



COMPANIES: Fast Retailing Co., Ltd.  
COUNTRY: Cambodia  
ASSESSMENT DATE: 11/04/16  
ASSESSOR: Insync Global  
PRODUCTS: Apparel  
NUMBER OF WORKERS: 608

# Understanding this Assessment Report

This is a report of a workplace assessment conducted by Fair Labor Association assessors following FLA's Sustainable Compliance methodology (SCI), which evaluates a facility's performance in upholding fair labor standards through effective management practices throughout the entire employment life cycle.

This report identifies violations and risks of noncompliance with the Fair Labor Association Workplace Code of Conduct in its assessment of the employment functions, and includes a description of the root causes of violations, recommendations for sustainable and immediate improvement, and the corrective action plan for each risk or violation as submitted by the company. This document is not a static report; rather, it reflects the most recent progress updates on remediation in the "Progress Update" section for each finding.

## 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.

FLA Code Element	Violations
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## Findings and Action Plans

### FINDING NO.1

#### SUSTAINABLE IMPROVEMENT REQUIRED

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

##### Finding Explanation

The factory does not have procedures to review the policies and procedures for Hours of Work, Termination and Retrenchment, Workplace Conduct & Discipline and Environmental Protection.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1)

#### COMPANY ACTION PLANS

1. 1.

The factory will establish procedures to review the policies and procedures for Hours of Work, Termination and Retrenchment, Workplace Conduct & Discipline and Environmental Protection.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

2. Based on document review, the factory has procedures to review the policies and procedures for Hours of Work, Termination

and Retrenchment, Workplace Conduct & Discipline and Environmental Protection.

Action plan status: Completed

Planned completion date: 09/01/17

Completion date: 01/03/19

## FINDING NO.2

### SUSTAINABLE IMPROVEMENT REQUIRED

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

##### Finding Explanation

1. The factory does not have policies and procedures for Recruitment, Hiring & Personnel Development, Retrenchment, or Grievance System.
2. Furthermore, the factory did not have written procedures for managing its environmental impact, nor does the factory have procedures that allow workers to raise environmental concerns. While the factory does have an environmental protection policy, there is no evidence that this policy has been implemented.
3. The factory did not have a statement of the factory management's general support of energy and water efficiency, nor commitment to minimize impacts with respect to air emissions, waste, hazardous materials and other applicable environmental risks.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.25, ER.29, ER.31, and ER.32; Health, Safety & Environment Benchmark HSE.1)

### COMPANY ACTION PLANS

1. 1.

The factory will establish policies and procedures for Recruitment, Hiring & Personnel Development, Retrenchment, or Grievance System.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

2. 2.

The factory will establish written procedures for managing its environmental impact, or procedures that allow workers to raise environmental concerns and keep evidence that environmental protection policy has been implemented.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

3. 3.

The factory will make a statement of the factory management's general support of energy and water efficiency, or commitment to minimize impacts with respect to air emissions, waste, hazardous materials and other applicable environmental risks.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

4. 1. Based on document review, the factory has policies and procedures for Recruitment, Hiring & Personnel Development, Retrenchment, or Grievance System.

2. Based on document review, the factory has written procedures for managing its environmental impact and procedure that allow workers to raise environmental concerns. In addition, the factory also has evidence that environmental protection policy has been implemented such as monthly meeting.

3. Based on document review, the factory has a statement of the factory management's general support of energy and water efficiency and commitment to minimize impacts with respect to air emissions, waste, hazardous materials and other applicable environmental risks.

Action plan status: Completed

Planned completion date: 09/01/17

## FINDING NO.3

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Training (Macro)

##### Finding Explanation

1. There is no training for supervisors and managers on the FLA Workplace Code and Benchmarks, nor is there training for the general workforce on the FLA Workplace Code.
2. There is no training for supervisors and managers on Recruitment, Hiring & Personnel Development, Industrial Relations, Grievance System, and Environmental Protection.
3. There is no ongoing training provided to the general workforce regarding Workplace Conduct & Discipline, Grievance System, Recruitment, Hiring & Personnel Development, Industrial Relations, and Environmental Protection.
4. The factory provided a short briefing for workers on Environmental Protection in the morning before commencing work; however, there were no records or evidence of this training.
5. The FLA Workplace Code and Benchmarks have not been posted in the factory.
6. Workers are not provided with complete training materials and documentation of the topics covered during orientation.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, ER.16, ER.17, ER.25.3.2, ER.26, and ER.28.1)

### COMPANY ACTION PLANS

1. 1.

The factory will provide training for supervisors and managers on the FLA Workplace Code and Benchmarks, nor is there training for the general workforce on the FLA Workplace Code.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

2. 2.

The factory will provide training for supervisors and managers on Recruitment, Hiring & Personnel Development, Industrial Relations, Grievance System, and Environmental Protection.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

3. 3.

The factory will provide ongoing training to the general workforce regarding Workplace Conduct & Discipline, Grievance System, Recruitment, Hiring & Personnel Development, Industrial Relations, and Environmental Protection.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

4. 4.

The factory will keep training record on Environmental Protection Policy.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

5. 5.

The factory will post FLA Workplace Code and Benchmarks in the factory.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

6. 6.

The factory ensure workers are provided with complete training materials and documentation of the topics covered during orientation.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

7. 1. Based on document review, the factory provided FLA Workplace Code and Benchmarks for supervisors, managers and general workforce on Nov 6, 2017.
2. Based on document review, the factory provided training for supervisors and managers on Recruitment, Hiring & Personnel Development, Industrial Relations, Grievance System, and Environmental Protection on Dec 8, 2017.
3. Based on document review, the factory provided ongoing training for general workforce regarding Workplace Conduct & Discipline, Grievance System, Recruitment, Hiring & Personnel Development, Industrial Relations, and Environmental Protection on Dec 8, 2017.
4. Based on document review, the factory provided evidences of short5.
5. From the factory tour, FLA workplace code and Benchmarks have been posted at every workshop.
6. Based on document review and worker interview, workers are provided with complete training materials and documentation of the topics covered during orientation.

Action plan status: Completed

Planned completion date: 09/01/17

Completion date: 12/08/17

## FINDING NO.4

### SUSTAINABLE IMPROVEMENT REQUIRED

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

##### Finding Explanation

1. Job descriptions are not prepared for any positions at the factory.
2. All new workers are required to receive a health check, for which they pay USD 5.
3. The factory uses a performance evaluation form for the workers when renewing their contract. However, there is no written policies and procedures regarding performance reviews that outline the review steps and process, demonstrate linkages to job grading, prohibit discrimination, are provided in writing and seek feedback and agreement and/or disagreement from employees in writing, and that follow all local legal requirements.
4. The factory does not have any policies or procedures for promotion, demotion or job reassignment.
5. All workers at the factory are hired on fixed-duration contracts (FDC) for two to three months during the probation period, and then on a consecutive FDC for 3 months at a time after completing the probationary period.

##### Local Law or Code Requirement

Cambodia Labor law: Section III Labor health Service. Article 247; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.5.3, ER.11.1 and ER.3.1, ER.29 and ER.30; Compensation Benchmarks C.1)

##### Recommendations for Immediate Action

1. Ensure that the health examination costs for new workers is paid by the factory, and that all workers are provided with retroactive payment for the health check.
2. Convert workers that have been hired on multiple Fixed Duration Contracts for more than two years to permanent workers under Unlimited Duration Contracts, as legally required.

### COMPANY ACTION PLANS

1. 1.

The factory will prepare job descriptions for each position at the factory

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

2. 2.

The factory ensure that all new workers are not required to receive a health check, for which they pay USD 5.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

3. 3.

The factory will establish written policies and procedures regarding performance reviews that outline the review steps and process, demonstrate linkages to job grading, prohibit discrimination, are provided in writing and seek feedback and agreement and/or disagreement from employees in writing, and that follow all local legal requirements.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

4. 4.

The factory will establish policies or procedures for promotion, demotion or job reassignment.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

5. 5.

The factory agreed to provide correct employment contract for workers as legal requirement.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

6. 1. Based on document review, the factory has job description for all positions.

2. Based on document review and worker interview, the factory paid back USD 5 for new workers who already had health check certificate on the day of recruitment.

3. Based on document review, the factory has written policies and procedures regarding performance reviews that outline the review steps and process, demonstrate linkages to job grading, prohibit discrimination, are provided in writing and seek feedback and agreement and/or disagreement from employees in writing, and that follow all local legal requirements.

4. Based on document review, the factory has policies or procedures for promotion, demotion and job reassignment for review.

5. The factory is planning.

Action plan status: In progress

Planned completion date: 09/01/17

## FINDING NO.5

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Compensation

##### Finding Explanation

1. During the probation period of two to three months all workers are paid a basic wage of USD 136 per month before becoming regular workers. Workers that have completed the probation period are paid USD 141 per month. Cambodia has a lower minimum wage for workers in the probationary period (USD136) than for full employees (USD 141). Therefore the factory is following local law, but violating the FLA Workplace Code of Conduct.

2. Maternity leave compensation is not included in the production incentive allowance calculation to compensate workers.

3. Unused annual leave is compensated at the basic salary level, not the average of the workers' yearly income.

4. Recently, the production target was increased from 60% up to 70%. Before 2016, workers would be paid KHR 1500 (USD 0.37) per day for an output of 600 pieces. In January 2016, a new production incentive allowance was set-up by management where workers have to finish 800 pieces per day to be compensated KHR 3500 (USD 0.86) per day. If a worker misses the target one day of the week, they miss the production incentive allowance for that week. In practice this has meant that workers no longer receive any production target incentive payments.

5. All Sunday work is off-clock and paid in cash, separate from the official payroll system.

## Local Law or Code Requirement

Labor Law, Article 166; FLA Workplace Code (Compensation Benchmarks C.6, C.15, and C.16; Employment Relationship Benchmark ER.22; Hours of Work Benchmark HOW.14)

## Recommendations for Immediate Action

1. Pay probationary workers at the same rate as permanent workers (at least the minimum wage which applies to regular workers at USD 140), and provide them with the same benefits as regular workers.
2. Compensate unused annual based on the workers' average incomes.
3. Include maternity leave compensation in the production incentive allowance.
4. Record Sunday work and compensate workers through the official payroll.

## COMPANY ACTION PLANS

1. Insufficient basic wage during probation period.

Details

1.

The factory agreed to pay basic wage during probation period in accordance with FLA requirement.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

- 2.

The factory ensures that maternity leave compensation will be included in the production incentive allowance calculation to compensate workers.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

- 3.

The factory ensures that unused annual leave is compensated at the average of the workers' yearly income.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

- 4.

The factory agreed to calculate production target incentive payments accordingly.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

- 5.

The factory agreed to show Sunday work in official payroll system and all Sunday work will be on-clock.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

6. 1. The factory is planning to improve.

2. Based on document review and worker interview, maternity leave compensation is included in the production incentive allowance calculation to compensate workers.

3. Based on document review and worker interview, unused annual leave was compensated at the average of the workers' yearly income.

4. Based on document review and worker interview, production incentive allowance was paid by day. For example, if worker met the target for 4 out of 6 days per week, they will receive incentive allowance for 4 days they met the target.

5. Based on document review and worker interview, the factory does not work overtime on regular days and Sunday as well for the last 12 months (Apr 2017 - Mar 2018).

Action plan status: In progress

Planned completion date: 09/01/17

## FINDING NO.6

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Hours of Work

##### Finding Explanation

1. There is occasional Sunday work which is recorded off the clock and paid in cash:
  - a. On June 26, 2016 with 3 production workers.
  - b. On May 8, 2016 with 89 production workers
  - c. On April 3, 2016 with 64 production workers, April 10, 2016 with 49 production workers, April 24, 2016 with 132 production workers.
  - d. On March 13, 2016 with 4 production workers, March 20, 2016 with 54 production workers, and March 27, 2016 with 57 production workers.
2. Due to this off the books Sunday work, these workers did not receive one rest day in seven working days.

##### Local Law or Code Requirement

Cambodia Labor law Article 147, 148; FLA Workplace Code (Hour of Working Benchmarks HOW.2)

##### Recommendations for Immediate Action

1. Ensure that workers receive at least 24 consecutive hours of rest in every seven-day period. If workers must work on a rest day, provide an alternative consecutive 24 hour rest day within that same seven-day period.
2. Record Sunday work and compensate workers through the official payroll.

### COMPANY ACTION PLANS

1. 1.

The factory agreed to show Sunday work in official payroll system and all Sunday work will be on-clock.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

2. 2.

The factory ensures all workers will have one day off in seven.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

3. 1. Based on document review and worker interview, the factory does not work overtime on regular days and Sunday as well for the last 12 months (Apr 2017 - Mar 2018).

2. Based on document review and worker interview, all workers have one day off in seven.

Action plan status: Completed

Planned completion date: 09/01/17

Completion date: 03/01/18

## FINDING NO.7

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Termination & Retrenchment

##### Finding Explanation

1. The workers must submit a resignation form to the factory at least seven days prior to leaving; otherwise, the factory will deduct their final seven workdays from their termination payout.
2. The final payment for resigned or terminated workers is processed on the usual pay day which is the 11th of each month; however the legal requirement states that the final payment must be disbursed within 48 hours.
3. If workers resign before the contract ends, the final payment does not include unused annual leave.
4. When calculating the 5% severance compensation for the 1st short-term contract, the factory does not include the wages paid during



the 3-month probationary period.

5. The 5% severance compensation does not include the production incentive allowance.

#### Local Law or Code Requirement

Cambodia Labor Law, Article 116; Labor Law, Article 169; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.19, ER.22, and ER.32; Compensation Benchmarks C.1, C.5, C.6, and C.11; Forced Labor F.7; Hours of Work Benchmark HOW.14)

#### Recommendations for Immediate Action

1. Ensure that the 5% severance payment includes the production incentive allowance and the probation period.
2. Ensure that the final payments to resigned workers include unused annual leave.
3. Do not deduct the final seven working days from termination payments if workers do not submit seven days notice. Ensure that workers receive all earned compensation at termination and/or resignation.

### COMPANY ACTION PLANS

1. 1.

The factory agreed to stop this practice.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

2. 2.

The factory agreed to pay resigned or terminated workers within 48 hours.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

3. 3.

The factory agreed to stop this practice.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

4. 4.

The factory agreed to pay severance compensation for workers correctly.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

5. 5.

The factory ensures 5% severance compensation will be included the production incentive allowance.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

6. 1. Based on document review and worker interview, this practice was not applicable in place any more.
2. Based on document review, final payment for resigned or terminated workers was disbursed within 48 hours. For example, one worker in hand stitching department resign on Mar 31, 2018 and she received the final payment on Apr 2, 2018 (Remark: Apr 1 is public holiday).
3. Based on document review, if workers resign before the contract ends, the final payment still includes unused annual leave.
4. Based on document review and worker interview, the factory includes the wages paid during the 2-month probationary period.
5. Based on document review, the 5% severance compensation includes the production incentive allowance when calculating the 5% severance compensation for the 1st short-term contract.

Action plan status: Completed

Planned completion date: 09/01/17

Completion date: 01/04/19

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Workplace Conduct & Discipline

#### Finding Explanation

1. The factory does not have a process for workers to appeal disciplinary actions taken against them, and the disciplinary procedures did not include the presence of a third-party witness chosen by worker during application of disciplinary actions.
2. Three toilet cards are provided for each line (about 30 workers) in buildings C1 and C2 for workers to access the toilets, in order to prevent the loss of time. Additionally, workers have to deposit their ID badge to the Security Guard at the gate to record toilet use time.
3. The Chinese interpreter and line leader yell at and verbally abuse workers, particularly when there is urgent production needs.
4. The factory has not conducted anti-harassment and abuse policy and procedure training for all line leaders, Chinese interpreters, supervisors, and managers. While the factory has disciplinary procedures for harassment and/or abuse, they have not been implemented.
5. If disciplinary action is taken against a worker, the warning letter will be posted on the information board at the workers department and/or building.
6. If a worker loses his or her swipe card or ID badge the factory charges USD 1 per card to re-issue them to the worker.
7. The factory does not keep copies of disciplinary actions; the only copies are those posted on the factory information board.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.16, ER.17, and ER.27; Health, Safety & Environment Benchmark HSE.21; Forced Labor Benchmark F.4.2; Harassment and Abuse Benchmarks H/A.1, H/A.2, H/A.5,H/A.6, and H/A.7)

#### Recommendations for Immediate Action

1. Create a process for workers to appeal disciplinary actions taken against them; in addition, revise the disciplinary procedures to include the presence of a third-party witness during application of disciplinary actions.
2. Cease restricting the movement of workers, and ensure that workers are allowed to use the restroom at their convenience.
3. Do not publically post disciplinary actions and warning letters. Ensure that records of disciplinary actions are kept in the worker's personnel files.
4. Ensure that there is no verbal abuse of the workers by supervisors, interpreters, or managers. Conduct anti-harassment training for all line leaders, interpreters, supervisors, and managers. Implement the disciplinary procedures for harassment/abuse.

## COMPANY ACTION PLANS

1. 1.

The factory agreed to have process for workers to appeal disciplinary actions taken against them, and the disciplinary procedures will include the presence of a third-party witness chosen by worker during application of disciplinary actions.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

2. 2.

The factory agreed to stop this practise.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

3. 3.

The factory agreed to stop this practise.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

4. 4.

The factory agreed to conduct anti-harassment and abuse policy and procedure training for all line leaders, Chinese interpreters, supervisors, and managers.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

5. Warning letter posted on the information board if disciplinary action is taken against a worker.

Details

5.

The factory agreed to stop this practise.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

6. Workers will be charged if they lose their ID badge.

Details

6.

The factory agreed to stop this practise.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

7. Do not keep copies of disciplinary actions.

Details

7.

The factory agreed to keep copies of disciplinary actions.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

8. 1. Based on document review, the factory has a process for workers to appeal disciplinary actions taken against them, and the disciplinary procedures also include the presence of a third-party witness chosen by worker during application of disciplinary actions.

2. From the factory tour and worker interview, workers are free to go to the toilets at any times. Toilet cards and ID badge deposit are not used any more in the factory.

3. Based on document review, the factory provided COC training for all Chinese interpreter and line leaders on Nov 6, 2017. From worker interview, they confirmed that Chinese interpreter and line leader do not yell at and verbally abuse workers any more.

4. Based on document review, the factory conducted anti-harassment and abuse policy and procedure training for all line leaders, Chinese interpreters, supervisors, and managers. In addition, disciplinary procedures for harassment and/or abuse have been implemented accordingly.

5. Based on document review and worker interview, the warning letter will not be posted on the information board at the workers department and/or building any more.

6. Based on document review and worker interview, the factory stopped this practise.

7. Based on document review, the factory keep copies of disciplinary actions in files.

Action plan status: Completed

Planned completion date: 09/01/17

Completion date: 01/04/19

## FINDING NO.9

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Grievance System

##### Finding Explanation

1. The factory's Grievance procedure is available; however, the factory did not involve any worker representatives in the development of this procedure. Furthermore, worker representatives are not included in the evaluation of the grievances collected.

2. The factory has provided suggestion boxes at the each production hall; however, no signs or instructions, such as updated grievance policy and procedure, has been posted to instruct the workers. Additionally these suggestion boxes are not confidential, as they are posted at the front entry gate.

3. Workers do not trust the grievance system at the factory, and instead submit grievances through the worker representatives.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.25)

## COMPANY ACTION PLANS

1. 1.

The factory agreed to involve any worker representatives in the development of this procedure. Furthermore, worker representatives will be included in the evaluation of the grievances collected.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

2. 2.

The factory agreed to have signs or instructions, such as updated grievance policy and procedure, has been posted to instruct the workers and relocate the location of suggestion boxes.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

3. 3.

The factory agreed to make workers trust the grievance system.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

4. 1. Based on document review, the factory involves worker representatives in the development of Grievance procedure and worker representatives are included in the evaluation of the grievances collected.

2. Based on document review, the factory posted sign and grievance procedure near suggestion box and the suggestion boxes are located in male and female toilets.

3. Based on document review and worker interview, workers now directly submitted their grievance to suggestion box.

Action plan status: Completed

Planned completion date: 09/01/17

Completion date: 01/04/19

## FINDING NO.10

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Environmental Protection

##### Finding Explanation

1. The factory does not yet have the air emission permit.

2. The factory does not have any government clearance permits for soil or groundwater contamination.

3. The factory did not have in place any permit related to its environmental protection program, including: a solid waste disposal permit, wastewater disposal permit, and the appointment of an environment liaison officer.

4. Standard operating procedures (SOP) for Environmental Protection have not been implemented.

##### Local Law or Code Requirement

Cambodia Effluent Discharge Permit Sub- Decree 27, Chapter 3 of Water Pollution Control- Sub Decree No: 27; ANRK.BK. Sub Decree No. 36; ANRK.BK Solid Waste Management. Sub. Decree No: 42; ANRK.BK: Air Pollution and Noise Disturbance; FLA Workplace Code (Health Safety & Environment Benchmarks HSE.1 and HSE.4)

## COMPANY ACTION PLANS

1. 1.

The factory agreed to have the air emission permit.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

2. 2.

The factory agreed to have any government clearance permits for soil or groundwater contamination.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

3. 3.

The factory agreed to have in place permit related to its environmental protection program, including: a solid waste disposal permit, wastewater disposal permit, and the appointment of an environment liaison officer.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

4. SOP for Environmental Protection have not been implemented.

Details

4.

The factory agreed that SOP for Environmental Protection have been implemented.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

5. 1. Based on document review, the factory has the air emission permit as required.

2. Based on document review, the factory has government clearance permits for soil or groundwater contamination as required.

3. Based on document review, the factory has permit related to its environmental protection program, including: a solid waste disposal permit, wastewater disposal permit, and the appointment of an environment liaison officer.

4. Based on document review, the factory has a monthly meeting with worker representatives and meeting every 6 months with all workers to review the Environmental Protection. Internal audit was done on Jun 6, 2018 to check all health and safety issues including Environment affairs.

Action plan status: Completed

Planned completion date: 09/01/17

Completion date: 06/06/18

## FINDING NO.11

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. In building A1, one exit door led to an open drainage system, which may cause workers to fall during emergency evacuation.
2. The fire extinguishers used by the factory are all class BC (suitable for flammable liquid, flammable gas or electricity ) instead of ABC types applicable for the industry in which the majority of product and materials are cloth material, plastic material, and carton boxes.
3. There is only one class BC extinguisher in the materials warehouse, which contains highly combustible materials used to produce umbrellas.
4. Two of the three evacuation maps in factories B and C have the incorrect "You are here" position.

##### Local Law or Code Requirement

Labor Law Arts 23, 228-230; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.5 and HSE.6)

##### Recommendations for Immediate Action

1. Install either a covered drainage system, or relocate the exit door in building A1.
2. Replace the class BC fire extinguishers with ABC extinguishers.
3. Provide a sufficient number of extinguishers in the warehouse.
4. Relocate the evacuation maps to their correct locations.

### COMPANY ACTION PLANS

1. 1.

The factory agreed to keep safe for this exit door.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

2. 2.

The factory agreed to equip correct fire extinguisher for each section.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

3. Incorrect type of fire extinguishers.

Details

3.

The factory agreed to equip correct fire extinguisher for each section.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

4. 4.

The factory agreed to update evacuation maps.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

5. 1. From the factory tour, this door was marked as "Not an exit door" and closed all the times. In addition, the factory built up a flat concrete to cover the drainage system. This door is only used for Chinese management to go during the lunch time.

2. From the factory tour, ABC fire extinguishers are provided for working station in which the majority of product and materials are cloth material, plastic material, and carton boxes.

3. From the factory tour, the factory provided 2 more ABC fire extinguishers for the material warehouse.

4. From the factory tour, all evacuation maps in factories B and C have correct "you are here" position.

Action plan status: Completed

Planned completion date: 09/01/17

Completion date: 01/04/19

## FINDING NO.12

### IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. The factory has Standard Operating Procedures (SOP) for sewing, cutting, heat pressing, and stitching; however, the safety SOP for the material rolling machine and air-compressor machine are only in Chinese, instead of in the language spoken by the workers.
2. The factory does not have a list of equipment and/or machines that require lock-out/tag-out, additionally the factory does not have SOP for lock-out tag-out.
3. The maintenance personnel and operators of hazardous machines, including the material rolling machine and air-compressor machine, are not trained on lock-out/tag-out procedures.
4. The forklift and the air compressor operators were not trained and certified by an external professional training center to operate these hazardous machines.
5. The forklift has not been inspected and certified by an external inspection organization.
6. The traffic lanes for forklift and walking paths for pedestrian are not clearly marked to prevent accidents.
7. The factory does not have maximum speed signs, convex mirrors at blindends, and reflectors to ensure safe driving practices.
8. The factory has not provided training for the workers on proper lifting techniques when handling heavy materials, and has not provided lifting belts to these workers.
9. The factory uses the heat insulation sheets to reduce the heat from the roof located in the production facility, and gypsum board for the office ceiling; however, the factory has not performed assessments to determine if there is asbestos materials within the factory structure.

10. There are three water tanks located on a platform, which is six meters off of the ground. To climb up to these water tanks, maintenance workers climb up a fixed ladder, but this ladder does not have appropriate fall protection, such as caging, nor are workers provided with full body harnesses in lieu of a safety cage.
11. The water tank is a confined space, but the factory does not have safety procedures for confined spaces, nor are confined space signs posted on the water tank prohibiting unauthorized access.
12. One out of five sewing machines located on the production floor of factory B (A) was not grounded, the electrical plug was connected with only 2 pins.
13. In the quality control facility reserved for the client inspection workshop, there is taped electrical wiring hanging on the steel frame of the quality assurance working desk.

#### Local Law or Code Requirement

Labor Law Arts 23, 228-230; Labor Law, Art 230 Prakas 124/01 AC Award 86/11(4); FLA Workplace Code (Safety, and Environment Benchmarks HSE.1, HSE.2, HSE.4, HSE.7, HSE.13, HSE.14, HSE.15, HSE 17.2)

#### Recommendations for Immediate Action

1. Post SOP for all machines in the workers local language.
2. Implement a lock-out/tag-out system for all machines in the factory, and properly train the relevant workers.
3. Provide sufficient training for the forklift and air compressor operators.
4. Contract an inspection for the forklift from a qualified third party.
5. Properly mark traffic lanes, and install all of the necessary safe driving equipment.
6. Perform an asbestos hazard assessment for the factory.
7. Install a protective cage on the water tank ladder.
8. Establish Confined Space Entry procedures for the water tank and provide training for the maintenance workers. Post the warning sign on water tank to ensure safety awareness before any work is performed in confined space.

## COMPANY ACTION PLANS

1. 1.

The factory agreed to have local language for safety SOP for the material rolling machine and air-compressor machine.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

2. 2.

The factory agreed to have a list of equipment and/or machines that require lock-out/tag-out, additionally the factory will have SOP for lock-out tag-out.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

3. 3.

The factory agreed to provide training on lock-out/tag-out procedure for maintenance personnel and operators of hazardous machines, including the material rolling machine and air-compressor machine.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

4. 4.

The factory agreed to provide training for forklift and the air compressor operators.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

5. 5.

The factory agreed that the forklift has been inspected and certified.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

6. 6.

The factory agreed to mark the traffic lanes for forklift and walking paths for pedestrian.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

7. 7.

The factory agreed to have maximum speed signs, convex mirrors at blindends, and reflectors to ensure safe driving practices.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

8. 8.

The factory agreed to provide training for the workers on proper lifting techniques when handling heavy materials, and to provide lifting belts to these workers.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

9. 9.

The factory agreed to perform assessments to determine if there is asbestos materials within the factory structure.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

10. 10.

The factory agreed to have appropriate fall protection, such as caging, or workers are provided with full body harnesses in lieu of a safety cage.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

11. 11.

The factory agreed to have safety procedures for confined spaces with signs posted on the water tank prohibiting unauthorized access.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

12. 12.

The factory agreed that all sewing machines will be grounded.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

13. 13.

The factory agreed to ensure that taped electrical wiring is not used in the whole workshop.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

14. 1. From the factory tour, SOP for material rolling machine and air compressor are posted in local language as required.

2. Based on document review and management interview, the factory has list of equipment and/or machines that require lock-out/tag-out. However, there is no tool (lock, tag) to do lockout/tagout.

3. The factory is planning to improve.

4. Based on document review, forklift and air compressor operator were trained and certified by an external professional training center as required.

5. Based on document review, forklift was inspected and certified by an external inspection organization.

6. From the factory tour, traffic lanes for forklift and walking paths for pedestrian are clearly marked to prevent accidents in the



factory.

7. From the factory tour, convex mirrors at blindends were equipped to ensure safe driving practices.

8. Based on document review, the factory has provided training for the workers on proper lifting techniques when handling heavy materials on Sep 1, 2017, lifting belts are provided to these workers.

9. The factory is planning to improve.

10. From the factory tour, the ladder was installed with fall protection cage and worker was provided with full body harness as well.

11. From the factory tour, the factory posted safety procedure for confined spaces with a sign prohibiting unauthorized access.

12. From the factory tour, all sewing machines were grounded and the electrical plug was connected with 3 pins.

13. From the factory tour, taped electrical wiring was not hanging on the steel frame of the quality assurance working desk.

Action plan status: In progress

Planned completion date: 09/01/17

## FINDING NO.13

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. The factory has a basic accident and incident investigation procedure; however, it does not include a procedure related to early reporting on unsafe working conditions or near misses.

2. The factory does not have a procedure encouraging workers to raise any health and safety concerns to their supervisor or how to handle these cases.

3. The factory does not have a "No Retaliation Policy" for the workers who raise health and safety concerns or refuse to work under the unsafe working condition.

4. The factory has a risk assessment process in place, but the document is in Chinese. The factory has not yet performed a risk assessment for the electrical system or hazardous machinery (such as material rolling machines) and fire risk assessment.

5. The factory has not conducted a fire risk assessment.

6. No building inspection has been conducted and the factory does not have a building inspection report or certification.

7. The factory does not make all health and safety documentation available to the workforce.

##### Local Law or Code Requirement

Article 229 & 230 of the Labor Law, promulgated by Royal Order No. CS/RKM/0397/01 of 13 March 1997 (amended in 2007); Article 666 of the Civil Code, 2007. Article 343-350 of the Labor Law, promulgated by Royal Order No. CS/RKM/0397/01 of 13 March 1997 (amended in 2007); Organization and Functioning of the Ministry of Social Affairs, Labor, Vocational Training and Youth Rehabilitation, 4 October 1999 (Anukret 87/ANKR-BK); FLA Workplace Code (Employment Relationship Benchmarks ER.2 and ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.2, and HSE.16)

### COMPANY ACTION PLANS

1. 1.

The factory agreed to have procedure related to early reporting on unsafe working conditions or near misses.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

2. No procedure encouraging workers to raise any health and safety concerns to their supervisor

Details

2.

The factory agreed to have procedure encouraging workers to raise any health and safety concerns to their supervisor or how to handle these cases.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

3. 3.

The factory agreed to have a "No Retaliation Policy" for the workers who raise health and safety concerns or refuse to work under the unsafe working

condition.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

4. 4.

The factory agreed to has a risk assessment process in local language and performed a risk assessment for the electrical system or hazardous machinery (such as material rolling machines) and fire risk assessment.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

5. 5.

The factory agreed to conduct fire risk assessment.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

6. 6.

The factory agreed to have building inspection report or certification.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

7. 7.

The factory agreed to make all health and safety documentation available to the workforce.

Planned Completion Date

12/31/17

Action plan status: Scheduled

Planned completion date: 09/01/17

8. 1. Based on document review, factory accident and incident investigation procedure includes a procedure related to early reporting on unsafe working conditions or near misses.
2. Based on document review, the factory have a procedure encouraging workers to raise any health and safety concerns to their supervisor or how to handle these cases.
3. Based on document review, the factory has a "No Retaliation Policy" for the workers who raise health and safety concerns or refuse to work under the unsafe working condition.
4. The factory only conduct risk assessment for the electrical system.
5. Based on document review and management interview, the factory only conducted fire risk assessment by internally instead of by 3rd party expert as per FLA requirement.
6. Based on document review, the factory provided building inspection report conducted on Jul 9, 2015 by ECCI for review.
7. From the factory tour, the factory posted all health and safety documentation at every workshop.

Action plan status: In progress

Planned completion date: 09/01/17