE.4, HSE.13, HSE.14

a. There is exposed wiring on the emergency exit light installed in the passageway leading to the packing room due to isolation tape having peeled off. Furthermore, the isolation tape was duct tape, not electrical tape. There is also messy cables installed on the ceiling above the finished goods storage and main stairway from main exit to the 2nd floor.

b. Many electrical fans in the eating area and production areas have excessive dust.

c. No lightning rod installed for lightning protection for the building.

d. No agreement made between the 3rd party electrician and the factory. Also, no certification kept by factory in regards to the hired electrician.

e. No curative record made for any repair conducted on the machines, lighting apparatus and electrical panel installed at the factory. Therefore, whether electrical problems are fixed in timely manner or not cannot be identified.

f. Factory does not implement a lockout-tagout program by locking out equipment power source then tagging it, when needed.

2. There is inadequate work in-height management in place since: HSE.7

a. No fall protection apparatus provided for general affair worker (one person only).

b. Stairways to packing storage and cleaning area do not have middle bar installed.

3. Factory does not provide safety information to contractors prior to entering the factory premise. ER.1

4. The lighting on the cutting table is between 200 - 268 lux while the regulation requires at least 500 lux. HSE.1

5. The last potable water laboratory test conducted on October 2017 (every 3 months) was based on microbiology, but without use of chemical parameters, which is required on an annual basis. HSE.23

6. There is no injury and illness management since: HSE.1, HSE.3

a. No specific form used to compile accident, incident and near-misses despite no such occurrence happening for the last 12 months.

b. There is no guidance on how to do root cause analysis, establish action plan and preventive action plan to prevent recurrence.

Local Law or Code Requirement

Occupational Health and Safety Standards, Rule 1210 - Electrical Safety (1990), Sec. 1212.05 subsection 1.a and c, Revised Fire Code of the Philippines (2008), Sec. 7(a).1; Presidential Decree No 856 Code of Sanitation Chapter IV Industrial Section 45. (h); Occupational Health and Safety Standards, Rule 1060 - Premises of Establishments (1990), Sec. 1064.01-02; Presidential Decree No. 856 regarding Code on Sanitation (1975), Art. 49.a-d; Presidential Decree No. 856 regarding Code on Sanitation (1975), Art. 48.e.1, Occupational Appendix 6E, Safety and Health Standards, Rule 1070 - Health and Environmental Control (1990), Table 8c; Presidential Decree No. No. 856 December 23, 1975 Code of Sanitation Chapter II WATER SUPPLY Section 11. (b); Occupational Health and Safety Standards, Rule 1050 - Notification and Keeping of Records of Accidents and/or Occupation Illnesses (1990), Sec. 1053.01(2); FLA Workplace Code (Employment Relationship Benchmark ER., and ER.2; Health, Safety & Environment Benchmarks HSE.1, HSE.3, HSE.4, HSE.7, HSE.13, HSE.14, and HSE.23)

Recommendations for Immediate Action

1. Establish and maintain electrical safety management in place such as: ensure all wirings are properly enclosed by electrical isolation and well organized, establish lightener cleaning regime on fans, install lightning protector rod, issue agreement with 3r party electrician and maintained his/her government certification, ensure that all equipment that have electrical power to operate shall be recorded for preventive action and curative action, establish and implement LockOut-TagOut program in place.

2. Establish work in height management by providing fall arrest apparatus to related workers and add middle bar on railing of every



stairway.

3. Provide safety information to contractors prior entering the factory premise.
4. Replace lighting or add lighting that is able to provide at least 500 lux for lighting level intensity.
5. Conduct potable water laboratory test every 3 months based on microbiology and chemical parameters every year.
6. Establish specific form used to compile accident, incident and near-miss despite no such occurrence has happened in the last 12 months, that includes guidance.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1.
    - a) we are interviewing electrical companies and have asked them to submit proposals to show they can maintain and monitor the facility. PLANNED (expected date of completion 6/30/18)
    - b) Health and Safety Department are in charge of monitoring lights and fans located at each department. ON GOING (expected date of completion 6/30/18)
    - c) We are researching with other factories in the area and trying to find an alternative to installing a lightning rod ON GOING
    - d) License Electrician was hired March 2018
    - e) mechanic keeps track of broken machines. Records are not kept, however we are working with mechanic to come up with a broken/fixed machine log. PLANNED (expected date of completion 6/30/18)
    - f) Mechanic and supervisors are trained on broken machine policy. Procedures are in place to tag a machine "lock out" if not in use due to repair.
  - 2)
    - a) Middle bar was installed from two ladders in packing area which has already been modified to keep employees safe.
    - b) Middle bar installed for stairway COMPLETED 12/30/18
    - 3) HR Manager receives training on safety topics for the Department of Labor Philippines. Every time new material is out and a new seminar is scheduled, the HR Manager attends seminar and applies all knowledge to the company settings. HR Manager has material prepared for training contractors and delivery personnel.
    - 4) Light bulbs have been replaced COMPLETED 4/30/18
    - Cutting manual has this as part of policy. Cutting Department will be monitoring this. COMPLETED 4/30/18
    - 5) We have contacted Waterlab Water Testing Inc. We will add this to the Health and Safety manual. Company nurse is in charge of water report every three months.
  - 6)
    - a) Factory nurse keeps log of accidents, medicines administered and treatments. This will be included in the company policy under health and safety procedures. COMPLETE 1/8/18
    - b) Production Manager is a trained Industrial Engineer, she is in charge of conducting root cause analysis and keeping records of issues, causes and prevention ON GOING (Expected date of completion 6/30/18)
- Planned Completion Date  
06/30/18

#### Planned completion date

05/27/18

## FINDING NO.6

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Environmental Protection

#### Finding Explanation

1. Factory has not identified whether its on-site operations generate any negative environmental impacts or conducted Environmental Impact Assessment. ER.31
2. The last record for Green House Emission is from 2015 and no measurements have been recorded since (electricity and water consumption). HSE.1

#### Local Law or Code Requirement

#### Recommendations for Immediate Action

1. Identify on-site operations for environmental impacts then establish severity, control measure and monitoring system in an Environmental Impact Assessment.
2. Set the target or goal in regards to Green House Emission then record the generated emission at the factory every month to accumulate annually to justify whether the goal or target set has successfully been fulfilled or not.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

- 1) Our company accountant will be charting monthly water and electricity consumption against hours of work and how this impacts the environment and what we can do to improve.
- 2) There is no company that can assist in the recording of Green House Emissions in the area, so we will chart this on our own. In addition we will create an environment policy.

Planned Completion Date  
06/30/18

Planned completion date  
05/27/18

### FINDING NO.7

### SUSTAINABLE IMPROVEMENT REQUIRED

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

##### Finding Explanation

1. The factory does not have policy and procedures on Termination and Retrenchment. ER.1, ER.32
2. The factory has no policy and procedures on Personnel Development in place to encourage ongoing training of all categories of workers with the goal of raising or broadening skills, outline the performance review process and the criteria of promotion, demotion and job reassignment. ER.28, ER.29, ER.30
3. There are inadequate procedures in regards to Environmental Protection such as: ER.31
  - a. No procedures for managing its environmental impact to its surroundings.
  - b. No written procedures to enable workers to raise environmental concerns that includes written steps for workers reporting environmental emergencies and protection for them.
1. There are inadequate procedures in regards Health and Safety such as: ER.31, HSE.5
  - a. No protection against retaliation for workers who raise health and safety concerns.
  - b. The emergency handling and prevention procedure does not include steps for ensuring that walkways/aisles and emergency exits are free from obstruction, steps for ensuring all contractors, service providers are safely evacuated, steps for ensuring special category workers and children that happened on the factory are safely evacuated
  - c. No written guidance for external contractors or service providers concerning the factory's health and safety policies.
  - d. No written procedure in regards to worker's duty regarding fire response, a fire risk assessment and factory's response plan in the event of fire.

##### Local Law or Code Requirement

Presidential Decree No. 1586 (1978), Sec. 5; Occupational Safety and Health Standards, Rule 1040 - Health and Safety Committee (1990), Sec. 1043.01.1-5; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER. 28, ER.29, ER.30, ER.31, and ER.32.; Health, Safety & Environment Benchmark HSE.5)



## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

- 1) GSE Law Firm is on retainer with our company. They Draw up all papers for memo issuance and retrenchment. IN PROCESS
  - 2) HR Department will discuss Personnel Development with the Department of Labor. We deal with TESDA Agency when we are looking for new employees to fill different jobs as TESDA conducts training in several fields. IN PROCESS
  - 3) Environment policy is being drawn up to include monitoring of water and electricity as well as green house emissions
    - a) Company accountant will be charting monthly water and electricity consumption against hours are work and how this impacts the environment.
    - b) A government environmental agency conducts WEM Inspection in our factory annually. WEM Inspects noise, air and water pollution as well as other environmental hazards to employees. We have asked WEM to help us with our Health and Safety polices and procedures, in addition to showing us how to train our employees on reporting and recognizing environmental concerns. Last WEM audit was in 2017. A request has been sent to schedule a WEM audit in 2018.
  - 1)
    - a) During orientation, the Health and Safety Officer have explain to workers that they can approach any office and/or company nurse with comments/concerns/questions/feedback and they can raise up those findings/issues during the monthly meeting. For confidential purposes, there are two suggestion boxes placed around the factory. The Grievance Committee reviews all suggestions/concerns monthly and pass each issue to the concerning committees.
    - b) The Health and Safety officers check their corresponding department daily. Supervisors are also trained to walk the hallways, aisles and call the attention of employees that do not follow factory rules. Our First Aid officers get certified annually and they train the Health and Safety Officers.
    - c) HR Manager will include training material for contractors and service providers concerning the factory's health and safety polices.
    - d) Company is required to contact Bulacan Fire Department annually before a fire certificate is granted as part of the business license. Bulacan Fire Department gave us a breakdown of fire assessment and prevention. In addition, so checking the fire safety map and assembly area in case of fire.
- Planned Completion Date  
06/30/18

Planned completion date  
05/27/18

## FINDING NO.8

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Compensation

#### Finding Explanation

1. Piece rate workers are given holiday pay based on the minimum wage base rate. It is not based on the average daily earnings of the last seven actual working days preceding the regular holiday. ER.22
2. Calculation for legally mandated benefits: Social Security and PhilHealth, are not based on the total gross earnings for the applicable month of September 2017. Compensation for one holiday, August 28 (National Heroes Day), is not included in the total gross earnings. This only affects this specific month. ER.22
3. Workers who are paid a daily rate of more than the minimum wage rate are not deducted for income taxes. C.10
4. Temporary workers are not provided the following legally mandated benefits: Social Security, PhilHealth, and Pag-Ibig. ER.22

#### Local Law or Code Requirement

Omnibus Rules Implementing the Labor Code (1989), Book III Rule IV Sec. 8 (b); Social Security Act (1997), Sec. 19-A; Implementing Rules and Regulations of Republic Act 7875 as amended Otherwise Known as the National Health Insurance Act of 2013, Sec. 11; National Internal Revenue Code of 1997, as amended by Republic Act No. 9504 (2008), Sec. 79; Labor Code of the Philippines (Renumbered) (2015), Art. 174 [168]; FLA Workplace Code (Employment Relationship Benchmark ER.22; Compensation Benchmarks C.1 and C.10)

#### Recommendations for Immediate Action

1. Compensate holiday pay of piece rate workers based on the average daily earnings of the last seven actual working days preceding the regular holiday.

2. Calculate legally mandated benefits based on total gross earnings.
3. Deduct income tax in accordance with law.
4. Provide legally mandated benefits to all workers in accordance with law.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Hello Baby does not have a written piece rate policy. The company accountant has amended her computation to correct holiday pay.
2. There is no mistake in the policy. There was confusion by the Philippine Government as to whether this was a legal holiday or a special non working holiday, that is why the computation was amiss. All holidays are computed for correctly and benefits are paid accurately.
- 3) there is a new "train" law exempting employees earning less than P250,000/year from paying taxes and this applies to all of our employees. All Wages and employees benefits are discussed with employees annually during orientation, this is to refresh and update workers (piece rate and daily wage ) on laws regarding minimum wage and other updates in the law.
- 4)Temporary workers that were hired for the Christmas season of 10 allowable days were not issued SSS and Philhealth benefits. Moving forward, if an when we hire temporary workers, they will be issued benefits.

Planned Completion Date  
01/08/18

Planned completion date  
05/27/18

## FINDING NO.9

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Hours of Work

#### Finding Explanation

1. Factory does not provide time records for one permanent mechanic and 24 temporary workers who work in sewing, trimming, and packing sections. All temporary workers are paid by piece rate. Piece rate tickets only indicate output but do not include arrival and departure time from work. ER.2, ER.23
2. Around 60% of 154 total production workers worked over 60 per week, ranging between 64 to 74 hours including 48 regular hours in June, July, October and November 2017. HOW.1
3. Two workers from cutting and sewing sections worked 13 consecutive days without a rest day from November 27 to December 9, 2017. HOW.2
4. There are no written policy and procedures to identify pregnant and lactating women in hours of work records to ensure they receive legally-entitled protections. While the assessors no pregnant/lactating workers working excessive hours of work or at night and workers are aware of legal protections, the lack of written policy/procedures poses a risk. HOW.5

#### Local Law or Code Requirement

Omnibus Rules Implementing the Labor Code (1989), Book III Rule X, Sec. 7; FLA Workplace Code (Employment Relationship Benchmarks ER.2 and ER.23; Hours of Work Benchmarks HOW.1, HOW.2, and HOW.5)

#### Recommendations for Immediate Action

1. Provide time record to all workers, regardless of wage system.
2. Ensure that workers do not work more than 60 hours per week, including overtime.
3. Provide a rest day on weekly basis to all workers.
4. 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: a. How to provide better order forecasts to the factories; b. Possible workshops/consultancy for the factory on how to improve; c. Clear guidelines on how to extend shipment deadlines in case of contingencies; d. Steps that factory management must follow if overtime is inevitable (steps for how to communicate with the brand's Sourcing and Social Compliance teams); e. Clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks; f. 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

1) All employees have a time card where they punch into the clock on their arrival and departure time. Daily wage earners use a biometric fingerprint system to time in and time out of company property. A report is then printed by biometric machine to clearly show attendance of each employee. The piece rate ticket is a separate system which helps us track workload and pay each employee for the work he/she has completed for each day. The factory mechanic is a regular employee and was issued a time card starting January 2018.

2) Based on the capacity factory management tries to limit the amount of workload they received. we have hire more skilled workers and purchase special machines to make production flow better and quicker, this was avoid over time. Some delays cannot be avoided but at Hello Baby we do our best to minimize.

3) Based on the capacity factory management tries to limit the amount of workload they received. we have hire more skilled workers and purchase special machines to make production flow better and quicker, this was avoid over time. Some delays cannot be avoided but at Hello Baby we do our best to assure that all employees get a minimum of 1 day rest.

4) Female employees are instructed via billboard to submit a doctor's report confirming that the worker is indeed pregnant, fit to work and due date. The HR department then informs the supervisor of the employee status and is advice not to ask the employee to work overtime when needed.

Planned Completion Date

01/08/18

Planned completion date

05/27/18

## FINDING NO.10

## IMMEDIATE ACTION REQUIRED

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

#### Finding Explanation

1. Probation period for new workers is six months instead of three months. C.3

2. Performance review is conducted only for new workers during the six-month probation period. There is no annual performance review for all employees. ER.29

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.29; Compensation Benchmark C.3)

#### Recommendations for Immediate Action

Change all existing workers' probation to three months; sign contracts with new workers with a three month probation at most.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1.) Philippine Law States that probationary period can last 6 months. We are following the Philippine law as we feel 6 months is too short a time to decide is the worker can fully grasp his/her job and carry out her duties. If we follow the 3 month law there will be a high worker turnover and it will be harder to find and train good employees. In addition, we will lose out on dedicated worker that has not yet understood company culture and flow properly. Half a Year (6 months) is enough time for a worker to immerse his/her self in the company and allows both parties to decide if he/she should be regularized or not.

2) Conduction of annual assessment per employee is part of our policy and will be strictly implemented starting this year (2018).

Planned Completion Date

12/30/18

Planned completion date

05/27/18

## FINDING NO.11

### SUSTAINABLE IMPROVEMENT REQUIRED

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

##### Finding Explanation

1. The factory does not clearly define the responsible/accountable person(s) for all Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, Grievance system, 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 (Employment Relationship Benchmark ER.1)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

- 1) An organizational chart with job description is being made and will be posted on company bulletin board for employees to know person in charge and job description.
- 2) An organizational chart with job description is being made and will be posted in company bulletin boards for employees to know the managers and supervisors job description

Planned Completion Date

01/08/18

Planned completion date

05/27/18

## FINDING NO.12

### 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, and Environmental Protection. ER.1, ER.29, ER.30
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 (Employment Relationship Benchmarks ER.1, ER.16, ER.25.2, ER.29.1, ER.29.1.1, ER.30, and ER.32)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

- 1) The company has two bulletin boards in very visible areas, one is by the entrance and the other is in the eating area. All company rules, news, hiring and holidays are posted on this and are visible to all employees. Anyone with questions can come up to the office and discuss with the HR Manager as we have an open door policy.
- 2) Annual orientation always reminds employees that all supervisors are open to suggestions/request. There is a grievance

committee in place and each department has a representative. Suggestion boxes are also located throughout the factory in conspicuous places so workers can anonymously place their comments and/or concerns. Grievance committee and suggestion box are clearly communicated to employees and new recruits upon hiring.

Planned Completion Date

06/30/18

Planned completion date

05/27/18