



COMPANIES: Fast Retailing Co., Ltd.

COUNTRY: Madagascar

ASSESSMENT DATE: 12/10/18

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 orientation program does not include Recruitment, Hiring & Personnel Development. [ER 15.1]
2. Document containing all topics discussed during the orientation program is provided to workers at the end of orientation program and workers sign on the document which is then filed in individual file of workers. Workers are not provided with a copy of the document to keep on them. [ER.15.3]
3. Factory does not provide a letter to workers to communicate promotions and inform workers verbally. The increase in wage and grade is recorded in the employment card filed in individual file of workers.[ER 2]
4. Written job descriptions are not provided to identify responsible person for employment functions.[ER 1]
5. Even though vacancies are posted on the notice board, workers only get promotions if supervisors recommend promotions for specific workers based on daily observation of performance. Performance is evaluated by the production manager and based on the results, workers are promoted. Result of evaluation conducted by production team is not documented however a list of workers recommended for promotion is sent to senior management for approval. Post approval from senior management, the list of workers to be promoted is forwarded to the HR Team who then changes workers' designation and salary of workers is increased. This information on change of designation and increase in salary is provided in the employment history on file of the workers. If workers complain against the recommendations by supervisors to promote specific workers, management investigates recommendations made by supervisors. [ER 30.1.2]

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2, ER.15, ER.28, ER.29 and ER.30)

#### COMPANY ACTION PLANS

##### Action Plan no 1.

##### Description

1. Revise orientation program in process to include Recruitment, Hiring & Personnel Development. 2. A copy of the orientation program has been posted on the notice board. A copy will be given to each employee who will sign on a sheet confirming that they have received their copy. 3. A letter will be given to each promoted employee. 4. Job description will be written for all occupations and will be given to all employees. 5. a. Factory will define criteria for performance evaluation. b. Factory will start measuring the performance of section by section.

Update progress on 10 February 2020:

1. Orientation program includes recruitment and hiring process. However, Personal Development has not been addressed yet. (In Progress)

Planned completion date

12/21/18

Company Action Plan Update

Update progress on 10 February 2020:

2. "Formation pour les Nouvelles embauches" dated 08-11-2019 has been implemented. After the training a copy is given to the relevant employee. Employee #2789 - Evidence of signed copy (Completed)

3. Following the performance appraisal and whenever promotion is granted, a notification letter is issued and signed by both parties. The topics addressed are the new position / professional category and the new salary. (Completed)

4. Job descriptions have been implemented for all positions. Copy of machinist attached. However, it could be noted there is no date on the document. Job description has been implemented since end of October 2019. Any other cognate duties not included. (Completed)

5. An evaluation sheet is being filled in for all those who had the performance appraisal. Same is kept in respective personal file. (Completed)

## FINDING NO.2

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Compensation

##### Finding Explanation

1. Wages are based on attendance records and not records of actual working hours. The factory does not keep record of detailed hours of work, but only on wage records and wage slips. For example, a worker's records is marked in red ink if they leave work early. However, it is not noted how early the worker leaves the factory. Workers might receive inaccurate compensation due to the lack of information on hours of work. Hours of work needs to be calculated manually by dividing compensation paid with rate of wage per hours. [ER.2 and C.15]

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relation benchmark ER.2 and Compensation Benchmark C.15)

##### Recommendations for Immediate Action

1. Information on hours worked during a pay period should be included in the wage records and wage slips.

### COMPANY ACTION PLANS

Action Plan no 1.

### Description

1. All workers have been asked to record the time attendance together with their respective signature. The format on which the employee use to sign has been modified to record the daily TIME IN and OUT of each employee. The factory will use the record sheets to compute the daily time IN and OUT of each employee in the salary calculation software system thus the compensation is automatically accurate as per TIME IN AND OUT RECORD.

### Planned completion date

12/21/18

### Company Action Plan Update

Update progress on 10 February 2020:

1. Wages are based on manual attendances which record exact time in and time out, including overtime. Hence, in line with operational hours. Whenever, there is overtime, the exit time is recorded in red. Same is then transferred on an excel sheet for wages computation purposes. Attendances have been reviewed randomly for the months of October 2019, January and February 2020. Change in attendance recording has been implemented since the month of October 2019. No evidence of wrong calculation noted. Should the case arise, employees can complain accordingly, and adjustment is either done during the month or at next pay (Completed)

## FINDING NO.3

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Hours of Work

#### Finding Explanation

1. Accurate working hours could not be confirmed as working hours are not recorded accurately. Attendance of workers is recorded manually on a daily basis which implies 8 hours of regular work (7am to 3.30pm). If a worker leaves early (prior to end of shift), a remark is made in red ink. In case of overtime work, a separate record is maintained which states work until 1730 (2 hours of overtime) for every worker and workers sign both the records. Based on reported hours, workers are compensated accurately. [ER.2 and C.15]

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.2 and Compensation Benchmark C.15)

#### Recommendations for Immediate Action

1. Record accurate hours of work (actual time of start and end of work) in addition to recording attendance of workers.

### COMPANY ACTION PLANS

#### Action Plan no 1.

#### Description

1. All workers have been asked to record the time attendance together with their respective signature. The format on which the employee use to sign has been modified to record the daily TIME IN and OUT of each employee. The factory will then use the record sheets to compute the daily time IN and OUT of each employee in the salary calculation software system thus the compensation should automatically be accurate as per TIME IN AND OUT RECORD

#### Planned completion date

12/21/18

#### Company Action Plan Update

Update progress on 10 February 2020:

1. Exact exit time is now recorded with regards to overtime hours. Workers sign the in and out time everyday. Monitoring and compliance of working hours are also done during the internal audit. (Completed)

## FINDING NO.4

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Grievance System

##### Finding Explanation

1. The grievance suggestion box is installed in an open area near the exit from the production floor and not in areas where it can be used in a confidential manner, such as toilets. [ER 25.3]
2. Even though submitted grievances are tracked, discussed, and plans are implemented, the pieces of paper collected from suggestion boxes are kept together loosely in a folder and are not filed to ensure none of them go missing.[ER 2]

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relation benchmark ER.2 and ER.25)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. Box will be moved to a more confidential area - toilettes. 2.Grievance box is opened by the workers delegates . All grievance are noted in a grievance book and all follow up are done on same book

##### Company Action Plan Update

Update progress on 10 February 2020:

1. Suggestion boxes have been set in the toilet corridors. Same has been implemented since June 05, 2019. (Completed)

2. Grievances received from the suggestion boxes are filed accordingly. It can be confirmed that documents cannot be missing. (Completed)

## FINDING NO.5

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. Spill response kit is not provided and Material Safety Data Sheet is not posted near diesel storage area. [HSE.9]
2. Factory does not have Lock out – Tag out arrangement. [HSE.14]
3. Soap and hand drying facility is not provided in toilets. [HSE.19]
4. Needle guards are not installed on sewing machines which do not have guide plates. [HSE.14]
5. Eye shield installed on over lock machines were seen pushed upwards by machine operators. [HSE.8]
6. Sharp tools (scissors) are not tied to work stations to prevent injury to workers from accidental falls. [HSE.14]
7. Standard Operating Procedures are posted on band knife cutting machine and is not posted on hydraulic cutting machine or near sewing machines. [HSE.14]

8. Traffic lanes are not marked for vehicular and human traffic movement. Speed breakers, reflectors and convex mirror are not installed to ensure safe driving practices inside the factory. [HSE.1]
9. Anti-fatigue mats are not provided to workers with standing jobs. [HSE.17]
10. Aisles and evacuation directions are marked in the center of the work areas and are not marked from work areas (like cutting, sewing and finishing sections) leading to the main passage. Management stated that the layout of the machines are changed frequently due to production requirements and hence they are not marked however are monitored to ensure these are maintained clear at all times as noted during the factory tour. [HSE.5].

#### Local Law or Code Requirement

FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.5, HSE.8, HSE.9, HSE.14, HSE.17 and HSE.19).

#### Recommendations for Immediate Action

1. Provide spill response kit and post Material Safety Data Sheet near diesel storage area.
2. Implement Lock out – tag out arrangement for maintenance work.
3. Provide soap and hand drying facility in toilets.
4. Install needle guards on sewing machines without guide plates.
5. Monitor use of eye shield installed on over lock machines by machine operators.
6. Sharp tools (scissors) should be tied to work stations to prevent injury to workers from accidental fall.
7. Post standard operating procedures on hydraulic cutting machines and near sewing machines.
8. Mark traffic lanes for vehicular and human traffic movement inside the factory. Provide speed breakers, reflectors and convex mirror to ensure safe driving practices inside the factory.
9. Provide anti-fatigue mats for workers with standing jobs and train workers on how to use the mats.
10. Mark aisles and evacuation directions from work areas (like cutting, sewing and finishing sections) leading to the main passage and maintain pictures with logs for evacuation drills conducted.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Sand bucket are kept near storage area in case of spill. MSDS posted. 2. Factory is studying this issue to finalize a way to put it into practice. Factory will update when plan defined. 3. Soap and hand drying is being installed. 4. Factory verified there is no way to install needle guards given the production processes, factory will provide training to workers on how to safely use the machines without guards, and create a monitoring system to ensure no injuries occur. 5. Factory will do regular awareness campaign for all employees focus on the importance of using all the PPE including eyeguards on machines. 6. All operators are provided with a personal plastic kit to keep all dangerous tools when not in use. 7. SOP are being fixed on all types of cutting machine. 8. Factory has already earmark and will segregate route for Vehicles and pedestrians. There will be no lane which will be use by both vehicles and pedestrians. Clear signage will be placed to identify each lane. 9. Factory is working on the Anti-fatigue mats specifications required and corresponding suppliers. Schedule to provide by End of September 2019. 10. Factory has placed evacuation directions on the top in the whole factory instead of marking the floors due to constant change in production line set up. "On the top" means "exit direction pictogramme" have been placed on the metals frames and walls in the whole factory at a height of 3 meters from the floor level which are seen by every employees and which guide them during evacuation process. Factory also have floor evacuation direction painted on the floor in all main corridors in the whole factory.

Update progress on February 10, 2020:

6. As per facility's procedure with regards to Sharp Tools, same has been defined in the internal procedure. Every employee has been given a pencil case to keep their respective tools. While not in use, the tools are kept in accordingly. Sharp tools are still not tied to the workstation. (In Progress)

#### Planned completion date

12/21/18

#### Company Action Plan Update

Update progress on February 10, 2020:

1. Covered spill kit (Sand bucket) has been set at the Gas oil/Diesel tank (Completed)

2. Log out - tag out has been set on the machine, wherever required. A procedure has also been defined dated 05-11-2019. Training has been carried out on the same day and those concerned have acknowledged understanding of same. (Completed)

3. Soap is provided to the employees at the entry of respective washroom at the hand washing points. Individual hand towels are given to the employees free of charge and new ones issued whenever required.

However, it could be noted during the visit that the stock of hand towels were zero as at Feb 03, 2020. Could understand that verbal request has been made for new ones. As at audit date, request has been made to management for cutting of 600 pieces. (Completed)

4. Needle guards have been set on some machines, wherever applicable. On machines where no guards have been set, it has been taken over in the risk assessment as negligible as training has been carried out and no accidents with regard to same recorded over the past year. (Completed)

5. During site visit, it could be noted that the eye shields, wherever applicable, were used accordingly. Could understand that during morning talks importance of using the guards and shields are always reminded. (Completed)

7. Operating procedures have been affixed at the press machines as well and are known by the operators. At cutting machines, warning instructions has also been set. (Completed)

8. Vehicle and pedestrians' lanes as well as parking areas have been clearly identified in the yard. A site plan has also been defined and affixed at the security post. Speed limit of 10 km has been defined and affixed. (Completed)

9. Anti-fatigue mats have been set at standing position jobs mainly at the press machines. It could be noted that same is being used accordingly by the operators. Order Sheet #408 of 25-11-2019. (Completed)

10. Wherever applicable, there are floor markings and employees know that they must follow same for evacuation. (Completed)

## FINDING NO.6

### SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

### Finding Explanation

1. The competency certificate of 3rd party inspectors for electrical safety and building inspection and for environmental assessment conducted in June 2013 is not maintained in the facility. [ER.1]
2. Safety instructions are not provided for contractors who conduct building maintenance. [HSE.14.2]
3. A workplace safety assessment was done in May 2016 by the factory's internal team, however, this was not a risk assessment and was an assessment to identify hazards and measures taken to protect workers like providing Personal Protective Equipment. The assessment did not include information on the number of workers in each work area, possible source of fire, areas with fuel present, possibility of accidents or injury, or frequency and severity of accidents or injury. [ER.31]

### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.1 and ER.31; Health, Safety and Environment Benchmarks HSE.14)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Budget has been approved and the 3rd party building and electrical inspection is schedule for the month of July 2019. 2. A safety card will be design to be given to all subcontractors and visitors also. Factory will post the safety card publicly as well. 3. A complete risk assessment will be carried out with all missing info included.

Update progress on 10 February 2020:

- 1.This point has not been addressed yet. (In Progress)

#### Planned completion date

12/21/18

#### Company Action Plan Update

Update progress on 10 February 2020:

2. It could be understood that contractors who conduct building maintenance and who come on site occasionally are given basic instructions verbally. However, no such evidence available. The visitor's card handed over bear basic safety instructions. Cards for service providers are being developed and will be implemented shortly. (Completed)

3. Risk assessment has been reviewed and updated with number of employees per process, severity etc. Last update was on February 06, 2020. (Completed)

## FINDING NO.7

### SUSTAINABLE IMPROVEMENT REQUIRED

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

### Finding Explanation

1. The factory does not have written procedures on Recruitment, Hiring and Personnel Development, Compensation, Hours of work, Termination and Retrenchment, Hours of work, Workplace conduct and Discipline, Health and Safety and Environmental Protection. [ER.1, ER.19, ER.23, ER.25, ER.27, ER.28, ER.29, ER.30, ER.31 and ER.32, HSE.1]

### Local Law or Code Requirement

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Appropriate procedures including all the mentioned criteria will be written. Factory already have a document named "Reglement interieur - Factory rules and regulations" approved by the government labor inspectorate where it is mentioned Hours of work, Workplace conduct and Discipline, For Health and Safety and Environmental Protection factory follows the NLM group Code of Conduct. For Balance points mention in the non conformity, the HR responsible is working on the procedures and is schedule to be completed by End of July 2019. All these procedure will be added in the training program list for all employees.

#### Planned completion date

12/21/18

#### Company Action Plan Update

Update progress on 10 February 2020:

1. Recruitment procedure has been defined. Dismissal, working hours and discipline have been defined in the internal regulations which has been registered on 11-08-2005 and validated accordingly by the authority. 'Procedure d'Evaluation et de Promotion' has been defined on October 17, 2019 and an evaluation calendar has also been implemented and is still in progress. Individual evaluation sheet for employee #0579 + promotion recommendation. Advice letter (Notification) is also issued with the new working conditions of the employee. (Completed)

## FINDING NO.8

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Training (Macro)

#### Finding Explanation

1. Even though general awareness is provided during the hiring process, specific training is not provided to Supervisors and workers on Recruitment, Hiring and Personnel Development, Compensation, Hours of work, Termination and Retrenchment, Freedom of Association and Industrial Relations.

2. Specific training is not provided frequently. Training on Workplace Conduct and Discipline and Grievance Systems was last provided in August 2017. Training on Environmental Protection was provided in 2016 and 2017. Training on Health and Safety is provided periodically. [ER.1, ER.15, ER.17]

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relation Benchmarks ER.1, ER.15 and ER.17).

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Adequate training will be design and implemented. The HR responsibility is writing the missing procedures and is scheduled to be completed by end July. Same will be added in the training program for supervisors. 2. Training program established for 2019 in which all the mentioned areas will be covered. A training planning is done every year for all employees and is at least once a year but have also topics which are done twice a year.

#### Planned completion date

12/21/18

#### Company Action Plan Update

Update progress on 10 February 2020:

1. Training with regards to social requirements including compensation, hours of work, freedom of association have been done. Supervisors having attended training are (Employee numbers 0001 / 0049 / 0627. Training attendances reviewed 22-10-2019. Recruitment training is included in the induction training. (Completed)

2. Training calendar is in place. Code of Conduct training is carried out yearly, usually during the last semester. Specific trainings are held every year such as health and safety, hygiene and code of conduct. Other trainings are also considered such as Conflict and stress management which has been carried out last year for the staff. (Completed)

## FINDING NO.9

### SUSTAINABLE IMPROVEMENT REQUIRED

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

##### Finding Explanation

1. Written policies are not reviewed periodically. The current policies were last reviewed in December 2015 and the review period is not defined. [ER.1, ER.29, ER.30, ER.31]

##### 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

1. Review period will be added on the policies. Factory will ensure yearly review of all policies and procedure. Date of last review and next review will be mentioned.

Update progress on 10 February 2020:

1. Review periodicity has not been defined yet. (In Progress)

##### Planned completion date

12/21/18