



FAIR LABOR
ASSOCIATION®

INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Fast Retailing Co., Ltd.

COUNTRY: Bangladesh

ASSESSMENT DATE: 12/19/18

ASSESSOR: Insync Global

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: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The factory has no formal system for worker performance evaluations following the probation period. The factory extended the probation period from three to six months and management provided letters to workers to communicate this extension. [ER.30, C.3]
2. Factory management shares no evaluation results with workers and workers do not sign their performance appraisal forms. [ER.30]
3. Factory management has not updated the yearly increment in personnel files for 2016, as legally required. The increments for 2015 and 2017 are updated. [ER.2]
4. The factory orientation program does not include workplace conduct and discipline; grievance system; Recruitment, Hiring and Personal Development; Environment; or Termination and Retrenchment. [ER.15]
5. In September 2018, the factory recruited 178 workers and management confirmed all new recruits went through the orientation program. Only 65 workers signed the attendance list. [ER.15]
6. The factory has no written policy on Hiring or Personnel Development. [ER.28, ER.29, ER.30]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2, ER.15, ER.28, ER.29, ER.30; Compensation Benchmark C.3)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory already developed a performance evaluation format for workers to confirm job. From now workers job will confirm by the performance evaluation process.
2. From now all workers performance evaluation feedback will take through evaluation form.
3. Those file already updated and kept missed letter.

Company Action Plan Update

1. Based on document review it was found that factory implemented formal system from 02.05.2019 for worker performance evaluations following the probation period. In addition, factory implement extended the probation period policy that was communicated with worker. In personal file assessor found, management issued letters to workers to communicate this extension. (Completed)
2. Based on document review and worker interview it was noted that factory management evaluate performance of their worker to confirm workers job, increment and promotion. Assessor found worker consent in feedback form kept in personal file. (Completed)
3. Based on personal file review it was found that facility management kept yearly increment in personnel files for all old and new employees.(Completed)
4. Orientation training included all issues and orientation training conducted as per FLA guideline from March 2019. Facility revised module of orientation training material included workplace conduct and discipline; grievance system; Recruitment, Hiring and Personal Development; Environment; or Termination and Retrenchment. (Completed).
5. From now on, factory ensured orientation training for all workers and started from March 2019. All worker recruited in last three months went through orientation training and all new worker acknowledge their presence in orientation training in attendance list. (Completed)
6. Policy updated and added the recruitment, Hiring and personal development issue of workers. Based on policy file review and mid management interview, it was noted that facility management introduce written hiring policy. And that was approved by top management representative. (Completed)

FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. Promoted workers do not receive revised identity or service cards. Service cards are also not updated to reflect their current wages. [ER.2]

2. Bangladeshi laws allows the extending the probation period from three months up to six months. Extending the probation period beyond three months is a violation of FLA Benchmarks. During the probation period, the factory provides applicable wages and benefits. [C.3]

Local Law or Code Requirement

Bangladesh Labour Act 2006 (updated in 2015) Chapter II section 6; FLA Workplace Code (Employment Relationship Benchmark ER.2; Compensation Benchmark C.3)

Recommendations for Immediate Action

1. Update designation of workers on identity cards and information on wages paid to workers, as legally required.
2. Ensure probation period does not exceed three months.

COMPANY ACTION PLANS

Action Plan no 1.

Description

2. Factory will maintain law's instruction and ensure performance evaluation for everyone.

Company Action Plan Update

Update progress on factory visit on Jan 06-07, 2020:

1. Factory already provided to the concern person update card. Also kept in the file. Based on document review it was found that factory implemented formal system for worker performance evaluations following the probation period from 02.05.2019. In addition, factory implement extended the probation period policy that was communicated with worker. In personal file assessor found, management issued letters to workers to communicate this extension. (Completed)

2. Based on document review it was found that factory implemented formal system for worker performance evaluations following the probation period from 02.05.2019. In addition, factory implement extended the probation period policy that was communicated with worker. In personal file assessor found, management issued letters to workers to communicate this extension. (Completed)

FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The factory delays providing workers their annual increase in wages by ten to 25 days. For example, if a worker is hired on August 8, 2017, the worker's basic wage should increase by five percent on August 8, 2018; however, the factory increases the wage after completing the pay period. Management stated the delay is due to the calculation of wages during the monthly pay period. The payroll software cannot calculate a wage increase in between the pay period, so raises are made effective the following pay period. [ER.18, C.5]

2. On December 5, 2017, the factory doctor conducted training for female workers on precautions during pregnancy and maternity benefits; however, 11 male workers and 9 female workers signed the attendance sheet. The training was designed for female workers only. [ER.2, ER.16].

Local Law or Code Requirement

Bangladesh Wage Gazette – Clause 1 – (Annual wage increment); FLA Workplace Code (Employment Relationship Benchmarks ER.2, ER.16, ER.18; Compensation Benchmark C.5)

Recommendations for Immediate Action

1. Update payroll software to ensure annual increase in basic wage is effective on the actual date of one year of employment.
2. Ensure training is provided to all female workers.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Whose increment effective after 1st day of month, that salary will be maintained through excel. But not possible to show documents due to increased all workers salary on December 2018. Able to show documents on December 2019.

Planned completion date

02/08/19

Company Action Plan Update

Update progress on factory visit on Jan 06-07, 2020:

1. As payroll software cannot calculate salary as per actual approval of increment day. Facility management introduce new policy mentioned that increment will be effective first day of the particular month. (Completed)

2. Factory made training calendar for all training and fixed time to maintain training gap. Based on several training records such as maternity awareness, first aid, fire safety etc. review it was noted that no inconsistency found in training record. (Completed).

FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. The factory has changed the sick leave policy: after using available sick leave, if a worker needs additional sick days, the days are adjusted against their earned leave. The factory did not obtain written consent from workers prior to making this adjustment. [HOW.18]

2. The factory's production plan is based on a ten-hour work day, which requires workers to work overtime two hours per day. [ER.24, HOW.7, C.7]

3. The time recording system does not always record actual hours of work. As noted from time cards, Jacquard worker shifts change every Friday, regardless of a staggered weekly rest day. These workers work the night shift, from 8:00PM to 8:00AM Friday; their shift starts at 8:00PM Friday and ends at 8:00AM Saturday, and on Saturday they work a day shift starting at 8:00AM and ending at 7:00PM. Management stated that in practice, these workers start work at 8:00PM on Thursdays and exit at 8:00AM on Friday. They return back to work on Fridays at 2:00PM and work until 8:00PM. On Saturday, they work from 8:00AM to 7:00PM. The software has been programmed to calculate working hours from 8:00AM to 8:00PM; if workers punch in at 2pm, the software calculates half day wages. To ensure accuracy of wage calculation, the factory programmed the software to reflect a full day work, so it reflects a full night shift followed by a full day shift. [ER.23]

4. After working a night shift on Thursdays (starting 8:00 pm Thursday and exiting 8:00 am Friday), Jacquard workers return to work at 2:00 pm, after six hours of rest between shifts, instead of 24 hours, as legally required. [HOW.1, HOW.3]

5. The factory does not obtain written consent from workers prior to their working overtime, even from pregnant workers. [HOW.8]

Local Law or Code Requirement

Bangladesh Labour Act 2006 (update in 2015) chapter IX section 106; FLA Workplace Code (Employment Relationship Benchmarks ER.23, ER.24; Compensation Benchmark C.7.3; Hours of Work Benchmarks HOW.3, HOW.8.5, and HOW.18)

Recommendations for Immediate Action

1. Obtain written consent from workers prior to adjusting sick leave against earned leaves.

2. Base production planning only on regular working hours, not overtime hours.

3. Update the time recording system to record actual hours of work.

4. Provide adequate rest between shifts, as legally required.

5. Obtain written consent from workers prior to their working overtime, especially pregnant workers.

COMPANY ACTION PLANS

Action Plan no 1.

Description

2. Factory discussed with management to consider production plan 8 hours from next year budget. 3. Bangladesh Labor Law 2006, section 106 and sub section Ka & Kha not violated. Because each shift workers getting more than 24 hours day off. Also trying to find others better way. 4. Bangladesh Labor Law 2006, section 106 and sub section Ka & Kha not violated. Because each shift workers getting more than 24 hours day off in a week. Only violated daily working hours rules.

Planned completion date

02/12/19

Company Action Plan Update

1. Factory updated sick leave policy and mentioned additional sick leave can be adjusted with EL. Also make form to take workers written consent through prescribe format. (Completed by 31-Mar-2019)

5. Factory already started daily Over time sheet signature by Pregnant workers if OT available. The instruction convey department head through meeting. (Completed by 6-Apr-2019)

Update progress on factory visit on Jan 06-07, 2020:

1/ Based on leave policy, personal file of selected worker, training record review and mid management interview it was noted that facility management updated sick leave policy on 30.03.2019 where mentioned additional sick leave can be adjusted with earned leave.

Management provides training on updated leave policy to all of worker step by step and took written consent through prescribe leave format (Completed)

2/ Based on production plan review, respective merchandiser and mid management interview it was noted that factory started planning for their production for eight hour. (Completed)

3/ Based on document review and worker interview it was noted that factory changed their software and rotation of shift. As a result, workers were getting rest day between two shifts as per law. (Completed)

4/ Based on time card review of jacquard section employee, management and worker interview it was found that they have change

the rotation of shifts of those workers. As a result, workers are getting day off between two shifts.

For better understanding management communicated new policy with their workers through training. (Completed)

5/ Based on document review and worker interview it was noted that factory implemented a system to obtain written consent from workers prior to their working overtime. And it is reflected in overtime working hour sheet where worker gives their consent within 3 pm of each day. (Completed)

FINDING NO.5

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

1. The written termination procedures only note one reason for termination of employment: "unfit for work". The procedures do not include other possible reasons, such as resignation, retirement, or death. Worker interviews and document review confirmed that terminal dues were accurately calculated and paid. [ER.19 and ER.32]

2. The factory has no written policy for retrenchment. [ER.32]

3. The written procedures on termination do not include methods to calculate pay-outs. [ER.19 and ER.32]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.19 and ER.32)

COMPANY ACTION PLANS

Action Plan no 1.

Description

No action is needed since all findings are improved.

Planned completion date

02/12/19

Company Action Plan Update

1. Policy already updated. (Completed by 30-Mar-2019)

2. Policy already updated. (Completed by 30-Mar-2019)

3. In the policy already added payment method of termination. (Completed by 30-Mar-2019)

FINDING NO.6

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. Factory management records actions taken for grievances reported in the grievance log. Between September and December 2018, the factory received verbal abuse complaints from workers against supervisors. Management stated that they gave supervisors verbal warnings in response. The factory had received similar grievances before September 2018. However, an internal inquiry determined the complaints to be false so they were not documented. As of September 2018, all reported grievances and complaints were being documented. Workers made verbal abuse complaints using the complaint box. Factory management then provided verbal warnings and counseling to supervisors, though they do not keep documentation of this action. [ER.27]

2. Factory management records no verbal warnings. [ER.27]
3. The factory keeps no documentation for training conducted for HR staff. [ER.27]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.27)

COMPANY ACTION PLANS

Action Plan no 1.

Description

No action needs to be done since all of findings are improved

Planned completion date

02/12/19

Company Action Plan Update

1. Now all grievance investigating with documentation. (Completed by 30-Mar-2019)
2. Now factory made register and maintain. (Completed by 30-Mar-2019)
3. Now documented all training with HR staff. (Completed by 30-Mar-2019)

FINDING NO.7

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Grievance System

Finding Explanation

1. The grievance communication procedures call for factory management to include the name of the worker representative; however, worker representatives are not included on the grievance handling committee of staff and management. Management shared that the inclusion of worker representatives in the grievance handling committee may risk miscommunication to workers prior to addressing the grievance and may result in indiscretion. For example, if there is a complaint against a supervisor, prior to completing the inquiry, the worker representatives may share this information with workers, who could stop taking instructions from the supervisor, or the supervisor may not be able to delegate his responsibilities in an effective manner. [ER.25]

2. The written procedures do not define timelines to address grievances at various employment levels (supervisor, junior management, and senior management). [ER.25]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.25)

COMPANY ACTION PLANS

Action Plan no 1.

Description

No action needs to be done since all of findings are improved.

Planned completion date

02/08/19

Company Action Plan Update

1. Now factory started to invited PC member to present grievance before opening time. They are not opening grievance letter in front of PC member but counting letter quantity. (Completed by 30-Mar-2019)
2. In the policy already updated and mentioned time to provide solution of grievance. (Completed by 30-Mar-2019)

FINDING NO.8

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. The factory has no written policy on Industrial Relations. [ER.1]
2. The factory has no written procedures on Freedom of Association or Industrial Relations. There are no written procedures on forming a Participation Committee (a joint worker and management committee with equal representation). [ER.25]

Local Law or Code Requirement

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

COMPANY ACTION PLANS

Action Plan no 1.

Description

No action needs to be done since all of findings are improved.

Company Action Plan Update

1. Factory updated policy. (Completed by 30-Mar-2019)
2. Policy updated and elaborately added forming PC committee and industrial relations. (Completed by 30-Mar-2019)

FINDING NO.9

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory does not implement Lock out – Tag out procedures for maintenance work. [HSE.14]
2. The factory does not provide safety instructions to external contractors. [HSE.1]
3. The factory evacuation logs have no information specific to children, special categories of workers, or visitors. [HSE.5]
4. The ambulance room is not equipped with the legally required equipment. The current facility is only designed to administer first aid, with basic medical supplies and rest beds for male and female workers. The facility is under the care of a visiting doctor and full-time nurse. The factory has an agreement with a local hospital for any additional medical services. The doctor visits the factory three days a week for four hours on each day. [HSE.18]
5. There is no canteen, which is legally required. A dining area is provided, where workers eat lunch brought from home. Food and beverages are not available for purchase. [HSE.1]
6. There is only one exit from the childcare room. [HSE.5]
7. The factory has not conducted health checks for the childcare workers. [HSE.1]
8. One glass is provided at each drinking water station for all workers to share. Soap is provided near the drinking water station for workers to wash the glass. [HSE.23]
9. The factory has not posted Standard Operating Procedures near machinery. [HSE.14]
10. Sewing machine operators push needle guards upwards, rendering them ineffective. [HSE.14]
11. The factory has not labeled lanes for vehicle or human traffic or installed speed bumps or visual driving aids like reflectors and convex mirrors to assist in safe driving practices. [HSE.1]
12. Standing workers in the checking and packing sections are not provided with anti-fatigue mats. Sitting workers in the sewing and linking sections use stools with no back rest. Workers in the winding section sit on the floor. [HSE.17]

13. There is no spill response kit near the machine oil storage area. [HSE.9]

14. The machine oil cans stored in the first floor have no lids. [HSE.9]

Local Law or Code Requirement

Bangladesh Factories Rules 1979 Sections 25, 42, 51, and 56; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.5, HSE.9, HSE.14, HSE.17, and HSE.23)

Recommendations for Immediate Action

1. Implement Lock out – Tag out procedures for maintenance work.
2. Provide safety instructions to external contractors.
3. Add information on children, special categories of workers, and visitors to the evacuation logs.
4. Provide the ambulance room with required equipment, per legal guidelines. Ensure that a doctor is always available on call and assisted by a nurse during working hours.
5. Provide canteen, as legally required.
6. Provide second exit from childcare room.
7. Conduct health checks for childcare workers.
8. Make appropriate arrangements for drinking water at drinking water station.
9. Post Standard Operating Procedures near all machinery.
10. Educate and monitor how sewing machine operators use the needle guards.
11. Label lanes for vehicle and human traffic. Install speed bumps and visual driving aids like reflectors and convex mirrors inside the factory compound.
12. Provide anti-fatigue mats to standing workers in the Checking and Packing sections and chairs with back rest to sitting workers in the winding, sewing and linking sections.
13. Provide a spill response kit near machine oil storage area.
14. Add lids to machine oil cans stored in the first floor.

COMPANY ACTION PLANS

Action Plan no 1.

Description

3. From April 2019 will be maintain all different log for children, special categories of workers, or visitors. 6. Factory is analyzing the issue and discussed with management with a few option. Hope, by July 2019 able to find better way to make new exit or remove child care. 8. Factory increased glass quantity each drinking water point. 11. Factory spoke with management to fix speed break near the gate. 12. Factory discussed with management to consider to provide anti-fatigue mats for packing operators. 13. On process to making spill kits rack and on process of painting and finxing in the desired places.

Planned completion date

02/12/19

Company Action Plan Update

1. Policy and Procedure already made and provided training to the concern person. (Completed by 30-Mar-2019) 2. Factory already updated policy. (Completed by 30-Mar-2019) 4. Doctor available day time daily. Off day is Friday. 5. Now available canteen and it's functional. Only beverages items available. (Completed by 28-Jan-2019). 7. Factory already completed health check for child care workers. (Completed by 26-Dec-2018) 9. Now factory already posted SOP proper places. (Completed by 31-Mar-2019) 10. Factory provided instruction to related operators to maintain properly. (Completed by 31-Mar-2019) 14. Factory provided lids to all cans and instructed them to maintain. (Completed by 30-Mar-2019)

Update progress on factory visit on 6-7 Jan 2020:

3. Based on fire drill record review it was found that all possible categories such as children, special categories of workers, or visitors included in factory evacuation logs for both day and night. (Completed)

6. Based on facility visit it was noted that facility installed two exits for child care room. (Completed)

8. Based on facility visit it was noted that facility management provides drinking glass based on the worker ratio in each work station. In addition, Soap is provided near the drinking water station for workers to wash the glass to maintain hygiene. (Completed)

11. Based on facility visit it was noted that facility segregate and labeled lanes for vehicle or human traffic, construct speed bumps, installed convex mirrors to assist in safe driving practices. (Completed)

12. Based on facility visit it was noted that facility provides anti-fatigue mats for packing employees, chair with back rest in sewing and linking section, and provides seating arrangement in winding section (Completed)

13. Based on facility visit it was noted that facility provides spill kits in main chemical store and sub stores near jacquard section. (Completed)

FINDING NO.10

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The written procedures have no defined steps for workers to raise environmental concerns or to protect workers who raise environmental concerns. [ER.31]

2. The written procedures include no measures to protect worker reproductive health by minimizing exposure to workplace hazards, steps to raise concerns and protection of workers who raise concerns, or steps to rescue visitors, contractors, or special categories of workers and children from the childcare room. [ER.31]

3. The factory has no training for workers with specific responsibilities during emergency situations. [ER.31]

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Policy updated and will be train to the concern workers. 2. Policy updated and awareness training will be completed. 3. Awareness training started to handle emergency situation. All workers will be completed by 2019.

Company Action Plan Update

Update on factory visit on 06-07 Jan 2020:

1. Based on policy and procedure review it was noted that environmental policy includes steps for workers to raise if any environmental concerns observed. In addition, for better understanding they provides training to worker on policy and procedure. (Completed)

2. Based on policy and procedure review it was noted that facility management updates health & safety policy and procedure that includes measures to protect worker reproductive health by minimizing exposure to workplace hazards, steps to raise concerns and protection of workers who raise concerns, or steps to rescue visitors, contractors, or special categories of workers and children from the childcare room. (Completed)

3. Facility forms a team with specific responsibility to act during emergency situations. Facility management arranges training how to perform during any emergency happens. (Completed)

FINDING NO.11

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

1. In the past 12 months, factory management conducted training on Recruitment, Hiring and Personnel Development for 40 of 208 supervisors and 420 of 1246 workers. The factory also conducted training on workplace standards for 332 workers and 17 supervisors, and training on hours of work for 11 supervisors and 388 workers. The factory trained 17 supervisors and 332 workers on Termination, however the training only referenced Disciplinary procedures not other reasons like resignation, retirement, death, or medical reasons. The factory trained 59 supervisors and 329 workers on Freedom of Association, 9 supervisors and 9 workers on the purpose of the Participation committee, and 9 supervisors and 220 workers on grievance systems. The factory trained 31 supervisors and 1006 workers on environmental protection and 290 workers on PPE. The factory has no defined plan to train the remaining supervisors and workers. [ER.15, ER.17]

2. The factory has no training on compensation and benefits for supervisors or workers.[ER.15, ER.17]

3. The factory has no yearly training calendar. The factory has a monthly calendar which does not indicate whether all employees will be trained. [ER.1]

COMPANY ACTION PLANS

Action Plan no 1.

Description

2. Factory already started training program.

Planned completion date

02/08/19

Company Action Plan Update

Update Progress on factory visit on 06-07 Jan 2020:

1. Based on yearly calendar, training record review and mid management interview it was noted that facility management made clear plan to cover all their worker and supervisor under their training programs. Note that during follow up audit it was found that production pressure is low now a day, so trainer get more time to provide more training to the workers. (Completed)

2. Facility management has started providing training on compensation and benefits for supervisors or worker. As per training plan they will continue providing training to cover all employee of the factory. (Completed)

3. Based on yearly calendar, training record review and mid management interview it was noted that facility management prepare yearly training calendar and started providing training based on calendar from March 2019. (Completed)