



COMPANIES: Hanesbrands

Nike, Inc

COUNTRY: Guatemala

ASSESSMENT DATE: 11/20/18

ASSESSOR: Francisco Chicas

PRODUCTS: Apparel

NUMBER OF WORKERS: 339

FLA Comments

Hanesbrands completed sourcing from this factory in October 2018 due to demand changes and consolidation. Hanesbrands left the factory prior to the SCI report being finalized and the CAP creation for the SCI audit.

Nike exited this facility in December 2019 as it was part of the source base designated specifically for Hurley brand, which Nike sold in December 2019. Nike made up 2% of the facility's production capacity at the time of exit. The facility continues to produce for Hurley brand.

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: Compensation

Finding Explanation

1. The factory has signed an agreement with a local childcare provider to provide childcare services for the children of factory workers who are under three years old, as required by law; however, the majority of workers have not been informed about their eligibility to receive this childcare service. [ER.1, ER.16, C.17]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.16; Compensation Benchmark C.17)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The factory must communicate all workers, in a timely manner, verbally and in writing all relevant information related to their work, including fringe benefits, etc.

Planned completion date

02/01/19

Company Action Plan Update

Nov. 2019 Deadline date.

Pending to confirm the status with the factory.

Request the evidence.

FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. The factory's job application forms include a question about applicants' availability to work overtime. This question does not have any relation to the applicants' abilities to perform the position they are applying for. Although the factory has developed a voluntary overtime policy, communicated the policy with workers, and keeps records of overtime consent forms signed by workers, workers informed assessors that they were pressured into agreeing to work overtime and that overtime is not voluntary in practice. [ER.3, HOW.8]
2. Most of the production workers are not provided with annual leave as legally required. According to worker and management interviews, workers entitled to annual leave (around 67% of the total workforce) do not receive all of their annual leave days consecutively. They are provided one or two consecutive days off upon request, but local law mandates that they receive at least 15 consecutive days off annually. [ER.22, HOW.1, HOW.11, HOW.12, HOW.13]

Local Law or Code Requirement

Labor Code, Articles 130, 131, and 133; FLA Workplace Code (Employment Relationship Benchmarks ER.3 and ER.22; Hours of Work Benchmarks HOW.1, HOW.8, HOW.11, HOW.12, and HOW.13)

Recommendations for Immediate Action

1. Revise the job application forms to remove the question about applicants' availability to work overtime. Enforce the voluntary overtime policy by ensuring that workers are actually able to decide whether they want to perform overtime or not.
2. Provide workers 15 consecutive days of leave each year as legally required.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The factory must ensure All employment decisions shall be made solely on the basis of a person's qualifications, in terms of education, training, experience, demonstrated skills and/or abilities, as they relate to the inherent requirements of a particular job.
2. Employers shall not require workers to work more than the overtime hours allowed by the law of the country where the workers are employed.

3. The factory must provide workers with paid annual leave as required under national laws, regulations and procedures.

Employers shall not impose any undue restrictions on workers' use of annual leave.

Company Action Plan Update

- 1, Human Resources has eliminated the extra hours segment on the job application.

2, Management has implemented a Vacation Plan and it has been communicated to the workers. Any employee has the right to take vacation days at any time they (15 days).

Pictures will be attached when the action is accomplished. Deadline date Nov 2019.

FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. The Workplace Conduct & Discipline procedures do not include:

- a. Clear criteria to categorize disciplinary violations according to severity;
- b. A system of progressive discipline (i.e. a system of maintaining discipline through the application of escalating disciplinary action moving from verbal warnings to written warnings to suspension and finally to termination);
- c. Steps for workers to appeal disciplinary actions taken against them. [ER.1, ER.27]

2. Body searches are conducted when workers leave the facility for their lunch break and at the end of the work day. [H/A.10]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.27; Harassment or Abuse Benchmark H/A.10)

Recommendations for Immediate Action

1. Cease the practice of conducting regular body searches. Only conduct body searches when there is a legitimate reason to do so and with the consent of the workers.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Work Rules and Discipline:

- The factory must implement written disciplinary rules, procedures and practices that embody a system of progressive discipline (e.g. a system of maintaining discipline through the application of escalating disciplinary action moving from verbal warnings to written warnings to suspension and finally to termination).

- Employers shall ensure managers and supervisors are fully familiar with the workplace disciplinary system and in applying appropriate disciplinary practices.

- i. The disciplinary system shall be applied in a fair and nondiscriminatory manner and include a management review of the actions by someone senior to the manager who imposed the disciplinary action.

- ii. Employers shall maintain written records of all disciplinary actions taken.

- Disciplinary rules, procedures and practices shall be clearly communicated to all workers. Any exceptions to this system (e.g. immediate termination for gross misconduct, such as theft or assault) shall also be in writing and clearly communicated to workers.

- i. Workers must be informed when a disciplinary procedure has been initiated against them.

- ii. Workers have the right to participate and be heard in any disciplinary procedure against them.
- iii. Workers must sign all written records of disciplinary action against them.
- Records of disciplinary action must be maintained in the worker's personnel file.

2. Security Practices/Body Searches:

Factory must implement a procedure to ensure all security practices shall be gender appropriate and nonintrusive, so that the dignity of workers concerned is protected when a search is undertaken:

- Searching of bags and other personal items to prevent theft is acceptable.
- Body searches and physical pat downs shall only be undertaken when there is a legitimate reason to do so and upon consent of workers, unless a state official with the power to do so (e.g. police officer) has ordered the search.
- Body searches shall not be undertaken in public and the person who undertakes the search shall be of the same sex as the person who is being searched.

Planned completion date

04/26/19

Company Action Plan Update

1, Attached is the Disciplinary Procedure, where all the points described by the auditor are mentioned.

2, The corporal revision to the staff will be eliminated. A written procedure has been implemented and communicated to the workers.

Pending to confirm the status and receive evidence.

FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Grievance System

Finding Explanation

1. The factory does not keep documentation in relation to the grievance process. Since there is no record of the actions taken by management to address the grievances submitted by workers, assessors could not confirm that management reviews workers' grievances

and takes appropriate action. [ER.2]

2. The Grievance System procedures established by management to handle harassment or abuse require workers to submit complaints to their immediate supervisors and department chiefs. This is not a confidential channel. [ER.25]

3. The suggestion box is not equipped with a pencil and paper for workers to use, making the grievance mechanism ineffective. [ER.25]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2 and ER.25)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. EFFECTIVE GRIEVANCE PROCESS

The supplier shall establish an effective grievance process that enables employees to address their concerns regarding working conditions and terms and conditions of employment. In general, an effective grievance process includes:

a. A written grievance policy and implementing procedures.

i. Multiple channels for employees to raise concerns and provide input to management. For example: grievance/suggestion boxes; supervisors/team leaders; HR department/counselors; trade union/worker representatives; "open door" policy; company "hotlines"; third-parties, worker committees, meetings between management and worker's representatives, etc.; and

ii. The ability to raise concerns confidentially (and/or anonymously), if the employee so desires without fear of retaliation.

b. Effective communication of the grievance policy to employees so that employees are aware of the grievance process and their right to raise concerns.

c. Training of staff responsible for responding to grievances regarding the policy and their roles and responsibilities; and

d. A means to document and track grievances to ensure there is a timely response back to the employee.

Planned completion date

01/11/19

Company Action Plan Update

1, The factory is documenting the complaints from the employees. A board was implemented to follow up the complaints.

2, Human Resources will now be in charge of the harassment and abuse issues.

3, Mailboxes will be equipped with paper and pencil for the worker's commodity.

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory has not obtained a permit from the Ministry of Energy and Mining to store the diesel used to operate the boiler. [HSE.1, HSE.4]
2. There is no secondary containment for the oil stored in the mechanics workshop warehouse. [HSE.9]
3. There is no eyewash station or spill response kit available in the mechanics workshop warehouse where oil is stored. [HSE.6]
4. Two containers of a cleaning chemical called Akal VX used in the stain-removal area do not have labels. [HSE.9]

Local Law or Code Requirement

Hydrocarbons Law, Decree 109-83, Article 01; Law of Hydrocarbons Commercialization, Decree 109-97, Articles 3 and 18; Regulations of the Commercialization of Hydrocarbons, Governmental Agreement 522-99, Articles 8 and 14; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.6, and HSE.9)

Recommendations for Immediate Action

1. Obtain a permit to store diesel.
2. Provide secondary containment for the oil containers stored in the mechanics workshop warehouse.
3. Provide an eyewash station and a spill response kit in the mechanics workshop warehouse.
4. Label all cleaning chemical containers in the stain removal department with their contents and main hazards.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The factory must implement a process to ensure all legally required and valid permits and certificates related to health, safety, and environmental issues, such as those related to the purchase and storage of chemicals, fire safety inspections, inspection of machinery, and (chemical) waste disposal, etc.
2. Factory must implement procedures to reduce or eliminate the risk associated with hazardous materials which must cover as a minimum:
 - a. Material safety data sheets (MSDS) must be available for all hazardous materials.
 - b. All hazardous materials must be stored in suitable containers and labeled with the hazard information
 - c. Storage area requirements:
 - Storage areas must be secured and covered.
 - Containers must be stored on impervious surfaces.
 - There must be secondary containment for materials exceeding 208.2 liters (55 gallons) that is at least 110% of the volume of the largest container.

- Storage areas must have adequate ventilation and accessible emergency eyewash or shower stations.

f. A documented spill response plan and equipment must be available where hazardous materials are used and stored.

Planned completion date

12/04/18

Company Action Plan Update

1, Management has started the process to acquire this license.

2, A retaining wall has been installed for oil storing.

3, Management is quoting the Eye Wash Kit purchase.

4, The chemical containers we properly labeled.

FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory has added four mezzanines to the original building structure, but management has not commissioned structural engineering assessments to ensure that the new mezzanines are structurally sound and safe for workers to use. [HSE.1]

2. The ladder used in the fabric and raw material warehouse is not an industrial ladder that complies with legal regulations. The ladder does not have an anti-slip base or handrails. [HSE.1, HSE.14]

3. None of the chairs used by workers in the sewing production lines are ergonomically designed as required by local law. In addition, three workers in the packing department, one worker in the quality inspection department, one worker in the mending department, and nine workers in the heat transfer department do not have anti-fatigue floor mats. [HSE.1, HSE.17]

Local Law or Code Requirement

Occupational Health and Safety Regulations, Governmental Agreement 229-2014, Articles 4b, 4c, 50, 60, and 79; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.14, and HSE.17)

Recommendations for Immediate Action

1. Commission a third-party expert to conduct structural engineering assessments on the new mezzanines.

2. Replace the ladder used in the fabric and raw material warehouse with one that complies with safety regulations.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The factory must develop and implement procedures for building structure safety, which must cover as a minimum, the following:

a. Building Design Review

- Building (s) are purpose built for the intended use (e.g. manufacturing factories are designed for industrial occupancy)
- Design must be approved by local building authority
 - If there is no local authority, the building must be designed by a certified professional building designer or architect.
- Buildings, mezzanines or mezzanine structures must be constructed to support all loads, including dead loads without exceeding the allowable stress or specified strengths for the materials of construction in the structural members and connections.
 - Includes additional loads from expected natural events or disasters as identified in risk assessment
- Floor load rating of mezzanine or mezzanine structure must be evaluated
 - o Load ratings shall be marked on plates of approved design which shall be supplied and securely affixed by the owner of the building, or his duly authorized agent, in a conspicuous place in each space to which they relate.
 - o Such plates shall not be removed or defaced but, if lost, removed, or defaced, shall be replaced by the owner or his agent

b. Building Use

- Mezzanines loads must not exceed capacity
- Roof loads must not exceed capacity
- Change in use – when an existing building is changed to a new use group classification, the building design must meet the requirements of the new use
- Additions to existing building must comply with local building code or meet at minimum, all requirements of this code, whichever is most strict.
 - Structural analysis completed by 3rd party to ensure existing building together with any addition or alteration meet the building construction requirements.

c. Maintenance and Inspections

- Periodic and Continuous Inspections of building
- Cadence is defined by section 1705 of the International Building Code or local law, whichever is more stringent.
- At minimum, inspections must include all load bearing structures (i.e. roof, mezzanine, walls, etc.)
- Soil test are included as part of inspections

For more information refer to Nike's CLS: BUILDING STRUCTURE SAFETY

2. The factory must implement procedures to reduce or eliminate the risk associated with falling:

a. Ladder Safety:

- Inventory.
- Safe Use.
- Inspection requirements.

b. All fixed ladders greater than 2.1 m (7 ft) must have a cage built around them at a height of 2.1 m (7 ft).

c. Safe use, maintenance, and inspection of access equipment (i.e., man, scissor and aerial lifts, scaffolding, etc.)

Ladder Safety: Training will be conducted on Ladder Safety for all affected employees covering safe use and inspection requirements.

Please refer to Nike's CLS: GENERAL WORK ENVIRONMENT & FALL PROTECTION

3. The factory must develop and implement procedures to address ergonomic hazards. Procedures must cover, as a minimum, the following:

- Process to correct ergonomic problems that are presented via reporting of ergonomic hazards or injury trends.
- For repetitive activities, opportunities for breaks or changes in activity are provided.
- Incorporating ergonomics into design of equipment and processes.

Planned completion date

11/29/19

Company Action Plan Update

1, Management is quoting the implementation of the Structural Studies of the Buildings. At the moment, there is no staff working on this area, it's only used as storage for accessories.

2, The ladder was changed for an industrial ladder that fulfills the requirements of the local law.

3, It's taking into consideration to change the chairs of the staff. The ergonomic mat it's already available on the factory.

FINDING NO.7

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory has not performed hydrostatic tests on the five hydrants to ensure that the fire hoses would work in the event of a fire. [HSE.5]
2. Emergency exit number seven in the exporting warehouse is kept locked during working hours. In addition, it does not have a panic bar mechanism to make it easy to open in an emergency. [HSE.1, HSE.5]
3. Only one of the two emergency lights located at emergency exit number two in the sewing production lines turned on when tested. [HSE.5]
4. Members of the evacuation and first aid brigades do not wear badges to make them easily identifiable in the event of an emergency. [HSE.5]

Local Law or Code Requirement

Occupational Health and Safety Regulations, Governmental Agreement 229-2014, Article 70; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.5)

Recommendations for Immediate Action

1. Commission a third-party expert to conduct hydrostatic tests on all five fire hydrants.
2. Keep emergency exit number seven in the exporting warehouse unlocked during working hours and install a panic bar mechanism on the door.
3. Repair or replace the broken emergency light at emergency exit number two in the sewing production lines.
4. Provide members of the evacuation and first aid brigades with identification badges.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The factory must implement a procedure to ensure all safety equipment (e.g. fire fighting equipment, alarms, smoke detectors) are properly installed, maintained and easily accessible to workers.
2. Factory must implement a procedure to ensure ALL emergency exit doors are kept unlocked during working hours. Also these must comply with the requirements to safely exit.
3. Training must be provided to all workers to ensure the importance that aisles/exits are not blocked.

4. Members of the evacuation and first aid brigades must be provided with additional identification to make them easily identifiable in the event of an emergency.

Planned completion date

01/18/19

Company Action Plan Update

1, The factory executes every six months Training for the fire hose usage. The hose pressure is also verified on this training.

2, Management is quoting the panic bar handle for this area. At the moment, the door remains open during working hours.

3, Switches are being implemented for every lamp in the factory.

4, The brigades are already identified. We are working on the "labeling" to announce who makes up the brigade.

FINDING NO.8

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory does not have the legally required number of toilets for female workers. Currently there are 19 toilets available for female workers, however, according to local law there should be 24. [HSE.1, HSE.20]

2. Most of the toilets in the restrooms in the production areas do not flush. Instead, workers must manually add water to the toilets to clean them after use. [HSE.1, HSE.19, HSE.20]

3. None of the hand dryers in the restrooms in the production areas were working when tested. [HSE.19, HSE.20]

Local Law or Code Requirement

Occupational Health and Safety Regulations, Governmental Agreement 229-2014, Articles 293 and 294; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.19, and HSE.20)

Recommendations for Immediate Action

1. Install the legally required number of toilets in the women's restrooms.

2. Install flushable toilets in the restrooms in the production areas.

3. Replace or repair the hand dryers in the restrooms in the production areas.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory must establish procedures to ensure compliance with the number of toilets required under applicable laws for female workers. In addition, the number of toilets must be reassessed at least on a yearly basis, taking in consideration: number of toilets based on number of workers, privacy for each individual and gender, accessibility and hygiene.

2. Toilets & hand dryers must be in good working condition. The factory must implement a procedure to ensure that all facilities including workplace buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with all applicable laws, including relevant sanitation, medical, and safety and health regulations.

Planned completion date

01/18/19

Company Action Plan Update

1, The toilet implementation is being studied. Immediate action can't be taken due to the space and the fact that the facility is rented.

2, Management is working on having options to make the toilets functional. First action is being taken on the Cutting Area.

3, New hand dryers are being quoted, to replace the damaged ones.

Pictures will be attached when the action is accomplished.

FINDING NO.9

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory does not have the following first aid supplies as required by law: padded board splints for upper and lower limbs; petrolatum gauze; physiological saline solution; three pairs of gloves; eye patches; a mouthpiece for giving CPR; and oral serum for diarrhea. [HSE.1, HSE.6, HSE.18]

2. The factory's Preventive Plan of Occupational Risks has not been approved by an accredited doctor, as legally required. [HSE.1]

3. The factory does not have a license to operate a clinic. [HSE.1, HSE.4, HSE.18]

Local Law or Code Requirement

Occupational Health and Safety Regulations, Governmental Agreement 229-2014, Articles 302 and 304; Health Code, Article 121; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.6, and HSE.18)

Recommendations for Immediate Action

1. Ensure that all first aid items required by law are available at the factory at all times.

2. Have the Preventative Plan of Occupational Risks approved by an accredited doctor.
3. Obtain a license for the factory clinic.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Ensure that all first aid items required by law are available at the factory at all times.
2. Have the Preventative Plan of Occupational Risks approved by an accredited doctor.
3. Obtain a license for the factory clinic.

Planned completion date

12/04/18

Company Action Plan Update

- 1, The medical items that were missing on the first aid kit have been purchased.
- 2, Management is quoting the implementation of Health & Security Monitor (a doctor in the Facility).
- 3, Management is investigating the process to acquire the clinic's license.

FINDING NO.10

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The Health & Safety Committee does not have a clear function as defined by management. In addition, the Committee members have not received training on the identification of occupational hazards and there is no evidence that the Committee participates in regular workplace inspections. [HSE.1]

2. The factory's Health & Safety procedures do not include:

- a. Steps for workers to raise health and safety concerns;
- b. Protection against retaliation for workers who raise health and safety concerns. [ER.1, ER.31]

Local Law or Code Requirement

Occupational Health and Safety Regulations, Governmental Agreement 229-2014, Article 10; FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.31; Health, Safety & Environment Benchmark HSE.1)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. General Compliance Health, Safety, and Environment:

- The factory must comply with all national laws, regulations and procedures concerning health, safety, and the environment.

- HSE Committee Procedures must include:
 - i. Committee meetings must be conducted each month except months when quarterly inspections are conducted.
 - ii. Committees must maintain meeting minutes from the meeting. The meeting minutes must be communicated or available to all employees.
 - iii. The committee must establish a system to allow the members to obtain HSE related suggestions.
 - iv. The committee must establish procedures for investigating all HSE related incidents including injury accidents, illnesses, deaths, chemical spills and fires. (This does not mean the committee is required to conduct the investigations).
 - v. The HSE committee must ensure quarterly workplace inspections occur. At a minimum, they must:
 - a. Document the inspection results.
 - b. Recommend how to eliminate hazards and unsafe work practices in the workplace.
 - c. Track non-compliances until completion.

- Training - All HSE committee members must be trained in the following:
 - i. Purpose and operation of the HSE committee.
 - ii. HSE Committee procedures.
 - iii. Methods of conducting HSE committee meetings.
 - iv. How to access all regulatory and Nike HSE standards that apply to the particular facility.
 - v. Hazard identification in the workplace.
 - vi. Conducting effective accident and incident investigations.

2. The factory's Health & Safety procedures must include:
 - a. Steps for workers to raise health and safety concerns;
 - b. Protection against retaliation for workers who raise health and safety concerns.

Planned completion date

02/22/19

Company Action Plan Update

Feb 2020. Deadline date.

Pending to confirm the status with the factory.

Request the evidence.

FINDING NO.11

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. There are no policies or procedures on Personnel Development, including skill development, performance reviews, and promotion, demotion, and job reassignment. [ER.1, ER.28, ER.29, ER.30]
2. The factory does not conduct performance reviews for workers. [ER.29]
3. There are no promotions, demotions, or job reassignments in the factory. [ER.30]
4. Workers do not receive ongoing training with the goal of raising or broadening their skills in order to advance in their careers within the factory or beyond. [ER.28]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.28, ER.29, and ER.30)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Skills Development/Management of Performance Reviews:
 - The factory must develop and implement written policies and procedures regarding performance reviews that outline the review steps and process, demonstrate linkages to job grading, prohibit discrimination, are provided in writing and seek feedback and agreement/disagreement from employees in writing, and that follow all local legal requirements.
 - The performance review process should be communicated to the workforce and reviewed regularly.

2. Skills Development/Promotion, Demotion and Job Reassignment:

- The factory must develop and implement written policies and procedures with regard to promotion, demotion, and job reassignment that are transparent and fair in their implementation.
- Policies and procedures should outline the criteria for promotion, demotion, and job reassignment scheme, demonstrate linkages to job grading, and prohibit discrimination or use of demotion or job reassignment as a form of penalty or punishment.
- Outcomes should be provided in writing and seek feedback and agreement/disagreement from employees in writing.
- Processes should follow local legal requirements.
- Policies and procedures should be communicated to the workforce and reviewed regularly.

3. Skills Development/Training:

- The factory must develop and implement written policies and procedures and implement practices that 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 or beyond.
- The policies and procedures should include how workers will be informed of training opportunities, eligibility requirement for participation, if the training will be compulsory or voluntary, if it will take place during or after working hours, and if the training time will be compensated.
- Policies and procedures must encompass local legal requirements.
- Training shall be documented, and workers shall clearly understand what is required of them in order to advance to the next level within the factory.

Planned completion date

02/22/19

Company Action Plan Update

Mar 2020. Deadline date.

Pending to confirm the status with the factory.
Request the evidence.

FINDING NO.12

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

1. There are no policies or procedures on Termination & Retrenchment. [ER.1, ER.19, ER.32]

2. The factory does not pay termination payouts (including severance pay, unused annual leave payments, Christmas bonuses, and fourteenth month bonuses) as required by law. Assessors reviewed the personnel files of ten workers who resigned in the past three months and, in all cases, the factory had not paid the termination payouts. [ER.22, C.1, C.5]

Local Law or Code Requirement

Labor Code, Article 82; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.19, ER.22, and ER.32; Compensation Benchmarks C.1 and C.5)

Recommendations for Immediate Action

1. Pay termination payouts as legally required. Retroactively compensate all resigned workers who were underpaid in the past 12 months.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Termination and Retrenchment/General Policies and Procedures: The factory must develop and implement a formal written policy governing all aspects and modes of termination and retrenchment.

- These Policies and procedures must determine termination payouts, including methods for correct assessment of payouts for all modes of termination/retrenchment, taking into account national legal requirements.
- The factory must also establish channels for workers to confidentially express any concerns or problems they may be experiencing around legally-owed payment during a retrenchment process.
- Employers shall not demand that workers sign any declaration of good health, waivers or releases of other rights as a condition of receiving severance pay or other legal fringe benefits from the company and shall not threaten to withhold fringe benefits if workers do not sign.

Reference to Nike's CLS - Compensation is Timely Paid/ 6. Retirement/Severance Funds

2. The factory must provide all legally mandated fringe benefits, including holidays, leave, bonuses, severance payments and 13th month payments to all eligible workers within legally defined time periods.

3. All payments to workers, including hourly wages, piecework, fringe benefits and other incentives shall be calculated, recorded, and paid accurately.

Refer to Nike's CLS – Compensation is Timely Paid + Implementation

Planned completion date

02/22/19

Company Action Plan Update

1, Attached is the document of "Staff Layoff Procedure"

2, Attached is the evidence of a settlement of a job termination. It was requested to the auditor to specify which segment of the local law was being infringed but it was not given.

Action Plan no 2.

Description

1. Termination and Retrenchment/General Policies and Procedures: The factory must develop and implement a formal written policy governing all aspects and modes of termination and retrenchment.

- These Policies and procedures must determine termination payouts, including methods for correct assessment of payouts for all modes of termination/retrenchment, taking into account national legal requirements.

- The factory must also establish channels for workers to confidentially express any concerns or problems they may be experiencing around legally-owed payment during a retrenchment process.

- Employers shall not demand that workers sign any declaration of good health, waivers or releases of other rights as a condition of receiving severance pay or other legal fringe benefits from the company and shall not threaten to withhold fringe benefits if workers do not sign.

2. The factory must provide all legally mandated fringe benefits, including holidays, leave, bonuses, severance payments and 13th month payments to all eligible workers within legally defined time periods.

3. All payments to workers, including hourly wages, piecework, fringe benefits and other incentives shall be calculated, recorded, and paid accurately.

Planned completion date

02/22/19

Company Action Plan Update

1, Attached is the document of "Staff Layoff Procedure"

2, Attached is the evidence of a settlement of a job termination. It was requested to the auditor to specify which segment of the local law was being infringed but it was not given.

Pending to confirm the status and request the evidence.

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

1. The factory does not provide new workers with complete, formal orientation training. New workers only receive brief communication regarding Hours of Work, Compensation, and Workplace Conduct; there is no training on Recruitment, Hiring & Personnel Development, Workplace Discipline, Termination & Retrenchment, Industrial Relations, Grievance System, Environmental Protection, or Health & Safety. [ER.1, ER.15]
2. Workers do not receive written documentation that substantiates all of the issues covered during orientation, including a copy of the workplace rules. [ER.15]
3. The factory does not provide workers and supervisors with ongoing training on Personnel Development, Termination & Retrenchment, Grievance System, or Environmental Protection. [ER.1, ER.15, ER.17, ER.25, ER.28]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, ER.17, ER.25, and ER.28)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Employee orientation and training.

- The factory must develop and implement a training program to all levels of employees that includes all the company's policies and procedures, compensation package and policies for human resources, industrial relations, including respect of the right to freedom of association, and health and safety.
- Additionally an ongoing training must be implemented, this should be updated on a regular basis, and in particular when any policies and procedures are revised.

2. Workers should be provided with written documentation that substantiates all the issues covered in orientation briefings.

3. Training program must include all positions, including supervisors are trained (program must include national laws, regulations, and the FLA Code, and the appropriate practices to ensure compliance)

Due date Feb 2020

FINDING NO.14

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. The ongoing training provided to workers is not effective. Most of the interviewed workers were not aware of their rights to freedom of association and collective bargaining. [ER.1, ER.15]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.15)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Effective Training:

1. The factory must implement an orientation training program to new employees at the time of hiring, which includes explanations of the employers' rules, compensation package and policies for human resources, industrial relations, including respect of the right to freedom of association, and health and safety.

2. Training Program should be updated on a regular basis, and in particular when any policies and procedures are revised.

3. Workers should be provided with written documentation that substantiates all the issues covered in orientation briefings.

Pending to confirm status. Due date Dec 2019.

FINDING NO.15

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

1. The worker integration component is missing across all Employment Functions. This indicates that the factory has not established procedures to receive worker input/feedback on the creation, implementation, and revision of its policies and procedures. Workers are neither systematically integrated nor consulted in the decision-making process. [ER.1, ER.25]

2. Since there are no policies or procedures on Personnel Development or Termination & Retrenchment, the factory cannot communicate these policies and procedures or their updates with the general workforce. [ER.1, ER.16, ER.29, ER.30]

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

1. Effective Grievance System. The factory must establish an effective grievance process that enables employees to address their concerns regarding working conditions and terms and conditions of employment.

a. A written grievance policy and implementing procedures. The policy should include:

i. Multiple channels for employees to raise concerns and provide input to management. For example: grievance/suggestion boxes; supervisors/team leaders; HR department/counselors; trade union/worker representatives; "open door" policy; company "hotlines"; third-parties, worker committees, meetings between management and worker's representatives, etc.; and

ii. The ability to raise concerns confidentially (and/or anonymously), subject to the requirements of country law, if the employee so desires without fear of retaliation.

b. Effective communication of the grievance policy to employees so that employees are aware of the grievance process and their right to raise concerns.

c. Training of staff responsible for responding to grievances regarding the policy and their roles and responsibilities; and

d. A means to document and track grievances to ensure there is a timely response back to the employee.

2. Policies and Procedures. Employers must develop and implement the following policies and processes:

a. Policies and procedures regarding performance reviews that outline the review steps and process, demonstrate linkages to job grading, prohibit discrimination, are provided in writing and seek feedback and agreement/disagreement from employees in writing, and that follow all local legal requirements. The performance review process should be communicated to the workforce and reviewed regularly.

b. Written policies and procedures regarding promotion, demotion, and job reassignment that are transparent and fair in their implementation. Policies and procedures should outline the criteria for promotion, demotion, and job reassignment scheme, demonstrate linkages to job grading, and prohibit discrimination or use of demotion or job reassignment as a form of penalty or

punishment.

Outcomes should be provided in writing and seek feedback and agreement/disagreement from employees in writing.

Processes should follow local legal requirements. Policies and procedures should be communicated to the workforce and reviewed regularly.

Reference to FLA Benchmark ER.30

c. Retrenchment. In the event of a facility closure or other corporate restructuring which will result in the retrenchment or termination of employees, at a minimum, the supplier shall:

i. Notice. Give employees, employee representatives where applicable, and the relevant governmental authorities as much advance notice and relevant information regarding the redundancies/retrenchment as is possible under the circumstances.

ii. Severance

- Fully pay all severance, social security and other separation benefits to which employees being retrenched are entitled under country law.

- Release of claims. Supplier shall not require that employees sign any declaration of good health, waivers or releases of other rights as a condition of receiving legally entitled severance pay or other benefits. The supplier may condition receipt of discretionary or additional severance and benefits on an acknowledgment and/or release of claims.

iii. Collective Bargaining Agreement. In the event affected employees are represented by a trade union or worker organization, the supplier shall fully comply with all applicable notice, consultation, payment of severance, outplacement or other benefits provided for in the current collective bargaining agreement or otherwise agreed to between the supplier and such trade union or employee representatives.

Planned completion date

04/26/19

Company Action Plan Update

Due date Dec 2019. Pending to confirm the status.

FINDING NO.16

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. The factory's Environmental Protection procedures do not include:

- a. Steps for workers to raise environmental concerns;
- b. Steps for reporting environmental emergencies;
- c. Protection against retaliation for workers who report environmental violations. [ER.1, ER.31, HSE.5]

Local Law or Code Requirement

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

COMPANY ACTION PLANS

Action Plan no 1.

Description

Factory must develop and implement an Environmental Protection program that includes:

- a. Methods for assigning responsibility for activities.
- b. Description of actions required resolving and preventing noncompliance.
- c. Steps for workers to raise environmental concerns;
- d. Steps for reporting environmental emergencies;
- e. Protection against retaliation for workers who report environmental violations

Company Action Plan Update

Pending to confirm the status. Deadline Dec 2019.