



FAIR LABOR  
ASSOCIATION®

## INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Outerknown  
COUNTRY: Portugal  
ASSESSMENT DATE: 11/13/18  
ASSESSOR: FLA EMEA  
PRODUCTS: Housewares  
NUMBER OF WORKERS: 580

## 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 on Termination & Retrenchment, Workplace Conduct & Discipline, or Personnel Development. There are no performance reviews with steps or processes to link to job grading, prohibit discrimination, provide written feedback, or comply with legal requirements. [ER.1]
2. The factory does not have procedures on Compensation, Hours of work, Termination and Retrenchment, Workplace Conduct & Discipline, Industrial Relations, Personnel Development, or Environmental Protection. Generally, the factory follows the collective bargaining agreement as a written guideline. [ER.1, ER.25, ER.31]
3. Existing Environmental Protection documents do not include enable workers to raise environmental concerns, procedures for reporting environmental emergencies and protections for workers who allege environmental violations. [ER.31]

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.25 & ER.31)

#### COMPANY ACTION PLANS

##### Action Plan no 1.

##### Description

We have placards and suggestion boxes around all the production areas in order to allow the workers to give their ideas, suggestions or complaints regarding all the mentioned topics. Besides, we currently use the "Uebe.Q" platform to communicate all the important information to the workers. As we mentioned before, we are constantly communicating all environmental and human resources issues and/or important procedures with every worker on the company.

### FINDING NO.2

#### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Review Process (Macro)

#### Finding Explanation

The factory does not have a review system for its policy and procedures.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.29.1.1, ER.30.2 and ER.31.2)

### COMPANY ACTION PLANS

Action Plan no 1.

#### Description

We do a full review of our policies and procedures once a year.

### FINDING NO.3

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Training (Macro)

#### Finding Explanation

1. The factory does not provide written documentation to substantiate all issues covered during orientation. Additionally, orientation training does not cover Recruitment, Hiring & Personnel Development, or Termination & Retrenchment. [ER.15]
2. The factory does not provide training to supervisors on any employment functions. [ER.17]
3. The factory does not provide ongoing training to workers on any of the Employment Functions beyond Health & Safety. The factory only provides fire safety and first aid training to some workers every two years, in accordance with the law. [ER.1]

### COMPANY ACTION PLANS

Action Plan no 1.

#### Description

We provide training sessions to all new workers, communicating all procedures and work instructions. Besides, we periodically give training in the computer platform mentioned above.

### FINDING NO.4

### SUSTAINABLE IMPROVEMENT REQUIRED

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

#### Finding Explanation

1. The factory does not communicate its policy or procedures to the workforce efficiently. For instance, notice boards are not used as a way to communicate with workers. [ER.1 and ER.25]
2. The factory does not arrange consultation meetings with workers or worker/union representatives before management reaches any final decisions on layoffs. [ER.3]

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.3 and ER.25)

### COMPANY ACTION PLANS

## Action Plan no 1.

### Description

To communicate all procedures, work instructions and policies, we have placards and suggestion boxes around all production areas. We also have "Uebe.Q", a computer platform with all the information for the workers and managers.

## FINDING NO.5

### IMMEDIATE ACTION REQUIRED

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

##### Finding Explanation

1. There is an inappropriate clause in the worker agreement that states workers have to work overtime when it is required (Article 4). [HOW.8.5]
2. The factory sometimes extends the probation period to six months in accordance with the collective bargaining agreement. [C.3]
3. There are about 40 workers in the factory with multiple fixed-term contracts. According to local law, the factories are allowed to make repetitive fixed-term contracts for 3 years, with a minimum of 6-month-long contracts. [ER.9]
4. There is no policy on performance reviews with steps and processes, to demonstrate linkages to job grading, prohibit discrimination, provide written feedback, and comply with legal requirements. [ER.29]

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.9 and ER.29, Hours of Work Benchmark HOW.8.5, and Compensation Benchmark C.3)

##### Recommendations for Immediate Action

1. Remove the mandatory overtime clause from the employment contracts.
2. Ensure the probation period does not exceed 3 months.
3. Cease providing fixed-term contracts multiple times instead of indefinite term contracts.

### COMPANY ACTION PLANS

## Action Plan no 1.

### Description

These changes on work contracts are still being debated by the administration and the human resources department.

## FINDING NO.6

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Hours of Work

##### Finding Explanation

1. Of the 27 sampled workers, 16 workers--six workers in November 2017, four workers in April 2018, two workers in June 2018, three workers in October 2018, and two workers in December 2018-- worked more than 10 hours overtime, which exceeds the 5 hour legal maximum.
2. Four of 27 sampled workers (one each in November 2017, June 2018, October 2018, and December 2017) worked more than 60 hours a week.

##### Local Law or Code Requirement

Labor Law No.7 (2009), Annex, Article 203;FLA Workplace Code (Hours of Work Benchmarks HOW.1, HOW.8.1 and HOW.8.3)

#### Recommendations for Immediate Action

Ensure workers do not work more than 10 hours per day or 60 hours per week.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

All heads of production related departments were advised by the administration and the human resources department of the imperative need to comply with the legal minimum period of rest, between work shifts.

##### Planned completion date

02/26/19

### FINDING NO.7

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Compensation

##### Finding Explanation

Workers often work more than regular hours, but do not receive payment for these hours and as they prefer to keep this time to use it later as holiday or time off. This is in line with the legal requirements and collective bargaining agreements. However, all hours should be used in one year, or should be paid to workers. In this case, the accumulated hours have not been used in the legally required timeline. [C.1, C.4, C.7]

##### Local Law or Code Requirement

Labor Law No.7 (2009) Amendment (2014), Annex, Article; 208, FLA Workplace Code (Compensation Benchmarks C.1, C.4 and C.7)

##### Recommendations for Immediate Action

Provide leave hours equal to banking hours for workers in a timely manner.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

All heads of production related departments were advised by the administration and the human resources department of the imperative need to provide leave hours equal to banking hours.

##### Planned completion date

02/28/19

### FINDING NO.8

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Workplace Conduct & Discipline

##### Finding Explanation

The factory does not provide a copy of the Workplace Rules during orientation. [ER.25]

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.25)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

We provide welcome manuals and copies of the work functions to all workers, during the orientation.

#### Planned completion date

02/26/19

## FINDING NO.9

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. The fire alarm system in Building 6, the warehouse, was not working properly and gave an error signal during the assessment. [HSE.1, HSE.5]
2. An emergency exit door in the packing area of Building 2 and two emergency exit doors in Building 3 do not open outwards. [HSE.1, HSE.5]
3. One of the emergency exit doors was blocked by goods in Building 6, the warehouse, and products blocked the evacuation routes in Building 2, the sewing section. [HSE.5]
4. One of the emergency exits in Building 5 has a sliding door, which was very heavy and hard to open. [HSE.5]
5. There is a door which is no longer used as an emergency exit in Building 5, but the door still has emergency exit signs, which are misleading. [HSE.5]
6. One of the emergency exits located on the ground floor of Building 1, the Yarn Warehouse, does not have an emergency exit light. An emergency exit in Building 6, the warehouse, is missing an emergency exit sign. [HSE.5]
7. 25% of the fire extinguishers and fire alarm buttons were obstructed by goods and paper boxes throughout the factory buildings. [HSE.5]
8. There were no fire extinguishers on the walls, although fire extinguisher signs are placed in some areas, including Building 1 and Building 4. [HSE.5]
9. The factory does not have enough emergency evacuation signs to indicate the emergency exits throughout the factory buildings. [HSE.1, HSE.5]
10. Fire hoses in Building 6 were not working during the assessment; they were recently installed. [HSE.5]
11. The factory conducted a fire drill in July 2018, but not all buildings and shifts participated. For instance, dyeing and warehouse sections did not have a fire drill. [HSE.1, HSE.5]
12. The assembly point of the factory is used as a parking area. [HSE.5]

#### Local Law or Code Requirement

Law No: 102/2009 Articles 20/3, 75 and 98/d, , Law No: 220/2008; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1 and HSE.5)

#### Recommendations for Immediate Action

1. Provide properly working fire emergency alarm system for Building 6.
2. Ensure all emergency exits open outwards easily.
3. Remove all obstructions from emergency exit doors and emergency evacuation routes, and provide training to the workers to keep emergency exits and evacuation aisles unobstructed.
4. Remove misleading signs for emergency exits which are not in use anymore.
5. Provide emergency exit signs and emergency exit lights to all emergency exit doors.
6. Ensure all fire extinguishers and emergency alarm buttons are unobstructed and easily accessible.
7. Place fire extinguishers under the extinguisher signs and periodically check that fire extinguishers are located properly.
8. Provide proper signage on the floors and/or walls leading to the emergency exits throughout the factory.
9. Ensure all fire hoses are working properly.
10. Conduct fire drills for all sections, buildings, and shifts separately at least once in a year.
11. Ensure assembly point area is not used as a parking area, and assembly point is kept empty so all workers can gather there in case of emergency.

## COMPANY ACTION PLANS

## Action Plan no 1.

### Description

1. Update the fire emergency alarm system in all buildings.
- 2, 3, 6&9. Training session for the workers to keep emergency exits, fire extinguishers, emergency alarm buttons, fire hoses and evacuation aisles unobstructed.
- 4&5. During the holidays break we will remove all misleading signs for emergency exits and install new signs in every exit doors.
7. Create a maintenance place to check the fire extinguishers (every 3 months).
8. Remark the evacuation route on the floor.
10. Conduct fire drills for all buildings.
11. We are studying the possibility to change the assembly point.

### Company Action Plan Update

1. 29/03/2019    2, 3, 6&9. 29/03/2019    4&5. 30/08/2019    7. 29/03/2019    8. 20/12/2019    10. 20/12/2019    11. 20/12/2019

## FINDING NO.10

### IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. The factory conducted measurements on dust, thermal comfort, illumination and noise and found the dust level is high in the weaving section, the thermal comfort exceeds the limit in the dyeing section, and the level of illumination needs improvement in the dyeing section. The factory has not prepared any action plans for these issues. [HSE.1, HSE.13]
2. The factory stores goods in the warehouses at a very high level. [HSE.1]
3. There were paper box pieces under the electric box in Building 4, with some wood pieces leaning on the box, which is flammable material. [HSE.13]
4. One of the electric boxes in the weaving section was covered in dust. [HSE.13]
5. There were no insulation mats in front of the electric boxes throughout the factory. [HSE.1, HSE.13]

#### Local Law or Code Requirement

Law No: 102/2009 Article 5, Ordinance 987/93; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1 and HSE.13)

#### Recommendations for Immediate Action

1. Create an action plan and conduct required actions to eliminate issues regarding dust, illumination, and thermal comfort.
2. Store goods at a proper height.
3. Keep the flammable materials away from electric boxes and clear the space under the electric box.
4. Keep dust away from electric boxes and check inside the boxes regularly.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

- 1&2. We are currently studying the possibility to change the whole infrastructure, in order to improve all these

issues.

2. Training session for the workers to clear and keep the flammable materials away from electric boxes.

3. Create a maintenance plan for the electric boxes.

#### Company Action Plan Update

1&2. 20/12/2019 3. 29/03/2019 4. 29/03/2019

## FINDING NO.11

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. The grinding machine in Building 1 does not have an eye guard. [HSE.1, HSE.14]
2. The sewing machines do not have finger or eye guards. [HSE.1, HSE.14]
3. The big spools in the weaving section do not have any stoppers to prevent rolling on the ground. [HSE.14]

##### Local Law or Code Requirement

Law No: 102/2009 Article13, FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1 and HSE.14)

##### Recommendations for Immediate Action

1. Provide eye guard for the grinder machine.
2. Provide proper machine guards for the sewing machines.
3. Ensure reels have stoppers when they are placed on the ground to prevent rolling.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. Install eye guard in the grinder machine.

2. Training session for the workers from the sewing machines and maintenance department to the obligation of keeping the safeguards in place.

3. Install stoppers in every reels placed on the ground.

##### Planned completion date

02/28/19

##### Company Action Plan Update

1. 20/12/2019 2. 29/03/2019 3. 29/03/2019

## FINDING NO.12



## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. One forklift driver was not wearing a seat belt while driving. [HSE.7]
2. One worker did not wear a mask while mixing chemicals and water during the sizing process. [HSE.1, HSE.7]
3. Workers who work with spools were not wearing protective boots. [HSE.1, HSE.7]

#### Local Law or Code Requirement

Law No: 348/93 Article 6, Law No: 102/2009 Article 17/1.c; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.7)

#### Recommendations for Immediate Action

1. Ensure workers wear seat belt while driving forklifts.
2. Ensure workers who work with chemicals wear proper personal protective equipment.
3. Provide protective boots for workers who work with reels.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Install seat belts on the forklifts.
2. Training session for the workers from the sizing process to use all personal protective equipment.
3. Provide protective boots for workers from weaving preparation section.

#### Company Action Plan Update

1. 20/12/2019   2. 29/03/2019   3. 20/12/2019

## FINDING NO.13

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. There was a chemical bin without a label on the ground in the weaving section. [HSE.1, HSE.9]
2. The factory provided no secondary containment for chemical barrels in the chemical storage area of Building 4. [HSE.1, HSE.9]

#### Local Law or Code Requirement

Law N0:220/ 2012; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.9)

#### Recommendations for Immediate Action

1. Provide labels for all chemicals in the factory.
2. Provide proper secondary containment for all chemicals in the chemical storage area.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Identify all chemicals in the factory. Training session for the responsables from the weaving section.
2. Create a new chemical storage area (building 2), eliminating storage in the building 4.

### Action Plan no 2.

#### Description

1. Identify all chemicals in the factory. Training session for the responsables from the weaving section.
2. Create a new chemical storage area (building 2), eliminating storage in the buildi