



FAIR LABOR  
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## INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Fast Retailing Co., Ltd.

COUNTRY: Peru

ASSESSMENT DATE: 09/12/18

ASSESSOR: Elevate

PRODUCTS: Apparel

NUMBER OF WORKERS:

## 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: Training (Macro)

##### Finding Explanation

1. The factory does not provide any ongoing training for workers and 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, Environmental Protection, and Grievance System. [ER.15, ER.16, ER.17, ER.27]

2. The factory does not provide orientation training to new workers on Personnel Development and Industrial Relations. [ER.15.1]

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.15, ER.16.1, ER.17, and ER.27)

#### COMPANY ACTION PLANS

##### Action Plan no 1.

##### Description

1. Factory is programming training for workers in the indicated areas.

##### Planned completion date

04/30/19

##### Company Action Plan Update

2. The company gives training and dynamics of personnel development and industrial relations.

### FINDING NO.2

#### SUSTAINABLE IMPROVEMENT REQUIRED

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

##### Finding Explanation

1. The factory has not involved or integrated workers in the decision-making process of the creation, implementation and updating all factory's policies and procedures. [ER.1, ER.16, ER.25, ER.29, ER.30]

2. The Factory Policies and Procedures, and FLA Code of Conduct are not posted in a visible area for workers. Management only publishes the workplace rules on a bulletin board. This information is posted for a few weeks at least once per year. [ER.16.1]

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, ER.25, ER.29, and ER.30)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

2. Factory posts this policies and procedures only for a month each group as they are to many of them (each one of 3 to 4 pages) to publish all of them at the same time, but what factory can do is to create a copy of the file where all this Factory Policies and Procedures are kept and put this file in a visible place in the workers lounge area.

##### Planned completion date

04/30/19

##### Company Action Plan Update

1. Weekly factory has meetings in all areas names "circuitos de mejoras" there they talk about all the point that they think they can improve in the factory.

### FINDING NO.3

### SUSTAINABLE IMPROVEMENT REQUIRED

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

##### Finding Explanation

1. The factory does not have a written procedure to regularly review all policies and procedures and their implementation according to local law, regulations, code of conduct, and internal/external audit results. [ER.1, ER.16, ER.25, ER.30]

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.16, ER.25, and ER.30)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. Factory has a written procedure of the policies and processes regarding health, labour relations and environment. They are working on a procedure for revise continuously that document.

##### Planned completion date

04/30/19

### FINDING NO.4

### IMMEDIATE ACTION REQUIRED

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

##### Finding Explanation

1. The factory regularly employs the 95% of workers through multiple short-term contracts. All production workers renew their employment contracts every 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. [ER.8, ER.9]

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.8, ER.9)

#### Recommendations for Immediate Action

1. Terminate 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

1. This findings is a systemic issue in Peru. Factory will manage this according the Peruvian Law.

##### Planned completion date

06/30/19

### FINDING NO.5

### SUSTAINABLE IMPROVEMENT REQUIRED

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

##### Finding Explanation

1. The factory has 10 workers with disabilities out of 464 workers, but as required by law it must employ 3% of the total workers. Therefore, the factory does not meet the number of disabled workers as required by law. [ER.1]

2. The factory does not have written procedures on raising or broadening skills in order to advance workers' careers. [ER.28]

3. The factory does not have job descriptions for production positions. [ER.1.1]

4. The factory lacks steps and requirements in the promotion, demotion and reassignment scheme. [ER.29.1]

##### Local Law or Code Requirement

Peru General Law on Persons with Disabilities, Regulation of Law No. 29973, SUPREME DECREE N° 002-2014-MIMPFLA, Article 56.2; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.28, and ER.29)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

2. Factory has written procedures on raising or broadening skills, right now they are adding some new positions information.

3. Factory does have a policy for promotions. They are going to add there information when they replace of area.

4. Factory has a written procedure of the policies and processes regarding health, labour relations and environment. They are working on a procedure for revise continuously that document.

##### Planned completion date

01/31/19

##### Company Action Plan Update

1. The law indicate that the 3% need to be workers with disabilities, factory has 14 of 470, so it should be fine.

### FINDING NO.6

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Termination & Retrenchment

#### Finding Explanation

1. The factory does not consult with workers prior to reaching a final decision on layoffs. There have not been any instances of large scale layoffs. [ER.32]

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.32)

### COMPANY ACTION PLANS

Action Plan no 1.

#### Description

1. Factory will include this on their Layoff policy procedure.

#### Planned completion date

01/31/19

## FINDING NO.7

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Compensation

#### Finding Explanation

1. The factory pays workers on a weekly basis but workers only receive a pay slip once a month. The pay slip has 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 payment. During worker interviews, workers confirmed that they understood their payslip and deductions. [C.13]

#### Local Law or Code Requirement

FLA Workplace Code (Compensation Benchmarks C.13)

#### Recommendations for Immediate Action

1. Provide a weekly pay slip to workers.

### COMPANY ACTION PLANS

Action Plan no 1.

#### Description

1. Factory does not want to increase the use of paper as it is against their green policy, however they are willing to send to each worker by e-mail their payslips weekly.

#### Planned completion date

11/30/18

## FINDING NO.8

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Workplace Conduct & Discipline

#### Finding Explanation

1. The disciplinary procedure does not include a third-party witness and appeal process when a sanction is imposed on workers. [ER.27.4]

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.27)

### COMPANY ACTION PLANS

Action Plan no 1.

#### Description

1. Factory will include third-party witness and appeal process in the disciplinary policy procedure.

#### Planned completion date

11/30/18

### FINDING NO.9

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

#### Finding Explanation

1. The factory has five men's bathrooms. Based on the law, there should be seven men's bathrooms. [HSE.1]

2. The factory does not conduct periodic assessments of its Health & Safety Management System. [HSE.1]

3. 10% of sewing machines do not have needle guards. In addition, neither of the two grinding machines do not have the guard protection. [HSE.14]

4. The factory does not have a medical service as required by Peruvian law. There is an employee that provides medicines without certification. This employee is an HR assistant chosen by HR. The factory purchases the medicine. [HSE.18.2]

5. The factory has performed the ergonomic assessment only for the sewing machine workstation; the cutting, assembly, packing and pressing areas do not have the assessment. [HSE.17.1]

#### Local Law or Code Requirement

Peruvian Supreme Decree # 29, 1965; Peruvian health and safety law 29783, Article 43; Peruvian Internal Safety Regulations, Supreme Decree # 42-F; Peruvian regulation of health and safety of work, D.S. No. 009-2005-TR; Ministerial Resolution 571-2014-MINSA, Art. 6.7.2; FLA Workplace Code (Health, Safety and Environment Benchmark HSE.1, HSE.14, HSE.17.1, HSE.18.2)

#### Recommendations for Immediate Action

1. Install a sufficient number of men's bathrooms in accordance with the law.

2. Perform an assessment of the factory's Health & Safety Management System.

3. Ensure that all sewing machines and machinery is properly guarded.

4. Provide medical services according to Peruvian law. Avoid giving medication to employees without having health professional in the factory.

5. Perform the ergonomic assessment for all workstations.

### COMPANY ACTION PLANS

Action Plan no 1.

#### Description

1. The factory is building this two additional toilets in the men's bathrooms.
2. Factory has a person in charge of SST periodic assessments, factory has already implement the format for that evaluations.
3. All the sewing machines have protectors, factory is giving training on the correct use of all safety implements.
4. The Peruvian Law requires a Doctor on the facility only if you exceed 500 persons, as this is not the case, the Occupational Doctor visits the factory once a month, Factory has records of this visits. On the facility the HR assistant only provides first aid medicine as band aids or headache medicine, for a more complicated case, the person is taken to the local clinic that is a block away of the factory.
5. Factory is implementing the ergonomic assessment on the cutting, assembly and finishing areas for next year.

Planned completion date  
04/30/19

## FINDING NO.10

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. The factory has not performed an inspection of the fire cabinet hose equipment in the last year. [HSE.6]
2. The factory only has one emergency exit door. In addition, this emergency exit door is used as a loading and unloading area. The company has approximately 460 workers. According to Peruvian law, the factory should have at least two emergency exits. [HSE.5]
3. There are narrow workstations at the pressing area that prevent a quick evacuation for the workers in case of emergency. [HSE.5]
4. In accordance with the certificate of technical inspection of security in buildings # 057-2015 issued on November 16th, 2015 the total capacity is for 379 workers. At the moment of the audit the factory has 464 employees. [HSE.4]

##### Local Law or Code Requirement

Peruvian Industrial Safety Law, D.S. N° 049-82 ITI/IND; Peruvian Internal Safety Regulations, Supreme Decree # 42-F; Peruvian Supreme Decree 002-2018-PCM; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.4, HSE.5, and HSE.6)

##### Recommendations for Immediate Action

1. Perform internal and external inspections to fire cabinet hoses.
2. Install the legally required number of emergency exit doors (two) based on the factory worker count.
3. Ensure there is adequate space between the work stations at the pressing area to ensure a quick evacuation in case of emergency.
4. Perform a new technical inspection of security in buildings to ensure that the capacity of the factory is aligned with the factory worker count.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

3. Factory has already change the placement of the personal of that area.

Planned completion date  
11/30/18

##### Company Action Plan Update

1. Factory has an inspection certificate for the equipment of 26/Sep/2018
  2. Factory has 2 doors of escape for the main floor, they also have the local certification of Defensa Civil (Government)
  4. Not all employees work at this facility. There are supervisors that work outside. Factory complies with the max quantity of people to be at the factory.
- No corrective action is needed as factory is not breaking any parameter.

## FINDING NO.11

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Environmental Protection

#### Finding Explanation

1. The factory does not segregate hazardous waste properly because it is disposed of as common waste. [HSE.9]
2. The factory has not performed an environmental impact assessment, according to local laws. [HSE.1]
3. The material safety data sheets (MSDS) are not available where chemicals products are manipulated. [HSE.10.1]

#### Local Law or Code Requirement

Peruvian Environment General Law # 28611; Peruvian Industrial Safety Law, D.S. N° 049-82 ITI/IND; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.9, HSE.10)

#### Recommendations for Immediate Action

1. Dispose the hazardous waste in accordance with the law.
2. Perform an environmental impact assessment in accordance with local law.
3. Ensure the MSDS are available in the place where chemicals are manipulated.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Factory is looking for a company that can help them to collect that kind of waste.
2. Factory is going to do the consults to the correct entity, it's important to mention that they are not a textile factory and their processes doesn't generate toxics.

#### Planned completion date

01/31/19

#### Company Action Plan Update

3. The papers are posted in the main walls of the areas that have chemical products.

## FINDING NO.12

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Review Process (Macro)

#### Finding Explanation

1. The factory does not have a written procedure to regularly review the policies and procedures, and their implementation for the following employment functions: grievance system; workplace conduct and discipline; industrial relations; termination and retrenchment; hours of work; compensation; recruitment, hiring, and personnel development, health and safety, environmental protection. [ER.1, ER.16, ER.25, ER.30]

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, ER.25, and ER.30)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Factory is working on that procedure.

#### Planned completion date



## FINDING NO.13

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. Based on documents review, it was observed that the written policies, procedures or relevant documents on health and safety do not establish FLA code compliance; they only include compliance with the legislation. [ER.2.1]
2. The written procedures on health & safety, do not include information on protection against retaliation for employees who raise health and safety concerns. [ER.31]

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2, ER.31)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. Factory will translate FLA Workplace Code of Conduct and will post it in a visible area for all workers.
2. Factory has a politic about the claims, where they define clearly the confidentiality.

## FINDING NO.14

### SUSTAINABLE IMPROVEMENT REQUIRED

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

##### Finding Explanation

1. The factory does not clearly define the person responsible/accountable for the following employment functions: recruitment, hiring and personnel development; hours of work; compensation. [ER.1]

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. Factory will have people responsible for each function.