

# Fair Labor Association: Independent External Factory Assessment

Assessment Date :

**10 Nov 2022**



## Factory Information

|                   |                  |
|-------------------|------------------|
| FLA Affiliates    | Lakeshirts, Inc. |
| Country           | Mexico           |
| Number of Workers | 280              |

## Understanding this Report

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.

## FLA Code Element

## Number of Violations

| FLA Code Element                                       | Number of Violations |
|--|----------------------|
| Compensation (C)                                       | 1                    |
| Employment Relationship (ER)                           | 15                   |
| Freedom of Association & Collective Bargaining         | 1                    |
| Freedom Of Association And Collective Bargaining (FOA) | 1                    |
| Health, Safety And Environment (HSE)                   | 5                    |
| Hours Of Work (HOW)                                    | 1                    |
| Nondiscrimination (ND)                                 | 2                    |

## Assessment Information

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| Assessor           | VeLar       |
| Assessment Date    | 10 Nov 2022 |
| Assessment Purpose |             |

## ASSESSMENT RESULTS

### Compensation (C)

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| Benchmark ID                        | C.1.1  |
| Benchmark Details                   | Employers shall comply with all national laws, regulations and procedures concerning the payment of compensation to workers.   |
| Finding Details                     | Based on the labor law, collective bargaining agreements (CBA) must be reviewed every year for wage updates, and at least every two years for benefits and working conditions. The company has a CBA signed with a labor union and it has not been reviewed in the last year in relation with the wages. Wages are still paid in accordance with the last update of the CBA and are in compliance with the national minimum salary for the region. |
| Recommendation for Immediate Action | Have a system to review the wages list of the collective bargaining agreements and ensure updating if needed.  |
| Compliance Classifications          | Immediate Action Required  |
| Local Law                           | Article 391 of the Federal Labor Law   |

### Employment Relationship (ER)

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| Benchmark ID      | ER.17.5   |
| Benchmark Details | Employers shall have in place procedures to track the number, types, and timing and resolution of grievances, and to communicate the resolution of grievances to the workforce. |
| Finding Details   | There is no grievance protocol and records of shows factory reviews grievances and take appropriate action.   |

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| Recommendation for Immediate Action | Establish a system to receive, track the number, types, timing and resolution of grievances and to communicate the resolution to the workforce.  |
| Compliance Classifications          | Immediate Action Required  |
| Local Law                           |  |
| Benchmark ID                        | ER.1.2   |
| Benchmark Details                   | Employers shall assign responsibility for the administration of human resources to a clearly defined and adequately qualified staff member or staff members and ensure workers at all levels receive communication and training about existing policies and procedures or any revisions. |
| Finding Details                     | The factory does not provide ongoing training to workers on any of FLA's Code elements and Employment Functions.   |
| Recommendation for Immediate Action |  |
| Compliance Classifications          | Sustainable Improvement Required   |
| Local Law                           |  |
| Benchmark ID                        | ER.18.2  |
| Benchmark Details                   | Employers shall ensure managers and supervisors are fully familiar with the workplace disciplinary system and in applying appropriate disciplinary practices.  |
| Finding Details                     | No training has been delivered to supervisors and managers related disciplinary sanctions  |
| Recommendation for Immediate Action |  |

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| Compliance Classifications          | Sustainable Improvement Required   |
| Local Law                           |  |
| Benchmark ID                        | ER.5.1   |
| Benchmark Details                   | Employers shall ensure that all supervisors are trained in national laws, workplace regulations, and the FLA Code, workplace grievance systems, and the appropriate practices to ensure compliance.  |
| Finding Details                     | The factory does not provide any specific training to the relevant supervisors that includes FLA's Code elements and Employment Functions.   |
| Recommendation for Immediate Action |  |
| Compliance Classifications          | Sustainable Improvement Required   |
| Local Law                           |  |
| Benchmark ID                        | ER.17.1  |
| Benchmark Details                   | Employers shall have a clear and transparent system of worker and management communication that enables workers to consult with and provide input to management. This might include suggestion boxes, worker committees, designated spaces for worker meetings, union representatives, and meetings between management and workers' representatives. |
| Finding Details                     | The company is missing a grievance system procedure for the investigation and resolution of employees complaints and suggestions.  |
| Recommendation for Immediate Action |  |
| Compliance Classifications          | Sustainable Improvement Required   |

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| Local Law                           |  |
| Benchmark ID                        | ER.1.1   |
| Benchmark Details                   | Employers shall have in place written policies and practices and maintain proper and accurate records governing all aspects of employment from recruitment, hiring and probation, including written terms and conditions of employment, job descriptions, administration of compensation, and working hours for all positions, through to retrenchment and termination processes.                  |
| Finding Details                     | Factory is missing specific policy and procedures regarding all aspects of recruitment and hiring, termination& retrenchment, and compensation.  |
| Recommendation for Immediate Action |  |
| Compliance Classifications          | Sustainable Improvement Required   |
| Local Law                           |  |
| Benchmark ID                        | ER.8   |
| Benchmark Details                   | Employers shall have written policies and procedures with regard to promotion, demotion, and job reassignment that outline the criteria, demonstrate linkages to job grading, and prohibit discrimination or use of demotion or job reassignment as a form of penalty or punishment, are provided in writing and seek feedback from employees in writing, and follow all local legal requirements. |
| Finding Details                     | Factory does not have policy and procedures on promotion, demotion and job reassignment.   |
| Recommendation for Immediate Action |  |
| Compliance Classifications          | Sustainable Improvement Required   |
| Local Law                           |  |

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| Benchmark ID                        | ER.4  |
| Benchmark Details                   | Employers shall inform workers about workplace rules, environmental protection systems, health and safety information, and laws regarding workers' rights with respect to freedom of association, compensation, working hours, and any other legally required information, and the FLA Code through appropriate means, including posted in local language(s) throughout the workplace's common areas. |
| Finding Details                     | The FLA's Code has not been posted inside the facility.   |
| Recommendation for Immediate Action |   |
| Compliance Classifications          | Sustainable Improvement Required  |
| Local Law                           |   |
| Benchmark ID                        | ER.19.1   |
| Benchmark Details                   | Employers shall maintain on file all documentation needed to demonstrate compliance with the FLA Workplace Code and required laws.  |
| Finding Details                     | Please see finding ER.17.5  |
| Recommendation for Immediate Action |   |
| Compliance Classifications          | Sustainable Improvement Required  |
| Local Law                           |   |
| Benchmark ID                        | ER.10.2   |
| Benchmark Details                   | Employers shall not renew contracts for multiple successive short-terms in lieu of providing regular employment.  |



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| Finding Details                     | New employees are required to sign a probation contract for an initial period of 15 days; after this period is finished, the employee is required to sign a second probation contract instead of a permanent contract. Federal Labor Law only allows temporary contract when the nature of the position is temporary and only allows one probation period.  |
| Recommendation for Immediate Action | Ensure to provide employees with a permanent contract since the beginning of the working relation and establish just one probation period.  |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           | Federal Labor Law Article 39 subsection D and Article 39 subsection E.  |
| Benchmark ID                        | ER.3.1  |
| Benchmark Details                   | Employers shall provide an orientation to new employees at the time of hiring, which includes explanations of the employers' rules, compensation package and policies for human resources, grievance systems, industrial relations, including respect of the right to freedom of association, workers' rights and responsibilities, FLA Code of Conduct, health and safety, and environmental protection. |
| Finding Details                     | The onboarding training is missing information on the company policies and procedures related promotion, voluntary overtime, compensation and retrenchment.   |
| Recommendation for Immediate Action |   |
| Compliance Classifications          | Sustainable Improvement Required  |
| Local Law                           |   |
| Benchmark ID                        | ER.1.3  |

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| Benchmark Details                   | Employers should implement an annual, review process with input from workers of all policies, procedures and their implementation to ensure they meet legal requirements and the FLA Workplace Code.                           |
| Finding Details                     | The factory does not have a reviewing system for policies and procedures; therefore employees have not been involved in this process including decision-making process of aspects concerning workplace and working conditions. |
| Recommendation for Immediate Action |  |
| Compliance Classifications          | Sustainable Improvement Required   |
| Local Law                           |  |
| Benchmark ID                        | ER.18.4  |
| Benchmark Details                   | The disciplinary system shall include a third party witness during imposition, and an appeal process.  |
| Finding Details                     | Disciplinary system and procedures missing an appeal and a third party witness protocol.   |
| Recommendation for Immediate Action |  |
| Compliance Classifications          | Sustainable Improvement Required   |
| Local Law                           |  |
| Benchmark ID                        | ER.17.2  |
| Benchmark Details                   | There shall be a mechanism that allows workers to report harassment and grievances confidentially, including any concerns or problems they may be experiencing around legally owed payments during a retrenchment process.     |

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| Finding Details                     | The company is missing a grievance procedure that establishes the confidential requirements for the reporting channel, in addition the location of suggestion box is located in an area that does not provide the required confidentiality. |
| Recommendation for Immediate Action | Ensure to relocate the suggestion box in a confidential but accessible area.  |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           |   |
| Benchmark ID                        | ER.18.3.2   |
| Benchmark Details                   | Workers have the right to participate and be heard in any disciplinary procedure against them.  |
| Finding Details                     | It is missing a protocol to hear and resolve employee's concerns or complaints against the disciplinary actions.  |
| Recommendation for Immediate Action |   |
| Compliance Classifications          | Sustainable Improvement Required  |
| Local Law                           |   |

### **Freedom of Association & Collective Bargaining**

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| Benchmark ID      | FOA.19.3   |
| Benchmark Details | Where a union exists in the workplace, employers shall make available a copy of the collective bargaining agreement to all workers and other interested parties. |
| Finding Details   | The factory has not delivered a printed copy of the CBA to the employees. In addition the CBA has not been posted in the facility.                               |

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| Recommendation for Immediate Action | Ensure to deliver a printed copy a of the CBA to the employees. |
| Compliance Classifications          | Immediate Action Required                                       |
| Local Law                           | Article 132 subsection XVIII and XXX of the Federal Labor Law.  |

### Freedom Of Association And Collective Bargaining (FOA)

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|-------------------------------------|---|
| Benchmark ID                        | FOA.15  |
| Benchmark Details                   | Worker representatives shall have the facilities necessary for the proper exercise of their functions, including access to workplaces and office space where required by law. |
| Finding Details                     | There is no offices or space inside the facilities for union representatives' use.  |
| Recommendation for Immediate Action |   |
| Compliance Classifications          | Sustainable Improvement Required  |
| Local Law                           |   |

### Health, Safety And Environment (HSE)

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|-------------------|---|
| Benchmark ID      | HSE.5.1.6   |
| Benchmark Details | All applicable, legally required or recommended elements of safe evacuation shall be complied with, including all the following elements: evacuation procedures and fire drills |
| Finding Details   | Factory does not conduct two evacuation drills required per every twelve month period. Last evacuation drill was performed on September 2018.                                   |

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| Recommendation for Immediate Action | Conduct the required number of evacuation drills as soon as possible and ensure that there is system for regular fire drills as required by law.   |
| Compliance Classifications          | Immediate Action Required  |
| Local Law                           | Clause 5.7 of the Mexican NOM-002-STPS-2010  |
| Benchmark ID                        | HSE.9.1  |
| Benchmark Details                   | All chemicals and hazardous substances shall be properly labeled and stored in secure and ventilated areas and disposed of in a safe and legal manner, in accordance with applicable laws and international standards.                         |
| Finding Details                     | -Secondary container to avoid chemical spillage in the cleaning chemicals' area is missing. -In the same area, there were chemicals not properly labeled and without the corresponding Material Safety Data Sheets (MSDS).                     |
| Recommendation for Immediate Action | -Ensure to install a secondary container in all chemicals' storage areas. -Ensure to keep all findings properly labeled and with the MSDS attached.  |
| Compliance Classifications          | Immediate Action Required  |
| Local Law                           | -Section 5.10 and section 8 of the Mexican NOM-005-STPS-1998. - Chapter 8 subsection a) of the Mexican NOM-005-STPS-1998   |
| Benchmark ID                        | HSE.19   |
| Benchmark Details                   | All facilities including workplace buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with all applicable laws, including relevant sanitation, medical, and safety and health regulations. |
| Finding Details                     | There is lack of order and cleanliness in company areas. For instance, in the shipping area, there were non hazardous wastes and unused materials around with dust and disorganised.   |

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| Recommendation for Immediate Action | Ensure to keep all areas clean and in order.  |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           | Article 7.1.1 of the Mexican NOM-001-STPS-2008.   |
| Benchmark ID                        | HSE.1   |
| Benchmark Details                   | Employers shall comply with all national laws, regulations and procedures concerning health, safety, and the environment.   |
| Finding Details                     | 1.- The Internal Civil Protection Plan is overdue and no new program has been presented for approval of the local authority. 2.- No pregnant women was found on risk, however the factory does not have procedures for protection for protection of the pregnant employees in terms health and safety. Additionally, even when all nursing employees were granted with nursery (breastfeeding) time, it is a missing a written procedure to permanent compliance with this legal benefit. |
| Recommendation for Immediate Action | 1.- Ensure to develop and present the Internal Civil Protection Plan and obtain the authority approval. 2.- Ensure to develop a health and safety protocol to protect pregnant and nursing employees.   |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           | 1.- Mexican NOM-002-STPS-2010 2.- Article 170 of the Federal Labor Law.   |
| Benchmark ID                        | HSE.7   |
| Benchmark Details                   | Workers shall be provided at no cost with all the appropriate and necessary personal protective equipment (e.g. gloves, eye protection, hearing protection, respiratory protection) to effectively prevent unsafe exposure (e.g. inhalation or contact with solvent vapors, noise, dust) to health and safety hazards, including medical waste.   |

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| Finding Details                     | The personnel who used the emery in the maintenance area was missing the required protective mask. |
| Recommendation for Immediate Action | Ensure to provide all employees with the required Personal Protective Equipment (PPE).             |
| Compliance Classifications          | Immediate Action Required  |
| Local Law                           | Clause 5.4 of the Mexican NOM-005-STPS-2008.   |

### Hours Of Work (HOW)

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| Benchmark ID                        | HOW.22.1  |
| Benchmark Details                   | Employers shall have in place policies for managing all working hour, overtime, and leave records in normal and exceptional circumstances.  |
| Finding Details                     | The factory does not have policy and procedures on hours of work, including including working during exceptional circumstances and voluntary overtime regulations. (There was no forced overtime in practise) |
| Recommendation for Immediate Action |   |
| Compliance Classifications          | Sustainable Improvement Required  |
| Local Law                           |   |

### Nondiscrimination (ND)

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| Benchmark ID | ND.4 |
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| Benchmark Details                   | Employers may not request the disclosure of any personal, non-job related information during the application, recruitment, or hiring process, including but not limited to gender, race, religion, disability, sexual orientation, nationality, political opinion, social group, ethnic origin, or marital status.  |
| Finding Details                     | -The factory is applying medical tests during the hiring process that include questions about sex, marriage status and gynecologic health conditions. -In addition the company is applying toxicological tests to the employees in an arbitrary way. There is no risk assessment to justify the test, and it is missing an established procedure to avoid the test is used as a retaliation or discrimination practice. It is the senior leadership decision to request the test at any time. |
| Recommendation for Immediate Action | Do not implement the toxicological test practices and remove the questions that might lead discrimination during hiring process.  |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           | Article 3rd of the Federal Labor Law.   |
| Benchmark ID                        | ND.3  |
| Benchmark Details                   | Recruitment and employment policies and practices, including job advertisements, job descriptions, application and interview questions and job performance/evaluation policies and practices shall be free from any type of discriminatory bias.  |
| Finding Details                     | The company does not hire employees younger than 18 years, even when the local regulation allows minors from 16 to 18 to work in non-risk positions.  |
| Recommendation for Immediate Action | Cease any practice that might lead discrimination.  |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           | Article 3rd of the Federal Labor Law.   |



