



FAIR LABOR
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INDEPENDENT EXTERNAL ASSESSMENT REPORT



Verification Assessment

COMPANIES: YETI Coolers LLC
COUNTRY: Philippines
ASSESSMENT DATE: 11/26/18
ASSESSOR: Donny Triwandhani
PRODUCTS: Housewares
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.

Previous Report Findings and Verification Results

PREVIOUS FINDING NO.1

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. The factory does not provide all employees with regular or ongoing training on Environmental Protection.
2. The factory does not provide specific training for supervisors on Environmental Protection.
3. The factory does not communicate information pertinent to the Environmental Protection program to the general workforce, including new workers, because the factory does not currently have such a program.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.17)

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding status (not remediated)

The factory is still in the process of creating training materials pertinent to Environmental Protection. As a result, the facility does not yet provide workers with specific or ongoing training on Environmental Protection.

[ER.1, ER.15]

Root causes: The training development process does not have a clear timeline.

2. Finding status (not remediated)

Explanation: The factory is still in the process of creating training materials pertinent to Environmental Protection. As a result, the factory does not yet provide specific training to the relevant supervisors on Environmental Protection. [ER.1, ER.17]

Root Causes: The training development process does not have a clear timeline.

3. Finding Status (not remediated)

Explanation: The factory is still in the process of creating an Environmental Protection policy and procedures. As a result, the factory still does not communicate information regarding the Environmental Protection program to the general workforce. [ER.1, ER.16]

Root Causes: The policy and procedure development process does not appear to have a clear timeline.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, ER.16, and ER.17)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. <!--[endif]-->Health, Safety, and Environmental manual to be completed by end of July 2019. Monthly training will be provided once completed

Company Action Plan Update

Planned Completion August 2019

PREVIOUS FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. The factory does not have a procedure on how to respond to any unexpected environmental emergency such as a chemical spill or gas leak.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmark HSE.5)

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. The factory is still in the process of creating an Environmental Protection policy and procedures. As a result, the factory still does not have a procedure on how to respond to any unexpected environmental emergencies such as a chemical spill or gas leak. [ER.1, ER.31, HSE.5]

Root Causes: The policy and procedure development process does not appear to have a clear timeline.

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

New HSE policy includes environmental emergency plan. Factory management will begin training employees.

Company Action Plan Update

Planned Completion August 2019

PREVIOUS FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. There are no procedures for managing environmental impact within the factory's premises and in the surrounding areas.
2. The factory is not managing the environmental impact of the chemicals it uses and has not identified whether its on-site operations generate any negative environmental impacts. The factory is not making an effort to reduce its environmental impact.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.31; Health, Safety & Environment Benchmarks HSE.1 and HSE.9)

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Not Remediated)

Explanation: The factory is still in the process of creating an Environmental Protection policy and procedures. As a result, there are still no procedures for managing the environmental impact within the factory's premises and in the surrounding areas. [ER.1, ER.31]

Root Causes:

1. The policy and procedure development process does not appear to have a clear timeline.
2. Environmental Protection is not treated as a critical aspect of the factory's operation.

2. Finding Status(Not Remediated)

Explanation: The factory is still in the process of creating an Environmental Protection policy and procedures. As a result, the factory is still not managing the environmental impact of the chemicals it uses and has not identified whether its on-site operations generate any negative environmental impacts. There is currently no effort to reduce the factory's environmental impact. [ER.31, HSE.9]

Root Causes:

1. The policy and procedure development process does not appear to have a clear timeline.
2. Environmental Protection is not treated as a critical aspect of the factory's operation.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.31; Health, Safety & Environment Benchmarks HSE.9)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. EHS manual has been written. Needing to be reviewed and rolled out.
2. Factory hired safety consultant for environmental impact assessment

PREVIOUS FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory has not conducted a risk assessment or Working Environment Measurements (WEM).
2. Factory management has not commissioned a third-party expert to perform a fire risk assessment.

Local Law or Code Requirement

Occupational Safety and Health Standards (1990), Rule 1077.03; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.5 and HSE.13)

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Partially Remediated)

Explanation: The factory still has not conducted a risk assessment. Working Environment Measurements (WEM) were conducted on October 11, 2017, but the factory held off on having WEM done in 2018. This, reportedly, is so that the next WEM is conducted during the summer, when temperatures are less comfortable. [HSE.1, HSE.13]

Root Causes:

1. The factory has not established a process for conducting risk assessments.
2. Planning for WEM activities is dependent on availability, cost, and timing.

2. Finding Status (Not Remediated)

Explanation: The factory has still not commissioned a third-party expert to perform a fire risk assessment. [HSE.5]

Root Causes: According to the safety personnel, this process is still in the planning stage and a fire risk assessment will be completed by a third-party expert as they develop the Health & Safety policies and procedures.

Local Law or Code Requirement

Occupational Safety and Health Standards (1990), Rule 1077.03; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.5, and HSE.13)

Recommendations for Immediate Action

1. Conduct WEM on a yearly basis.
2. Commission a third-party expert to conduct a fire risk assessment.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. WEM to be completed end of May 2019
2. Fire assessment completed April 6, 2019

Company Action Plan Update

To be completed June 1, 2019

PREVIOUS FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Workers in areas where there is a high level of noise, over 50% of the production area, were not using the earplugs they were provided or were using them incorrectly. Several workers in areas where hard hats are required areas were not wearing hats.
2. The enclosure on the lift at the second floor Maintenance area of Production 1 is not closed while the shaft is open on the ground floor. There is no process in place to ensure the enclosure is used when the shaft is on the other level.
3. The factory has provided workers who perform heat-related tasks with cotton gloves which are not heat-resistant. In addition, there are workers who have cut off the fingers of their gloves for ease of use.
4. During the production process, workers must raise their hands above their heads to dislodge the product after it has been heated. The factory has not identified the hazards related to this repetitive motion or its impact on the workers' health.
5. Forklift operators in the factory currently do not have certifications.

Local Law or Code Requirement

Presidential Decree No. 856 regarding Code on Sanitation (1975), Art. 47; FLA Workplace Code (Employment Relationship Benchmark ER.31.1; Health, Safety & Environment Benchmarks HSE.1, HSE.4, and HSE.8)

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Partially Remediated) Explanation:

Assessors observed that all workers in areas with high noise levels were using earplugs correctly. Hard hats are provided to workers in areas where hard hats are required. However, not all of these workers were wearing their hard hats. [HSE.8]

Root Causes:

1. The Health & Safety training provided to workers, particularly the training on PPE use, is not effective.
2. The implementation of the Health & Safety procedures is not clearly defined as a necessity.

2. Finding Status (Partially Remediated)

Explanation: The factory has relocated its main operations from Building 1 to Building 2. At the time of the initial assessment, Building 2 was still being set up and Building 1 was operational. During the current assessment, management stated that they recently resumed operations at Building 1 to augment their production needs. The elevators in Building 1 are still present, but no longer in use. They have been condemned and warning signs are posted. There are no elevators in Building 2.

Root Causes:

1. The Health & Safety training provided to workers, particularly the training on PPE use, is not effective.
2. The implementation of the Health & Safety procedures is not clearly defined as a necessity.

3. Finding Status (Not Remediated)

Explanation: Workers who perform heat-related tasks are still only provided cotton gloves. [HSE.7, HSE.8]

Root Causes:

1. The Health & Safety training provided to workers, particularly the training on PPE use, is not effective.
2. The implementation of the Health & Safety procedures is not clearly defined as a necessity.

4. Finding Status (Partially Remediated)

Explanation: The Workers no longer have to raise their hands above their heads to dislodge the molded products. The positioning was adjusted so that now products are removed at shoulder level, which reduced the risk of repetitive-motion stress and injuries. However, the factory has not identified the ergonomic hazards of other operations, such as workers having to stoop down from a short stool to clean a piece used in production.

[HSE.17]

Root Causes:

The factory does not continuously identify the workplace hazards of all operations and workstations.

5. Finding Status (Remediated)

Explanation: The forklift operators undergo the required certification training. At the time of the assessment, management reported that they were waiting for the certifications to be issued. The training records and invoices provided to assessors show that the training was conducted.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Supervisors to monitor hard hat and ear protection usage
2. This has been corrected. Lifts were blocked off and not accessible (permanently enclosed)
3. Workers have thermal gloves, they were being covered with cotton gloves for extra padding.
4. Risk assessments are completed twice per year to determine where injury potentials exist.
5. Done

Company Action Plan Update

Completed March 30, 2019

PREVIOUS FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. There are currently no BOSH-accredited safety officers at the factory (Basic Occupational Safety and Health). According to the facility, the tentative dates for having their designated personnel to join BOSH training has been set for August 2016.
2. The factory does not have any guidance documents for external contractors/service providers concerning Health & Safety.
3. The factory has not provided workers with any training regarding Personal Protective Equipment (PPE) usage and maintenance. In addition, no safety guidelines have been established for operating and handling machines.
4. The factory has not provided specific workplace safety training to designated employees with special responsibilities. For example, maintenance workers have not received specific training on maintenance safety.
5. The factory does not provide workers with any ongoing training on Health & Safety
6. There are no traffic lanes or marked walking paths to identify routes to be used by people and forklifts.
7. The factory does not perform periodic or preventative maintenance work on the forklifts
8. There is no visual management system in place to ensure that forklifts are being driven safely. There are no convex mirrors situated in strategic locations for safety measure.
9. There is no lightning protection system in place in Unit 1. Only Unit 2 has a lightning protection system
10. Workers do not use the lockout/tagout system when doing machine maintenance. Instead, there is a general understanding that the workers in the area will know if a machine is being repaired. Furthermore, approximately

60% of control panels are not marked with warning signs. Approximately 80% of control panels have switches which are not labeled.

11. There are no handrails on the elevated area of Warehouse 1 (about 2.5m high), the elevated Polishing Area near the water tank (about 0.8m high), or the elevated platform used for loading materials into a storage container (about 2m high).
12. The factory currently makes only minimal efforts to protect maintenance workers from the risks related to their jobs. No system has been established in order to identify hazards. In addition, there is also no training provided to maintenance workers on the risks pertinent to their job function. Maintenance workers are able to experience their respective work and adjust to address safety concerns.
13. The factory has not clearly assigned responsibilities to fire brigade team members. Members of the fire brigade are not identifiable on the production floor. There is no clear process to ensure that fire brigade team members are present during all shifts in order to address fire emergencies.
14. The factory has not provided the fire brigade with PPE or breathing apparatuses.
15. There are no sprinklers installed in the factory.
16. The emergency alarm is not inspected or tested regularly.
17. There is no doctor or dentist available at the facility.
18. There is no process for communicating Health & Safety procedures to the general workforce.
19. The factory does not make all legally required Health & Safety documents available to workers and management.
20. The factory does not review its Health & Safety program on a periodic basis or make sure that all Health & Safety programs are updated according to local laws and regulations/FLA code requirements. The factory does not update/renew all of its current permits according to legislation.

Local Law or Code Requirement

Labor Code of the Philippines, Art. 157; Occupational Safety and Health Standards, Rule 1030 - Training of Personnel in Occupational Safety and Health, Sec. 1033; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15,

and ER.31; Health, Safety & Environment Benchmarks HSE.5, HSE.8, and HSE.14)

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Remediated)

Explanation: The factory currently has four full-time BOSH-accredited safety officers. One is designated to manage all areas, while the others focus on the specific areas assigned to them. In addition, there are four part-time BOSH- accredited safety officers, all of whom have their own functions and also provide support to the safety team.

2. Finding Status (Not Remediated)

Explanation: There are still no guidance documents available for external contractors and service providers concerning Health & Safety. According to management, these guidance documents will be developed soon. [ER.1, ER.31, HSE.14]

Root Causes: The policy and procedure development stage does not have a clear timeline.

3. Finding Status (Not Remediated)

Explanation: The factory does not provide workers with any training regarding Personal Protective Equipment (PPE) usage and maintenance, although PPE is provided. In addition, no safety guidelines have been established for operating and handling machines (roto machine at Building 1 and compressor in Building 1 and Building 2). [ER.1, ER.31, HSE.8].

Root Causes: The policy, procedure, and training development stage does not have a clear timeline. As a result, the factory has not yet developed PPE practices and comprehensive safety guidelines for using the machines.

4. Finding Status (Not Remediated)

Explanation: The Factory does not provide specific workplace safety training to designated employees with special responsibilities. For example, maintenance workers are not trained on their maintenance safety. [ER.1, HSE.14]

Root Causes:

1. The training development stage does not have a clear timeline.

2. The factory does not have a workplace safety training program.

5. Finding status (Not Remediated)

Explanation: The factory does not provide workers with any ongoing training on Health & Safety. [ER.1, ER.15]

Root Causes: The training development stage does not have a clear timeline.

6. Finding Status (Not Remediated)

Explanation: The factory has relocated its primary operations. However, the traffic lanes and walking paths in the new facility are not marked or identified as pedestrian or forklift routes. [HSE.14]

Root Causes: The factory has not conducted an assessment of the safety practices regarding walking paths and traffic lanes.

7. Finding Status (Not Remediated)

Explanation: The factory has not established a process to perform periodic or preventive maintenance work on the forklifts. [ER.1, ER.31, HSE.14]

Root Causes: Periodic and preventative maintenance is being incorporated into the factory's Health & Safety policies, but this process is

still ongoing.

8. Finding Status (Not Remediated)

Explanation: There is no visual management system in place to ensure that forklifts are driven safely. There are no convex mirrors situated in strategic locations for safety measures. A convex mirror has been installed at the storage rack of the OB2 warehouse. This, however, has a tendency to be obstructed from view due to its location. [HSE.6]

Root Causes:

1. The Health & Safety training provided to workers, specifically the training regarding driving forklifts, is not effective.
2. The implementation of Health & Safety practices is not clearly defined as a necessity.

9. Finding Status (Not Remediated)

Explanation: There is no lightning protection system in place in Unit 1. Only Unit 2 has a lightning protection system. [HSE.13]

Root Causes:

1. The factory does not continuously identify the workplace hazards of all operations and workstations.
2. Management decided hold off on safety improvements to Building 1 as this facility is only going to be used until 2019.

10. Finding Status (Partially Remediated)

Explanation: The factory has started to use a lock-out/ tag-out system (LOTO) sparingly. However, it is not fully implemented when doing machine maintenance. There is still a general understanding that the workers area will know if a machine is being repaired. In addition, all control panels are marked with warning signs and the switches are labelled accordingly. [HSE.13, HSE.14]

Root causes:

1. The Health & Safety training provided to workers, specifically the training regarding the LOTO system, is not effective.
2. The implementation of Health & Safety procedures is not yet clearly defined as a necessity.

11. Finding Status (Partially Remediated)

Explanation: There are now handrails on the elevated areas in Building 1 (i.e. Warehouse 1, the Polishing Area, and the platform used for loading materials). However, assessors observed at least two workers in the Building 2 Warehouse who were standing on elevated storage racks that are 1-3 meters high. there are no handrails on the storage racks and the workers were not wearing harnesses.

Root Causes:

1. The factory does not continuously identify the workplace hazards of all operations and workstations.
2. Workers with special responsibilities do not receive specific workplace safety training.

12. Finding Status (Not Remediated)

Explanation: The factory currently makes only minimal efforts to protect maintenance workers from the risks related to their jobs. No system has been established in order to identify hazards. In addition, there is no training provided to maintenance workers on the risks pertinent to their job function. Maintenance workers learn about the risks involved in their jobs while working and adjust accordingly to address safety concerns. [ER.1, HSE.14]

Root Causes:

1. The Health & Safety training schemes are not effective
2. The implementation of Health & Safety procedures is not yet clearly defined as a necessity.

13. Finding Status (Not Remediated)

Explanation: The factory has not clearly assigned responsibilities to the fire brigade team members. Members of the fire brigade are not identifiable on the production floor. There is no clear process to ensure that fire brigade team members are present during all shifts in order to address fire emergencies. Furthermore, there is a fire brigade for Building 2, but not for Building 1. [ER.1, HSE.5]

Root Causes:

1. The factory does not continuously identify the workplace hazards of all operations and workstations
2. Management decided to put a hold on improvements to safety measures at Building 1 as this facility will only be used until 2019

14. Finding Status (Not Remediated)

Explanation: The factory has not provided the fire brigade with the correct PPE or breathing apparatus. [HSE.7]

Root Causes:

1. The factory does not continuously identify the workplace hazards of all operations and workstations.
2. Management decided to put a hold on improvements to safety measures at Building 1 as this facility will only be used until 2019.

15. Finding Status (Partially Remediated)

Explanation: There is now a sprinkler system in Building 2, where the factory's main operations take place. However, there are no sprinklers installed at Building 1. [HSE.6]

Root Causes:

1. The factory does not continuously identify the workplace hazards of all operations and workstations.
2. Management decided to put a hold on improvements to safety measures at Building 1 as this facility will only be used until 2019.

16. Finding Status (Not Remediated)

Explanation: The emergency alarm system at Building 2 is not inspected or tested regularly. [HSE.5]

Root Causes:

1. The factory does not continuously identify the workplace hazards of all operations and workstations.

2. Management decided to put a hold on improvements to safety measures at Building 1 as this facility will only be used until 2019.

17. Finding Status (Partially Remediated)

Explanation: The factory now has a doctor on retainer. The doctor visits the factory for one hour, four times per week. Legally, the factory should have two part-time doctors. Management stated that they are in the process of hiring a dentist. Furthermore, the two nurses in the factory (one nurse works the day shift and the other works the night shift) have not undergone the legally-mandated OHNAP training. [HSE.1, HSE.18]

Root Causes:

The development of policies, procedures, and training programs does not have a clear timeline. This has affected the factory's implementation of medical staff requirements.

18. Finding Status (Not Remediated)

Explanation: There is no process for communicating the Health & Safety procedures to the general workforce [ER.1, ER.16]

Root Causes: The development of policies, procedures, and training programs does not have a clear timeline.

19. Finding Status (Not Remediated)

Explanation: The factory does not make all legally required Health & Safety documents available to workers and management. [HSE.1, HSE.2]

Root Causes: The development of policies, procedures, and training programs does not have a clear timeline.

20. Finding Status (Not Remediated)

Explanation: The factory does not review its Health & Safety policies and procedures on a periodic basis or make sure that all Health & Safety policies and procedures are updated according to local laws and regulations and the FLA Workplace Code requirements. The factory does not update and renew all of its current permits according to legislation, including the fire safety inspection certificate that expired in October 2018 [ER.1, ER.31, HSE.4]

Root Causes: The development of policies, procedures, and training programs does not have a clear timeline.

Local Law or Code Requirement

Labor Code of the Philippines, Art. 157; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, ER.16, and ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.2, HSE.4, HSE.5, HSE.6, HSE.7, HSE.8, HSE.13, HSE.14, and HSE.18)

Recommendations for Immediate Action

1. Provide guidance documents for external contractors and service providers concerning Health & Safety.
2. Provide workers with training regarding Personal Protective Equipment (PPE) usage and maintenance. Also establish and provide safety guidelines for operating and handling machines.
3. Provide specific workplace safety training to designated employees with special responsibilities.
4. Provide workers with ongoing training on Health & Safety
5. Mark and identify routes for pedestrians and forklifts
6. Perform periodic and preventive maintenance work on the forklifts
7. Install visual management devices in the proper locations to ensure that forklifts are driven safely.
8. Install a lightning protection system in Unit 1.
9. Fully implement a LOTO system.
10. Identify any workplace hazards associated with maintenance work and take steps to protect workers from these risks. Train maintenance workers on the risks pertinent to their job functions.
11. Clearly assign responsibilities to the fire brigade team members and ensure that members of the fire brigade are easily identifiable. Ensure that members of the fire brigade are present during all shifts.
12. Provide the fire brigade with the appropriate PPE and breathing apparatus.
13. Install a sprinkler system in Building 1.
14. Regularly inspect and test the emergency alarm system.
15. Hire a dentist.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Done

2. Contractor policy is complete and needs to be rolled out

3. Onboarding training includes PPE training and training is scheduled for June; workers will receive documentation with training

4. Will identify a 3rd party trainer to create the training for specific work functions.
5. Monthly safety training is conducted
6. Mark and identify routes for pedestrians and forklifts
7. Forklift operators conduct regular preventative maintenance on forklifts – team to start documenting PM info
8. Update location and placement of convex mirrors
9. Light protection completed March 2019
10. Fully implement LOTO by July 1
11. This is complete. New lifts were provided to workers, so they wouldn't have to climb on the racks
12. Will identify a 3rd party trainer to create the training for specific work functions
13. Team members are now identified for building 1 and 2. Highly visible arm bands or uniforms to be worn by fire brigade members
14. 2 of each PPE and breathing apparatuses are provided at each facility for fire brigade members
15. Sprinklers are installed in OB 2, OB 1 is not complete but a move to a new building is planned
16. Heat and smoke detectors completed in April for building 1. Monthly testing to be completed at both facilities.
17. Done
18. General bulletin board will be installed at both facilities near clock-in area
19. Consultant starts in March 2019 and will provide OB with guidance on which documents are required to be given
20. Done

Company Action Plan Update

Planned completion August 1, 2019

PREVIOUS FINDING NO.7

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory does not have a complete chemical inventory on-site.
2. Material Safety Data Sheets (MSDS) are maintained at the office for chemicals used in production. These are also located in areas where the chemicals are used and stored. However, MSDS for diesel and alcohol are not available at the facility. All MSDS are in English instead of the local language.
3. The factory does not have a functional chemical management system: During the assessment, chemical containers holding 208 liters (drums) were not equipped with secondary containment in case of spills. Used hazardous chemical containers were being stored outside the facility and not protected from the elements (sunlight and rain). In addition, containers of chemicals which were to be transferred to the other location were left exposed without protection.
4. There is no process to ensure that all chemical containers, including small containers of alcohol and resin used in.
5. The factory has not trained employees who work with chemicals on how to use them safely.
6. There are no measures in place to automatically cut off the liquefied petroleum gas (LPG) if the tubing leaks.
7. During the assessment, at least 11 pressurized gas tanks containing Oxygen, Acetylene, and LPG were not secured to walls or rollers. These were located in the Finishing and Maintenance areas. There were other pressurized gas tanks which were secured, but the factory does not have a process to ensure all are accounted for and secured.

Local Law or Code Requirement

Occupational Health and Safety Standards, Rule 1090 -Hazardous Materials (1990), Sec.1093.04(1); FLA Workplace

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Remediated)

Explanation: The factory now has a complete chemical inventory onsite.

2. Finding Status (Not Remediated)

Explanation: The Material Safety Data Sheets (MSDS) for the chemicals used in production processes are kept in the office. There are no MSDS available at Building 1 for any materials. The MSDS are also located in areas where chemicals are used and stored at Building 2. In addition, all of the MSDS are in English instead of the local language. [HSE.10]

Root Causes:

1. Safety practices, particularly having MSDS available where chemicals are used and stored, are not effectively implemented.
2. The implementation of Health & Safety procedures is not clearly defined as a necessity.

3. Finding Status (Partially Remediated)

Explanation: The factory still does not have a functional chemical management system. Several 208-liter drums have been equipped with secondary containment, but some of the secondary containers do not cover the entire area underneath the chemical drums. Used chemical containers are protected from sunlight and rain. [HSE.9]

Root Causes

1. Safety practices, particularly regarding secondary containment, are not effectively implemented.
2. The implementation of Health & Safety procedures is not clearly defined as a necessity.

4. Finding Status (Not Remediated)

Explanation: There is no process to ensure that all chemical containers, including small containers of resin and other chemicals used in production, are labelled. [HSE.1, HSE.9]

Root Causes:

1. Safety practices, particularly regarding chemical container labelling, are not effectively implemented.
2. The implementation of Health & Safety procedures is not clearly defined as a necessity.

5. Finding Status (Not Remediated)

Explanation: The factory does not provide chemical safety training to workers who work with chemicals. [ER.1, HSE.9]

Root Causes:

1. The factory does not have an effective training scheme regarding Health & Safety practices.
2. The implementation of Health & Safety procedures is not clearly defined as a necessity.

6. Finding Status (Not Remediated)

Explanation: There are no measures in place to automatically cut off the liquefied petroleum gas (LPG) if the tubing leaks. Management stated they have tried to use automatic cut off mechanisms from several different brands, but they were ineffective. [HSE.9]

Root Causes:

1. Safety practices, particularly regarding the pressurized gas tanks, are not effectively implemented

2. The implementation of Health & Safety procedures is not clearly defined as a necessity.

7. Finding Status (Not Remediated)

Explanation: There are still nine tanks of LPD in the Building 1 warehouse that are not secured. There is no process in place to ensure that all pressurized gas tanks are secured. [HSE.9]

Root Causes:

1. Safety practices, particularly regarding the pressurized gas tanks, are not effectively implemented
2. The implementation of Health & Safety procedures is not clearly defined as a necessity.

Local Law or Code Requirement

Occupational Health and Safety Standards, Rule 1090 -Hazardous Materials (1990), Sec.1093.04(1); FLA Workplace Code (Employment Relationship Benchmark ER.1; Health, Safety & Environment Benchmarks HSE.9, and HSE.10)

Recommendations for Immediate Action

1. Make the MSDS available in Building 1. Ensure that all MSDS are available in the local language.
2. Provide secondary containment that is large enough to fully contain the chemical drums.
3. Label all chemical containers properly.
4. Install automatic cut-off mechanisms for the LPG tanks.
5. Secure the pressurized gas tanks using a cage, chain, or other such device.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Done
2. MSDS made available at Building 1 in April. Additional languages to be added in July 2019
3. Storage cabinets and secondary containment to be installed by end June 2019
4. All chemical containers labeled appropriately by end of April 2019
5. Chemical training conducted on February 7 & 8
6. Additional 28 LPG auto-shutoff mechanisms to be installed by end of May
7. All tanks secured, additional storage cabinet updates will be installed by end of May

Company Action Plan Update

Planned Completion September 1, 2019

PREVIOUS FINDING NO.8

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Only four employees at the factory are trained in first-aid, which are two nurses and only two are workers located in Unit 2.
2. There is no process to ensure that first-aid trained personnel are available during all shifts in all areas; as a result, the existing personnel do not cover all shifts.
3. The first-aid kits in Unit 1 are locked. In addition, there are no first aid kits in the production area or warehouse of Unit 2. Contact information for medical response are not located near each phone, or otherwise posted throughout the facility.

4. At the time of the assessment, there was no eyewash or shower station installed in the facility

Local Law or Code Requirement

Occupational Safety and Health Standards, Rule 1960 - Occupational Health Services, Art. 1963.02(1); FLA Workplace Code (Health, Safety & Environment Benchmark HSE.18)

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status (Remediated)

Explanation:

There are currently 13 workers at the factory trained in first aid. The training was conducted on July 9-13, 2018. These workers are assigned to both locations and work varying shifts so that there is a worker trained in first aid present at all times.

2. Finding Status (Remediated)

Explanation:

The 13 workers trained in first aid are assigned to Building 1 and Building 2 and work varying shifts so that there is a worker trained in first aid present at all times.

3. Finding Status (Partially Remediated)

Explanation:

The factory has provided adequately stocked and accessible first aid kits in Building 2. The first aid kits in Building 1 are no longer locked, however, they are not adequately stocked and one appears to have been burned by a blowtorch used in production. The contact information for medical response is not located near each phone, or otherwise posted throughout the facility [HSE.6, HSE.18]

Root Causes:

1. The factory does not have an effective implementation scheme for emergency preparedness measures pertinent to medical emergencies.

2. The implementation of Health & Safety procedures is not clearly defined as a necessity.

4. Finding Status (Partially Remediated)

Explanation:

There are eyewash and shower stations installed in Building 2, however, one eyewash and shower station is blocked by a table with production materials on top of it, making it inaccessible. In addition, there are no eyewash and shower stations in Building 1. [HSE.6]

Root Causes:

1. The factory does not have an effective implementation scheme for emergency preparedness measures pertinent to medical emergencies.

2. The implementation of Health & Safety procedures is not clearly defined as a necessity.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.6, and HSE.18)

Recommendations for Immediate Action

1. Stock the first aid kits in Building 1 with the necessary supplies.

2. Move the table that is blocking the eyewash and shower station in Building 2. Provide eyewash and shower stations wherever chemicals are used or stored in Building 1.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Done

2. Done

3. Stock first aid cabinet in Building 1 and add emergency contact info – April 2019

4. 2 eyewash stations installed at building 1, additional eyewash stations installed in Building 2, and impediments removed from area around eyewash and shower stations. Complete

Company Action Plan Update

Planned Completion April 1, 2019

PREVIOUS FINDING NO.9

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory has not recently conducted a fire drill in Unit 2. The last drill in Unit 2 was conducted on September 29, 2014. For comparison, the last drill in Unit 1 was conducted on April 27, 2016.
2. Employees have not been trained on their duties in the event of an emergency. Employees with specific, additional fire-fighting responsibilities have not received training so they can effectively execute their fire-fighting duties. Employees with specific, additional responsibilities in responding to an emergency have not received training so they can effectively execute these responsibilities.
3. At least two fire extinguishers have not been mounted; one in Bending 1 and the other is located in R&D 2.
4. At least one fire extinguisher is overcharged. This is located in STD 2. Inspection records indicate this was last checked in May 2016.
5. At least two fire extinguishers are blocked by machinery or other materials. These are located in Bending 1 and Canteen 1.
6. There is only one exit in Canteen 2, which has a seating capacity of about 112. In addition, Maintenance 1 only has one exit, though the distance between one end of the building and the exit is estimated to be more than 80 meters which according to legal requirements should not exceed 30 meters. Both exits are on the second floor of their respective buildings. The exit door in R&D 2 opens inward.
7. At least 10 exits are not marked. These are located in Warehouse 1, Foaming (production) 1, Bending 1, Canteen 1, Foaming (production) 2, QC 2, and Canteen 2. Emergency lighting has not been installed at the exits of Unit 1. There are also at least two exits in Unit 2 which are missing emergency lighting. These are located at the Warehouse and Canteen. Approximately 30% of work-floor aisles are not marked. Another 70% have been marked (production areas, warehouses) but there are no arrows indicating the direction of egress. There is no evacuation plan posted in the production area of Unit 2.
8. There are several holes/gaps on the work-floor of Foaming 1 which could trip workers. There are tubes taped to the work areas in Assembly Roto 2 which are not properly secured and could trip workers
9. The factory's emergency alarm is loud enough for all employees to hear in all work spaces. However, there are no warning lights installed in areas with high noise levels from factory production.
10. There is no process to ensure that empty pallets are stored securely. Assessors observed two pallets stored vertically without securing mechanisms.

Local Law or Code Requirement

Occupational Health and Safety Standards, Rule 1940 - Fire Protection and Control, Art. 1948.03; Fire Code of the Philippines of 2008, Rule 10: Fire Safety in Buildings, Structures & Facilities, Division 6: Features of Fire Protection, Sec. 10.2.6.7; Occupational Health and Safety Standards, Rule 1940 Fire Protection and Control, Sec. 1944.05(1)(b) & (e); Requirements; Fire Code of the Philippines of 2008, Rule 10: Fire Safety in Buildings, Structures & Facilities, Division 5: Means of Egress, Sec. 10.2.5.11 & 10.2.5.12; FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety & Environment Benchmarks HSE.5 and HSE.6)

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Partially Remediated)

Explanation: Fire drills were conducted in Building 2 on March 16 and October 24, 2018. However, both drills were conducted during the night shift hours. No fire drills were conducted in Building 1 in 2018. The last reported drill was on April 27, 2016. [HSE.1, HSE.5]

Root Causes:

1. The development of policies, procedures, and training programs does not have a clear timeline.
2. The factory has not determined what type of training related to emergency preparedness and fire safety is necessary.

2. Finding Status (Partially Remediated)

Explanation: Fire drill training was conducted at Building 2 in 2018, but not at Building 1. Workers with specific, additional fire-fighting responsibilities have not received training so they can effectively execute their fire-fighting duties. [ER.1, HSE.5, HSE.6]

Root Causes:

1. The development of policies, procedures, and training programs does not have a clear timeline.
2. The factory has not determined what type of training related to emergency preparedness and fire safety is necessary.

3. Finding Status (Partially Remediated)

Explanation: All fire extinguishers in the factory are mounted. However, at least one fire extinguisher case located in Building 2 does not contain a fire extinguisher. [HSE.1, HSE.6]

Root Causes:

1. The factory does not effectively implement emergency preparedness measures pertinent to fire emergencies.
2. The implementation of Health & Safety procedures is not clearly defined as a necessity.

4. Finding Status (Remediated)

Explanation: All of the fire extinguishers in the factory appear to be properly charged. The fire extinguishers are inspected on a monthly basis by designated personnel.

5. Finding Status (Not Remediated)

Explanation: At least two fire extinguishers are obstructed. One is blocked by an air-conditioning unit that was uninstalled for repair while the other is blocked by empty pallets used for moving materials. [HSE.1, HSE.6]

Root Causes:

1. The factory does not effectively implement emergency preparedness measures pertinent to fire emergencies.
2. The implementation of Health & Safety procedures is not clearly defined as a necessity.

6. Finding Status (Partially Remediated)

Explanation: There are still exit doors in Building 1 that open inward. The exit door in R&D 2 in Building 1 still opens inward. The maintenance area in Building 1 only has one exit, which is more than 80 meters from the other end of the building. Canteen 2 is no longer used. [HSE.1, HSE.5]

Root Causes:

1. The factory does not effectively implement emergency preparedness measures pertinent to emergency evacuations.
2. The implementation of Health & Safety procedures is not clearly defined as a necessity.

7. Finding Status (Partially Remediated)

Explanation: All emergency exits now have exit signs, evacuation maps are posted in the production area of Unit 2, and there is emergency lighting in Building 1. The aisles in Building 1 and 2 have been marked with lines, but there are no arrows indicating the direction of egress. There are no arrows indicating the evacuation routes where occupants are to exit at the rear of the Building 2 building and traverse around the back, either. There is still at least one exit in the production area of Building 2 is not equipped with emergency lighting. [HSE.1, HSE.5]

Root Causes:

1. The factory does not effectively implement emergency preparedness measures pertinent to emergency evacuations.
2. The implementation of Health & Safety procedures is not clearly defined as a necessity.

8. Finding Status (Remediated)

Explanation: The gaps in the work-floor of Foaming 1 and unsecured tubes in Assembly Roto 2 have been addressed. Assessors did not observe any tripping hazards.

9. Finding Status (Not Remediated)

Explanation: The emergency alarm system in Building 1 is not functional. The emergency alarm in Building 2 is functional, but there are still no warning lights installed in areas with high noise levels. [HSE.1, HSE.5]

Root Causes:

1. The factory does not effectively implement emergency preparedness measures pertinent to emergency evacuations.
2. The implementation of Health & Safety procedures is not clearly defined as a necessity.
3. Management decided to put a hold on improvements to safety measures in Building 1 as this building will only be used until 2019.

10. Finding Status (Not Remediated)

Explanation: Assessors observed several instances of empty pallets being stored vertically without any mechanism to secure them. This poses a risk to workers as the pallets could fall and hurt someone. There is no process to ensure that empty pallets are stored securely.

[HSE.14]

Root Causes:

1. The factory does not effectively implement safety measures regarding empty pallets.
2. The implementation of Health & Safety procedures is not clearly defined as a necessity.

Local Law or Code Requirement

Occupational Health and Safety Standards, Rule 1940 - Fire Protection and Control, Art. 1948.03; Fire Code of the Philippines of 2008, Rule 10: Fire Safety in Buildings, Structures & Facilities, Division 6: Features of Fire Protection, Sec. 10.2.6.7; Occupational Health and Safety Standards, Rule 1940 Fire Protection and Control, Sec. 1944.05(1)(b), (d), & (f); Fire Code of the Philippines of 2008, Rule 10: Fire Safety in Buildings, Structures & Facilities, Division 2: General Requirements; Fire Code of the Philippines of 2008, Rule 10: Fire Safety in Buildings, Structures & Facilities, Division 5:

Means of Egress, Sec. 10.2.5.11 & 10.2.5.12; FLA Workplace Code (Employment Relationship Benchmark ER.1; Health, Safety & Environment Benchmarks HSE.1, HSE.5, HSE.6, and HSE.14)

Recommendations for Immediate Action

1. Conduct fire drills during all shifts in Building 2. Also conduct fire drills in Building 1.
2. Provide adequate fire-fighting training to workers with specific responsibilities in the event of fire.
3. Ensure that all fire extinguisher cases actually contain fire extinguishers.
4. Remove obstructions from in front of fire extinguishers. Monitor the areas around the fire extinguishers to ensure that they remain clear.
5. Ensure that all exit doors open outward. Provide an adequate number of exits in the maintenance area.
6. Clearly mark the aisles with arrows indicating the direction of egress. In addition, equip all exits in Building 2 with emergency lighting.
7. Install a functional emergency alarm system in Building 1. In addition, install warning lights in any areas in Building 1 and 2 that have high noise levels.
8. Secure empty pallets to prevent them from falling.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Conduct fire drills at both facilities (one per shift at each facility), additional drills to be held every 6 months – March
2. Fire brigade training completed for April
3. Install fire extinguishers in all cases – March
4. Done
5. All blockage around fire extinguishers has been removed. Supervisors and safety officers are responsible for keeping areas around fire extinguishers clear - complete
6. All exits open outward. Building 1 exit to be modified – September
7. Emergency egress arrows painted, emergency lighting to be updated at all exits – August
8. Done
9. Install warning system in Building 1 – April... Strobe lights set up in high-noise areas
10. Pallet storage standards are outlined in Health and Safety manual, and additional training is provided whenever incorrect pallet storage is identified – complete

PREVIOUS FINDING NO.10

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The factory recruits 47% of their production work force through labor agencies as temporary contract workers. These workers are hired on 10-month contracts and rehired on multiple contracts for up to 40 months (10 months for each labor agency); temporary workers are paid by the labor agencies. Thus, there is no direct relationship between the factory and these workers. Additionally, if the temporary workers are converted to permanent workers, their fringe benefits (leave, for example) do not date back to their first date of hiring as temporary

workers at the factory. The factory does not have a monitoring system to ensure that they are compensated accurately. Moreover, 269 out of 383 directly hired production workers are also hired on multiple short-term contracts.

2. The factory directly hires workers for a 5-month probation period before hiring them as permanent employees even if they have previously worked at the factory through a labor agency. FLA Benchmark states that the probation period should not be longer than 3 months.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.6.1, ER.8, and ER.9; Compensation Benchmark C.3)

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Partially Remediated)

Explanation: Between April and August 2018, the factory directly hired 369 workers previously employed through labor agencies in order to comply with a recommendation from the Local Department of Labor. Around 113 out of 748 workers are still employed and paid by labor agencies. The factory still does not have a monitoring system to ensure that they are compensated accurately. Directly hired production workers are no longer hired on multiple short-term contracts, however, the labor agency workers are. In addition, when temporary workers are hired as permanent factory employees, the factory does not include the workers' first day as a temporary worker when calculating fringe benefits such as leave. [ER.6, ER.8, ER.9, ER.11, C.6]

Root Causes: The factory needs time to complete its contracts with the labor agencies and the factory does not have a responsible person to manage audits of labor agencies.

2. Finding Status Not Remediated

Explanation: According to the probationary employment contracts such as the ones signed by new workers on October 25, 2018, there is still a five-month probation period for directly hired workers before the factory will hire them as permanent employees, even for workers who previously worked at the factory through a labor agency. [C.3, ER.10].

Root Causes:

1. The local law allows probation periods up to six months long.
2. Management is not considering following the FLA requirements at this time.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.6.1, ER.8, ER.9, ER.10, and ER.11; Compensation Benchmark C.3)

Recommendations for Immediate Action

1. Cease the use of repeated fixed-term contracts and provide regular employment for all workers. Only hire contract or temporary workers when the permanent workforce is not sufficient to meet an unexpected or unusually large volume of orders, exceptional circumstances may result in great financial loss to the factory if goods cannot be delivered on time, or the work that needs to be done is outside the professional expertise of the permanent workforce; provide workers with leave and other fringe benefits dated back to the date they were hired as a temporary worker, as per FLA Benchmarks.
2. Reduce all existing workers' probation periods to three months long. Sign contracts with new workers with a three-month probation period at most.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Payroll summaries are reviewed by Sir Alan for accuracy
2. Mandatory benefits (as prescribed by local government) are covered from day 1 of employee start date
3. Reduced probation period to 5 months. Targeting 4 months by June 2020. Will revise plan to get to 3 months in June 2020.

Company Action Plan Update

Planned Completion June 2020

PREVIOUS FINDING NO.11

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The factory tests all workers for Hepatitis B as part of the mandatory pre-employment and annual health examinations, posing a risk for discrimination in case of a positive test result.
2. The factory performs a physical examination and x-ray on all applicants as part of the hiring process. However, there is no procedure to provide an alternate option for pregnant applicants, posing a Health & Safety risk during pregnancy.
3. Each applicant has to pay PHP 400 (USD 8.56) directly to Health Access (a service provider) for the cost of their pre-employment medical examination.
4. Additional manpower request forms sent from the production department to the Human Resources HR department showed a gender preference and various age limits, for example, the requirement to be male and between the ages of 20 to 25 years for warehouse

sorters. This practice may be discriminatory, and all job decisions should solely be based on a candidate's qualification.

Local Law or Code Requirement

Labor Code of the Philippines (1974), Sec. 135; FLA Workplace Code (Nondiscrimination Benchmarks ND.2.1, ND.9,

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Remediated)

Explanation: According to the health examination records, the factory stopped testing workers for Hepatitis B as part of the mandatory pre-employment and annual health examinations in July 2018.

3. Finding Status (Not Remediated)

Explanation: The factory still performs a physical examination and x-ray on all applicants as part of the Hiring process. No procedures have been established to provide an alternate option for pregnant applicants, posing a Health & Safety risk during pregnancy. [ND.8]

Root Causes:

There is no one in the factory responsible for monitoring the adequacy of the remediation process and identifying which findings have not yet been remediated.

4. Finding Status (Not Remediated)

Each applicant (including both labor agency workers and workers directly hired by the factory) still has to pay PHP 330 (USD 6.3) directly to a service provider to cover the cost of their pre-employment medical examination. Workers are reimbursed for this fee after they have worked at the factory for three months. As result, workers who resign or quit before completing their first three months are not reimbursed. [ER.5, ER.6, ER.10, F.7]

Root Causes:

There is no one in the factory responsible for monitoring the adequacy of the remediation process and identifying which findings have not yet been remediated.

5. Finding Status (Remediated)

Explanation: There is no sign of discrimination during the Hiring and promotion processes. The manpower request forms sent from the production department to the HR department do not include a gender preference or age limits. All job applicants have same opportunity to obtain a job and be promoted.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.5, ER.6, and ER.10; Forced Labor Benchmark F.7; Non-Discrimination Benchmark ND.8)

Recommendations for Immediate Action

1. Cease the practice of requiring pregnant applicants to undergo an x-ray as part of their pre-employment medical examination. Establish and implement procedures to provide an alternative form of medical examination for pregnant applicants.
2. Cease the practice of requiring applicants to pay for their own pre-employment medical examinations.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Done

2. Medical provider has alternate screening options for potentially pregnant females starting Jan 2019

3. Factory is paying directly starting Jan 2019

4. Done

PREVIOUS FINDING NO.12

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1.The factory deducts from workers' wages the cost of each uniform (PHP 112 to PHP 132 (2.38 USD to 2.81 USD)), drinking water (PHP 5 (.11 USD) /day), lost IDs or IDs not returned within 3 months of termination or resignation (PHP 150 (3.19 USD)), safety shoes for workers in rotor and forming sections (PHP 401.79 (8.55 USD)), lost locker keys (PHP 150 (3.19 USD)), and lost or broken tools and supplies.

2. The factory's disciplinary rules and practices are overly harsh and do not reflect a system of progressive discipline, such as 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). For example:

a. The employee handbook section F(1), page 15 states that according to factory policy, failure to punch in or out when reporting for or leaving work will result in no payment for the day of the 1st offense.

b. The employee handbook section C(4), page 8 states that giving or lending an ID card or other identification materials to another person or helping any non-employee enter the company premises or restricted areas without authorization will result in termination for the 1st offense.

c. The employee handbook section B(4), page 8 states that using the fabrics to clean tools, equipment, machines, or the body without authorization will result in a 5-day suspension for the 1st offense.

3. The factory did not provide assessors with payroll or benefit records for the security guards hired through a labor agency. The factory does not have a system to ensure that workers hired through the labor agency receive the minimum wage and are accurately compensated.

4. The factory uses 5 labor agencies to recruit 343 out of 726 (47%) production workers as temporary contract workers. These temporary workers are hired for 10 months for each contract in each labor agency, and rehired forttotal up to 40 months (10 months each labor agency), hired on multiple contracts and directly paid by the labor agencies. The factory does not have a monitoring system to ensure that they are compensated accurately.

5. Based on a document review and interviews with management representatives of labor agencies, assessors noted the following concerns:

a. None of the five labor agencies have a provision for single parent leave.

b. None of the five labor agencies have a provision for legally entitled leave pertinent to violation against women and children (VAWC).

c. None of the five labor agencies have a provision for rights under the Magna Carta for Women.

6. Failure to punch in or out when reporting for or leaving work will result in no payment. Sample records show the following incidents:

a. The time record of a worker from one labor agency showed the punch in time at 1:18 PM (2nd shift) on April 4, 2016 but did not show a punch out time. Payroll records showed that the worker was not paid for this day.

b. The time record of a worker from another labor agency showed the punch in time at 5:47 AM (1st shift) on January 26, 2016 but did not show a punch out time. Payroll records showed that the worker was not paid for this day.

c. The time record of a worker from another labor agency showed the punch in time at 6:49 AM (normal shift) on March 10, 2016 but did not show a punch out time. Payroll records showed that the worker was not paid for this day.

Local Law or Code Requirement

Republic Act No. 8972, Act No. 9262 and Act No. 9710; FLA Workplace Code (Employment Relationship Benchmarks ER.2.1, ER.22.1, and ER.27; Compensation Benchmarks C5, C.7, and C.15)

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

Finding Status (Remediated)

1. Explanation: According to a document review and interviews with management and workers, the factory no longer deducts the cost of uniforms, drinking water, lost IDs, IDs not returned within three months of termination, safety shoes and PPE, lost locker keys, or lost and broken tools and supplies from workers' wages.

2. Finding Status (Remediated)

Explanation: The factory's Workplace Conduct & Discipline policy and procedures were revised in July 2018 to reflect a system of progressive discipline from verbal warnings to written warnings to suspension and finally to termination, as follows:

a. Section F(1) on page 15 of the employee handbook states that the disciplinary actions for failing to punch in or out when reporting for or leaving work will progress from a verbal warning for the first offense to dismissal for a sixth offense;

b. Section C(4) on page 8 of the employee handbook states that the disciplinary actions for giving or lending an ID card or other identification materials to another person or helping any non-employee enter the company premises or restricted areas without authorization will progress from a warning letter for the first offense to dismissal for a third offense; and

c. Section B(4) on page 8 of the employee handbook states that the disciplinary actions for using the fabrics to clean tools, equipment, machines, or the body without authorization will progress from a warning letter for the first offense to dismissal for a fourth offense.

3. Finding Status (Not Remediated)

Explanation: The labor agency that employs the factory's security guards was still unable to provide payroll, time records, and records of the provision of legally mandated benefits. These documents were initially requested on the morning of the first day of the assessment. According to the representative from the security agency, he is not in charge of these documents and was unable to obtain them. The factory still does not have a system to ensure that workers employed by the labor agency receive the minimum wage and are accurately compensated. [ER.2, ER.11, ER.23, C.1, C.15]

Root Causes: There is no internal audit conducted by the factory.

4. Finding Status: (Partially Remediated)

Explanation: Between April and August 2018, the factory directly hired 369 workers previously employed through labor agencies in order

to comply with a recommendation from the Local Department of Labor. Around 113 out of 748 workers are still employed and paid by labor agencies. These workers are still employed on multiple short-term contracts. The factory still does not have a monitoring system to ensure that they are compensated accurately. [ER.6, ER.8, ER.9, ER.11]

Root Causes:

Management has not appointed anyone to be responsible for monitoring the remediation process and identifying which assessment findings have not been fully addressed.

5. Finding Status (Not Remediated)

Explanation: According to a document review and interviews with the labor agencies' management representatives, none of the five agencies have established provisions regarding single parent leave, leave pertinent to violations against women and children (VAWC), or the rights included in the Magna Carta for Women. [ER.11, ER.14, ER.22, ND.1]

Root Causes:

There is no internal audit conducted by the factory.

6. Finding Status (Not Remediated)

Explanation: The factory changed its policy regarding failure to punch in and out. According to a management memo from January 4, 2017, if a worker fails to punch in or out they are required to contact their supervisors or line leaders immediately to explain the circumstances and to provide their actual time in or out. No deductions are made from their basic wage. However, there are other penalties for failing to punch in or out:

a. A warning letter is issued to the worker;

b. The worker does not qualify to receive the monthly general incentive, which leads to the loss of around PHP 1,040 (USD 19.95);

c. The worker will not be given any overtime for one month and could be given a poor performance rating.

There were 107 cases of workers failing to punch in or out from January-November 2018. [H/A.2, F.7]

Root Causes:

Management wants to ensure that workers always record their hours of work.

Local Law or Code Requirement

Omnibus Rules Implementing the Labor Code, Book III Rule X, Sec. 1; Republic Act No. 8972. Act No. 9262 and Act No. 9710; FLA Workplace Code (Employment Relationship Benchmarks ER.2, ER.6, ER.8, ER.9, ER.11, ER.14, ER. ER.23; Compensation Benchmark C.15; Non-Discrimination Benchmark ND.1; Harassment or Abuse Benchmark H/A.2; Forced Labor Benchmark F.7)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Done

2. Done

3. Records are now available

4. Factory (Sir Alan) reviews payroll regularly to ensure correct payments. Team is still working on reducing agency %

5. Factory representative to visit and audit each labor agency on a quarterly basis

6. All employees are getting paid for time worked. Management is reviewing disciplinary process for missed clocking in and out to allow additional missed punches before perfect attendance bonus is removed.

Company Action Plan Update

Planned Completion June 15, 2019

PREVIOUS FINDING NO.13

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. It is difficult for workers to decline overtime, especially when the factory implements long 12-hour shifts (8 hours regular + 4 hours overtime).
2. The employee handbook section F (15), page 19 states that failure to work overtime without a good reason after proper notice in accordance with company overtime policy has been served will result in a three-day suspension for a 1st offense, a five-day suspension for a 2nd offense, and a seven day suspension for a 3rd offense.
3. According to a management memo issued on October 1, 2015, employees will automatically receive their benefits if they meet several criteria, such as having only one valid absence in the covered month, including mandatory Sunday work if required by management. Benefits for employees who have worked at the factory for at least 10 months are a PHP 400 (8.51 USD) daily meal allowance; benefits for employees who have worked at the factory for at least 20 months are a PHP 40 (0.85 USD) meal + PHP 30 (0.64 USD) transportation daily allowance.
4. There is a canteen available onsite in Unit 1; additionally, workers are not allowed to exit the factory premises in Unit 1 during the break time. Therefore, workers in Unit 1 are required to eat in the canteen.

Local Law or Code Requirement

Omnibus Rules Implementing the Labor Code (1989), Book III Rule I, Sec. 10; FLA Workplace Code (Harassment and

Abuse Benchmark H/A.7; Forced Labor Benchmark F.4; Hours of Work Benchmark HOW.8.5)

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Not Remediated)

Explanation: According to selected time records and shift schedules, the roto department, foaming department, and repairing department still have long 12-hour shifts (eight regular hours + four overtime hours). These 12-hour shifts make it difficult for workers to decline overtime. [HOW.1, HOW.8]

Root Causes:

The factory lacks sufficient manpower and has a high turnover rate.

2. Finding Status (Remediated)

Explanation: The factory removed the rule in section F(15) of the employee handbook related to mandatory overtime. There are no longer any rules in the employment handbook that restrict workers' ability to decline overtime.

3. Finding Status (Remediated)

Explanation: The factory no longer requires mandatory Sunday work in order for workers to receive the monthly general incentive.

4. Finding Status (Remediated)

Explanation: According to a management memo from November 23, 2017 and worker interviews, workers are no longer required to eat at the canteen and are allowed to leave the factory during their breaks.

Local Law or Code Requirement

FLA Workplace Code (Hours of Work Benchmarks HOW.1 and HOW.8)

Recommendations for Immediate Action

1. Cease the practice of implementing 12-hour shifts that include four hours of overtime. Ensure that all overtime hours are voluntary.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. HR is recruiting new employees to reduce need for overtime

2. Done

3. Done

4. Done

PREVIOUS FINDING NO.14

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. Of the 40 workers sampled for the months of November and December 2015 and March, April, and May 2016, 10-40% worked over 60 hours per week (between 66.5 and a maximum 75.5 hours per week).

2. Of the workers sampled for the months of November and December 2015 and March, April, and May 2016, 5- 15% did not receive one rest day off every seven days.

3. The factory includes overtime as a regular practice in production planning.

4. There is only one finger scan machine in Unit 2 for around 400 workers, so they must line up in long queues to scan their in-and-out times. Multiple workers use the finger scanner sometimes at the same time, which may cause errors in the time record system.

5. The factory's working hours records do not contain identification of pregnant and lactating women

Local Law or Code Requirement

Omnibus Rules Implementing the Labor Code (1989), Book III Rule X, Sec. 7; FLA Workplace Code (Hours of Work Benchmarks HOW.1.3, HOW.2, and HOW.5)

VERIFICATION RESULT

Remediation Details

1. Finding Status (Not Remediated)

Explanation: The factory's working hours still exceed 60 hours per week. Assessors sampled 40 workers and found that during the months

of July-October 2018, 7-26 workers from the QC, supply chain, and production departments worked 66.5-75.5 hours per week. [HOW.1, HOW.8]

Root Causes:

The factory lacks sufficient manpower and has a high turnover rate.

2. Finding Status (Not Remediated)

Explanation: Out of the 40 sampled workers, seven workers from the molding, maintenance, and utility departments did not receive 24 consecutive hours of rest in every seven-day period in August and September 2018. [HOW.2]

Root Causes:

The factory lacks sufficient manpower and has a high turnover rate.

3. Finding Status (Not Remediated)

Explanation: The factory still regularly includes overtime in production planning. [HOW.1, HOW.8]

Root Causes:

The factory lacks sufficient manpower and has a high turnover rate.

4. Finding Status (Remediated)

Explanation: The factory installed five finger scan machines in the building. There are no longer long queues for workers to use the finger scanners.

5. Finding Status (Not Remediated)

Explanation: The factory still does not identify pregnant and breastfeeding workers in their working hours records. [HOW.5]

Root Causes: No one in the factory is responsible for monitoring the review of the assessment findings and identifying which findings have not been remediated.

Local Law or Code Requirement

FLA Workplace Code (Hours of Work Benchmarks HOW.1, HOW.2, HOW.5, and HOW.8)

Recommendations for Immediate Action

1. Do not allow working hours to exceed 60 hours per week, including overtime.
2. Provide all workers with at least 24 consecutive hours of rest in every seven-day period.
3. Do not include overtime in production planning. The FLA affiliate's Sourcing and Social Compliance teams should:
 - a. Implement the FLA Principles of Fair Labor and Responsible Sourcing; and
 - b. Coordinate with the factory on the following topics to help address the excessive hours issue:
 - i. How to provide better order forecasts to the factory;
 - ii. Possible workshops/consultancy for the factory on how to improve;
 - iii. Clear guidelines on how to extend shipment deadlines in case of contingencies;
 - iv. Steps that factory management must follow if overtime is inevitable (steps for how to communicate with the brand's Sourcing and Social Compliance teams);
 - v. Clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks; and
 - vi. Clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime.
4. Identify pregnant and breastfeeding workers in the working hours records.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Working to hire mid-shift by end of March to reduce overtime. Will review salary adjustments as a method of retaining works with less overtime.
2. Sundays are no longer work days, and the projects requiring maintenance are complete, so this will not be an ongoing issue.
3. Same as #1
4. Done

5. Identification of pregnant and lactating women are now included on payroll summary

Company Action Plan Update

Planned Completion July 1, 2019

PREVIOUS FINDING NO.15

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Grievance System

Finding Explanation

1.The factory only has one suggestion box, which is located in an open, non-confidential location in the middle of the production building. Anyone can see the person who submits a grievance and there is a CCTV camera installed to monitor the area including the suggestion box. The grievance procedure is not posted next to the grievance box. Grievances received from workers are not adequately followed up on, and not communicated back to the workers.

2. The factory does not have a dialogue mechanism with workers. Management does not meet regularly with workers. There are no worker representatives at the factory.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.25.2 and ER.25.3)

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status (Not Remediated)

Explanation: Assessors observed that the suggestion box in the production building was missing. It was found stored in a cabinet under the stairs. The grievance mechanisms and procedure have not been communicated to workers or posted in the factory. The factory does not adequately follow up on or respond to workers regarding their grievances. The only grievance that the factory responded to was a grievance regarding the canteen; there are at least three bundles of grievances that have not been reviewed or responded to. [ER.16, ER.25]

Root Cause:

No one in the factory is responsible for monitoring the implementation of the Grievance System procedures.

2. Finding Status (Not Remediated)

Explanation: The factory has not established a dialogue mechanism with workers. Management does not regularly meet with workers. There are no worker representatives in the factory. [ER.25]

Root Causes:

1. No one in the factory is responsible for monitoring the review of the assessment findings and identifying which findings have not been remediated.
2. Management is more concerned with production matters than implementing an adequate Grievance System.

Local Law or Code Requirement

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

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Suggestion box and grievance procedure completed by end of March.
2. Same as #1

Company Action Plan Update

Completed

New Findings and Action Plans

NEW FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. When a worker resigns without notice, their last paycheck is held until they return their ID badge and ATM bank card to the factory so that the clearance process can be completed. Then their separation pay is calculated and processed. Around 58 out of 76 terminated workers have not received their last paycheck because they did not come back to the factory to return their ID badge and ATM card. [ER.18, C.1, C.4]

Local Law or Code Requirement

Labor Code of the Philippines (1974), Sec. 103; FLA Workplace Code (Employment Relationship Benchmark ER.18; Compensation Benchmarks C.1 and C.4)

Recommendations for Immediate Action

1. Pay all terminated workers' final wages in a timely manner using the normal payment system (bank transfer). Retroactively compensate any former workers who did not receive their final pay check in the past 12 months. If their bank accounts have been closed,

call and ask them to return to the factory to pick up their pay check.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Payments are being processed for resigned workers.
2. Payments for any newly terminated or separated workers will be paid timely

Company Action Plan Update

Completed

NEW FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. The factory does not maintain a reasonable level of staffing. [HOW.6]

Local Law or Code Requirement

FLA Workplace Code (Hours of Work Benchmark HOW.6)

NEW FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Assessors observed workers in the warehouse standing on elevated storage racks which are about 2-3m high. These racks do not have handrails and the workers were not wearing harnesses to keep them from falling.
2. Workers in the production line who handle blow torches are not separated from other moving personnel and materials. These workers are not provided with protection from heat or burns

3. There is no functional emergency alarm system at Building 1.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.5, HSE.7, HSE.8)

Recommendations for Immediate Action

1.
Elevated areas used as platforms should be secure and provided with handrails to prevent occupants from falling.
2.
Workers handling equipment with open flames should be at a minimum safe distance, or, be secured from nearby workstation, so as to prevent the risk of other occupants from being exposed to open flames.
3.
Equip all locations with a functional emergency alarm system.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Lifts have been provided so workers don't have to climb on lift
2. Hot torch work stations have been built to provide protection for workers from torch use
3. Emergency alarm system being installed – July 2019

Company Action Plan Update

Planned Completion July 1. 2019