

# Fair Labor Association: Independent External Factory Assessment

Assessment Date :

**24 Jun 2024**



## Factory Information

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| FLA Affiliates    | Amer Sports,GOREWEAR and SITKA Gear |
| Country           | El Salvador                         |
| Number of Workers | 1106                                |

## 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)                     | 4                    |
| Employment Relationship (ER)         | 11                   |
| Forced Labor (F)                     | 1                    |
| Harassment Or Abuse (H/A)            | 1                    |
| Health, Safety And Environment (HSE) | 10                   |
| Hours Of Work (HOW)                  | 1                    |
| Nondiscrimination (ND)               | 1                    |

## Assessment Information

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| Assessor           | Rodriguez Compliance Group |
| Assessment Date    | 24 Jun 2024                |
| Assessment Purpose |                            |

## ASSESSMENT RESULTS

### Compensation (C)

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| Benchmark ID      | C.16.1   |
| Benchmark Details | All compensation records, including wages and benefits whether in cash or in-kind, must be properly documented and their receipt and accuracy must be confirmed by the relevant worker in writing (e.g. signature, thumbprint).  |
| Finding Details   | <p>The sampled payroll statements for the period December 2023 - January 2024 were incorrect or not clear: 1. The statements have incorrect dates for the pay period. The statements indicate the period of December 16 to December 30, 2023; however, during the SCI, the auditor verified that the correct payment period was from December 11, 2023 to January 5, 2024. 2. The "Salary Adjustment" box is not used correctly. The company used the box to note the payment of 11 days of salary (from December 11-21, 2023). This payment should not have been listed as an "adjustment" - adjustments are errors in the payment of salary from a previous period. 3. The "Salary" box indicates that workers were paid for 15 hours, which is not correct. The auditor verified that "15" was meant to refer to 15 days (corresponding to the annual vacation from December 22, 2023 to January 5, 2024). 4. The "Vacation" box does not clearly indicate that what is being paid is 30% of the salary surcharge for 15 days of vacation (required by law). 5. This payment statement does not indicate the start and end times of the days worked, unlike the statements for the other 11 months of the year. In addition, this payroll statement is the only one not integrated into the factory's time record system. Salary and vacation payments for this period were calculated manually and documented in a spreadsheet. 6. The company paid salaries and vacations starting on December 11, 2023 and ending on January 5, 2024. The subsequent pay period started on January 8 and ended on January 14, 2024. There is no evidence of workers being paid for the days January 6 and 7, 2024.</p> |

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| Recommendation for Immediate Action | 1. Pay all outstanding monies due for the period January 6 and January 7, 2024. 2. Review the software used to document the compensation, and identify information whether in hours or days, and detail correctly salary adjustment, vacation, and any other compensation details. 3. Implement procedures to review and verify compensation is paid accurately every pay period. |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           | Labor Code, Article 127, Article 130 and Article 131  |
| Benchmark ID                        | C.7   |
| Benchmark Details                   | All payments to workers, including hourly wages, piecework, fringe benefits and other incentives shall be calculated, recorded, and paid accurately.  |
| Finding Details                     | There is no evidence or records of the payment of wages corresponding to January 6 and 7, 2024 (see finding C.16.1).  |
| Recommendation for Immediate Action | Keep records of all wage payments.  |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           | Labor Code, Article 127, Article 130, Article 131, and Article 138  |
| Benchmark ID                        | C.1.1   |
| Benchmark Details                   | Employers shall comply with all national laws, regulations and procedures concerning the payment of compensation to workers.  |

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| <p>Finding Details</p>                     | <p>The status of this finding is the same as in 2021. The company continues with the practice of signing workers to repeated 1-year employment contracts, making advance severance payments at the end of each contract. To receive the advance severance payments, the workers sign a notice of resignation, despite the fact that the employer imposes the annual renewal of the contract. As these workers perform permanent jobs at this factory, local law (Article 25 of the Labor Code) does not permit them to be continuously re-hired to fixed-term contracts. Furthermore, when workers do finally leave their roles at the factory, this system results in their final payouts being too small, as the final severance is calculated based on 1 year of service rather than the entire employment relationship. Factory management explained that in order to continue making advance severance payments, legally the worker's employment must end and be renewed annually.</p> |
| <p>Recommendation for Immediate Action</p> | <p>1. When providing advance severance payments, do so on a voluntary basis and without terminating the workers' contract or employment. Workers may sign acknowledgments of their receipt of the payments, but should not be required to sign resignation or termination notices. 2. Track and record all advance payments made to workers. When a worker leaves employment at the factory, calculate the final severance payment using his/her total seniority/time of service, then subtract any advance severance payments made. 3. Update all policies and procedures governing termination and compensation to comply with this approach and with local law. Clearly communicate these updates to managers, supervisors, and workers.</p>   |
| <p>Compliance Classifications</p>          | <p>Immediate Action Required</p>  |
| <p>Local Law</p>                           | <p>Labor Code, Art. 18, 25, 58.</p>   |
| <p>Benchmark ID</p>                        | <p>C.13.2</p>   |
| <p>Benchmark Details</p>                   | <p>Written consent for voluntary wage deductions shall be documented in employee files.</p>   |

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| Finding Details                     | <p>During the review of salary payments, the assessment identified the following issues: 1. The forms that workers signed to authorize salary deductions for a savings plan were not available. The company stated that the worker probably signed the authorization form when the worker was onboarded to the company. 2. The employer offers voluntary salary deductions for workers to purchase eyeglasses. The employer maintains a detailed spreadsheet record with the information of all the workers who have obtained eyeglasses via installment plans, and this information is used to document the payroll deduction. However, the worker does not sign a form to authorize the deduction. 3. When workers authorize a voluntary salary deduction for a loan, the employer rounds up the amount authorized by the worker and makes a greater deduction than the authorized amount. For example, if the worker authorizes a deduction of \$79.03 per month, the company deducts \$80.00 per month. Factory management explained that the amount is rounded up so that the repayment amount is an even number when divided by 2, as 2 deductions are made via payroll each month.</p> |
| Recommendation for Immediate Action |   |
| Compliance Classifications          | Sustainable Improvement Required  |
| Local Law                           |   |

### Employment Relationship (ER)

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| Benchmark ID      | ER.1.2  |
| Benchmark Details | <p>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.</p> |



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| <p>Finding Details</p>                     | <p>The finding from 2021 related to a lack of ongoing trainings for workers on workplace standards has not been fully addressed. Factory management developed several training tools including a video, a slide presentation, and a tri-fold brochure to improve worker trainings on workplace standards (both new employee orientation and annual refresher courses). The management team also provided attendance trackers for workers who attended annual refresher training that took place from February 6 to 16, 2024. The assessment reviewed these materials and determined that the materials are weak or do not mention some basic ideas, including: appeal process or third-party witness; legally required licenses; freedom of association (the materials do not mention collective bargaining); the work hours policy and overtime policy, specifically that overtime will always be voluntary; the remuneration and benefits policy (the materials do not indicate the minimum wage , the factory's payment per hour and per day, or quota incentives); and the policy of disciplinary processes (the materials do not indicate the different types of calls for attention, their progressivity, nor the behaviors subject to sanction). Finally, none of the sections include practical examples to facilitate understanding. During the interviews, workers could not remember or express basic ideas on several topics, especially the following: disciplinary procedures including the appeal process, termination and downsizing, rights to freedom of association and collective bargaining, and legally required licenses.</p> |
| <p>Recommendation for Immediate Action</p> |  |
| <p>Compliance Classifications</p>          | <p>Sustainable Improvement Required</p>  |
| <p>Local Law</p>                           |  |
| <p>Benchmark ID</p>                        | <p>ER.18.2</p>   |
| <p>Benchmark Details</p>                   | <p>Employers shall ensure managers and supervisors are fully familiar with the workplace disciplinary system and in applying appropriate disciplinary practices.</p>   |



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| Finding Details                     | The current disciplinary policy communicated by the company has not defined which behaviors are subject to a verbal or written sanction, nor that it is applying disciplinary measures progressively. Disciplinary forms issued to workers do not cite which article of the Labor Code or the Internal Labor Regulations was violated by the worker.   |
| Recommendation for Immediate Action |  |
| Compliance Classifications          | Sustainable Improvement Required   |
| Local Law                           |  |
| Benchmark ID                        | ER.2   |
| Benchmark Details                   | Employers shall ensure that all legally mandated requirements for the protection or management of special categories of workers, including migrant, juvenile, contract/contingent/temporary, probationary workers, home workers, and pregnant or disabled workers, are implemented. Where local laws and FLA standards differ, the employer is expected to follow the highest applicable standard. |
| Finding Details                     | The company has not hired the minimum number of disabled workers called for under local law. Currently, the company has hired 47 individuals with a recognized disability, but the target goal is 62 workers to meet the legal requirements.   |
| Recommendation for Immediate Action | Hire at least the full amount of workers with disabilities called for under local law, including by reviewing current job tasks or functions to identify suitable positions, arranging for necessary accommodations and aides, and collaborating with community partners and government sources to identify candidates.  |
| Compliance Classifications          | Immediate Action Required  |
| Local Law                           | Art 63 Special Law on Inclusion of People with Disabilities.   |
| Benchmark ID                        | ER.1.1   |

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| 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                     | The finding from 2021 has not been fully addressed. The policy on termination and retrenchment does not consider or mention the actions of layoff and plant closure.  |
| Recommendation for Immediate Action |   |
| Compliance Classifications          | Sustainable Improvement Required  |
| Local Law                           |   |
| Benchmark ID                        | ER.18.1   |
| Benchmark Details                   | Employers shall have written disciplinary rules, procedures and practices that embody a system of progressive discipline (e.g. 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).  |
| Finding Details                     | The current disciplinary policy communicated by the company has not defined which behaviors are subject to a verbal or written sanction, nor that it is applying disciplinary measures progressively. Disciplinary forms issues to workers do not cite which article of the Labor Code or the Internal Labor Regulations was violated by the worker.                              |
| Recommendation for Immediate Action |   |
| Compliance Classifications          | Sustainable Improvement Required  |
| Local Law                           |   |

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| Benchmark ID                        | ER.7.1  |
| Benchmark Details                   | Employers shall have written policies and procedures with regard to 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/disagreement from employees in writing, and that follow all local legal requirements.  |
| Finding Details                     | The finding from 2021 has not been fully addressed, but an action plan is underway. The management team does not have a policy on performance reviews for production workers, and the document to record the review is in draft form. Management expects to roll out the process in November 2024. Management also explained that in August 2024, managers or supervisors responsible for the performance reviews of production workers will receive training on the process. The management team confirmed they used the elements of review from the policy on termination and retrenchment to develop the policy on performance review. |
| 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.  |

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| <p>Finding Details</p>                     | <p>The status of this finding is the same as in 2021. The factory does not register employment contracts at the Ministry of Labor as legally required. By law, all employment contracts should be registered within the following eight days after both parties have signed it; but the factory submits all contracts once a year, in January of each year. The last such submission was done on January 19, 2024, for 1,434 employment contracts. However, management explained that they do provide a copy of the labor contract to the employee and report the hire to the Social Security and to Pension authorities. Factory management explained that they are following local legal advice in this matter; however, the company is out of compliance with the clear legal obligation.</p> |
| <p>Recommendation for Immediate Action</p> | <p>Ensure employment contracts are registered with governmental authorities within the following eight days after both parties have signed the contract, as per local law. Provide training to HR department to ensure compliance.</p>   |
| <p>Compliance Classifications</p>          | <p>Immediate Action Required</p>   |
| <p>Local Law</p>                           | <p>Labor Code, Article 18.</p>   |
| <p>Benchmark ID</p>                        | <p>ER.15.3</p>   |
| <p>Benchmark Details</p>                   | <p>Employers shall not demand that workers sign any declaration of good health, waivers or releases of other rights as a condition of receiving severance pay or other legal benefits* from the company, and shall not threaten to withhold benefits if workers do not sign.</p>   |
| <p>Finding Details</p>                     | <p>The status of this finding is the same as in 2021. The company continues with the practice of renewing individual employment contracts annually, requiring employees to sign a notice of resignation to receive annual advanced severance payments [see Finding C.1.1]. Management stated that their lawyers have advised if the company continues to pay annual compensation to workers, then the company must formally end the employment relationship.</p>   |

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| Recommendation for Immediate Action | 1. When providing advance severance payments, do so on a voluntary basis and without terminating the workers' contract or employment. Workers may sign acknowledgments of their receipt of the payments, but should not be required to sign resignation or termination notices. 2. Update all policies and procedures governing termination and compensation to comply with this approach and with local law. Clearly communicate these updates to managers, supervisors, and workers. |
| Compliance Classifications          | Immediate Action Required  |
| Local Law                           | Labor Code, Article 18 and Article 25  |
| Benchmark ID                        | ER.18.4  |
| Benchmark Details                   | The disciplinary system shall include a third party witness during imposition, and an appeal process.  |
| Finding Details                     | The disciplinary forms issued to workers do not indicate the attendance of a third-party witness. The factory's policies and procedures on discipline do not mention the concept of a third-party witness at all.  |
| Recommendation for Immediate Action |  |
| Compliance Classifications          | Sustainable Improvement Required   |
| Local Law                           |  |
| Benchmark ID                        | ER.18.6  |
| Benchmark Details                   | The workplace shall commit to non-retaliation for all steps of the disciplinary process, including for a worker requesting a witness and filing an appeal of disciplinary action.  |

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| Finding Details                     | The current disciplinary policy communicated by the company does not define which behaviors are subject to a verbal or written sanction, nor does it advise if the disciplinary action is applied progressively. The disciplinary forms issued to workers do not indicate the attendance of a third-party witness. |
| Recommendation for Immediate Action |  |
| Compliance Classifications          | Sustainable Improvement Required   |
| Local Law                           |  |
| Benchmark ID                        | ER.16.3  |
| Benchmark Details                   | Where temporary or permanent layoffs are unavoidable, a plan should be developed and implemented that mitigates the adverse effects of such changes on workers and their communities.  |
| Finding Details                     | The factory's policies does not address the possibilities of layoff and plant closure.   |
| Recommendation for Immediate Action |  |
| Compliance Classifications          | Sustainable Improvement Required   |
| Local Law                           |  |
| <b>Forced Labor (F)</b>             |  |
| Benchmark ID                        | F.7.1.6  |

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| Benchmark Details                   | Employers shall not utilize, nor shall they use employment agencies or intermediaries that utilize, practices that restrict any worker’s freedom of movement, or ability to terminate their own employment, or that create a threat of penalty. Examples of such practices include, but are not using false information to recruit workers. |
| Finding Details                     | The brochure [“Induction of New Hire”] used for onboarding new hires does not communicate the policy of non-retaliation in its description of the complaint/allegation/grievance system.  |
| Recommendation for Immediate Action |   |
| Compliance Classifications          | Sustainable Improvement Required  |
| Local Law                           |   |

**Harassment Or Abuse (H/A)**

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| Benchmark ID      | H/A.5  |
| Benchmark Details | Employers shall not use any form of verbal violence, including screaming, yelling, or the use of threatening, demeaning, or insulting language, as a means to maintain labor discipline. |



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| Finding Details                     | <p>The finding from 2021 related to reports of abusive actions by a manager has not been fully addressed. The case was reviewed by the company's CEO. In February 2022, the production manager of plant #2 released a signed statement saying that abusive and harassing behavior would not be tolerated. The statement was signed by the production director and the general director. The management team did not provide the auditors with any evidence of the action plan used to address the abusive production manager issue. From the results of a worker survey, it can be noted that a significant percentage of supervisors do not feel comfortable with this official's behavior (these supervisors report to the production manager in question) and that they have not complained for fear of retaliation. During the interviews, the workers expressed that they are aware that the production director continues to be abusive towards supervisors. Although workers are not direct objects of abuse, they have witnessed the treatment received by their supervisors.</p> |
| 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  |
| Benchmark Details | <p>All applicable, legally required or recommended elements of safe evacuation shall be complied with, including all of the following elements: posting evacuation plans; the installation and maintenance of fire alarms; the installation and maintenance of emergency lighting; ensuring aisles/exits are not blocked and that workers are not blocked within their workstations; employee education and training; and evacuation procedures and fire drills.</p> |

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| <p>Finding Details</p>                     | <p>1. In Plant #2, some doors have been marked as emergency exits incorrectly. These doors connect the cutting warehouse to the manufacturing area, rather than serving as an exit to the exterior of the building. Furthermore, the doors do not open in the direction of evacuation and lead directly to steps that do not have the proper landing under local law. Under local law, emergency doors that connect to steps must not open directly onto the steps, but onto landings of at least the same width as the steps. 2. In Plant #1, the emergency exit in the Kitchen does not open in the direction of evacuation, as required by local law. 3. There are no emergency lights on several evacuation routes of both buildings, as required by local law. In Plant #1, there are no emergency lights along the evacuation routes of the finished product warehouse and fabric warehouse. In Plant #2, there are no lights in the cutting warehouse, accessories warehouse, fabric warehouse, or the lunchroom for the administrative area. 4. The floor of the maintenance workshop on Plant 2 is uneven, but does not have warnings/markings to prevent falls. 5. During the factory walkthrough, the auditor observed many boxes were stowed insecurely in the accessories warehouse of Plant #2.</p> |
| <p>Recommendation for Immediate Action</p> | <p>1. Mark only exits that comply with legal definitions and requirements as emergency exits. 2. Install emergency exits that open in the direction of evacuation for all emergency exits. 3. Install emergency lights along all evacuation routes. 4. Mark all uneven floors to prevent falls. 5. Stow all materials securely and safely.</p>  |
| <p>Compliance Classifications</p>          | <p>Immediate Action Required</p>  |
| <p>Local Law</p>                           | <p>1. Article 13 # 4 and # 6 of the General Regulations for Risk Prevention in the Workplace. 2. Article 13 # 1 and # 2 of the General Regulations for Risk Prevention in the Workplace. 3. Article 13 # 7 and 136 # 1 of the General Regulations for Risk Prevention in the Workplace. 4. Article 112 of the General Regulations for Risk Prevention in the Workplace. 5. Article 59 of the General Law on Risk Prevention in the Workplace.</p>   |
| <p>Benchmark ID</p>                        | <p>HSE.5.1.4</p>  |

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| Benchmark Details                   | All applicable, legally required or recommended elements of safe evacuation shall be complied with, including all the following: ensuring aisles/exits are not blocked and that workers are not blocked within their workstations |
| Finding Details                     | 1. The emergency exit from the kitchen on Plant #2 is not identified. 2. The storage of carbonated drinks and other supplies for the kitchen reduces the space of the evacuation route to the exit.                               |
| Recommendation for Immediate Action | Identify and label the appropriate doors or exits for proper evacuation of the building. Conduct periodic review of all areas to identify hazards, risks, or potential issues.  |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           | 1. Article 13 # 4 and # 6 of the General Regulations for Risk Prevention in the Workplace. 2. Article 13 # 1 and # 2 of the General Regulations for Risk Prevention in the Workplace.   |
| 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.            |

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| <p>Finding Details</p>                     | <p>This is a recurring finding from the 2021 assessment. The company does not comply with legal requirements for the storage of the chemical products in use, nor does it properly implement SDS documents. Local law states that chemical substances should be stored in premises other than work areas or in completely isolated rooms and should have good ventilation. The following issues were identified: a) Chemical products are stored inside the spare parts warehouse, which is in the mezzanines of Plant #2. This is a closed place, and the employee responsible for the purchasing area works within this closed space. b) Some of the stored chemicals have flammability grade #3, such as Super Kleen 5. According to the SDS for Super Kleen 5, this chemical should be stored in a cool, dry, and well-ventilated place, away from any place where there may be a fire hazard or located outdoors. The SDS also indicates that there is a great danger of fire in case of heat or flame. c) In this area, cardboard boxes with spare parts, boxes of documents and office stationery, and empty chemical tanks are also stored. d) The company does not have an updated inventory of all existing chemical substances, classified by type and level of hazard. In Plant #2, some chemicals in the maintenance shop were not properly labeled. In accordance with local law, tanks containing chemicals that present risks of radiation, flammability, corrosiveness, toxicity, oxidation, and instability must be adequate and have labels with clear and legible information in Spanish on proper use, handling, storage, disposal, and measures in case of emergencies.</p> |
| <p>Recommendation for Immediate Action</p> | <p>1. Ensure all the necessary SDS documents are available. Maintain an accurate and update to date chemical inventory and library of SDS documents. 2. Based on the SDS information, provide the appropriate PPE and storage, and ensure workers are trained on its use. 3. Label all chemical containers, including secondary containers.</p>   |
| <p>Compliance Classifications</p>          | <p>Immediate Action Required</p>  |
| <p>Local Law</p>                           | <p>1. Article 193. 200, 206, 207 of the General Regulations for Risk Prevention in the Workplace. 2. Article 52 of the General Law on Risk Prevention in the Workplace.</p>   |
| <p>Benchmark ID</p>                        | <p>HSE.19</p>   |

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| 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                     | The toilet services in Plant #2 (adjacent to the fabric and accessories warehouse) do not meet the conditions of hygiene and maintenance, especially in the men's area. The assessment observed bad odors, stained walls, garbage cans without lids, and soiled toilet paper on the floor.  |
| Recommendation for Immediate Action | Provide clean and sanitary toilet facilities at all times.  |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           |   |
| Benchmark ID                        | HSE.22.1  |
| Benchmark Details                   | All food made available to workers shall be prepared, stored, and served in a safe and sanitary manner in accordance with all applicable laws and international standards.  |
| Finding Details                     | 1. In Plant #2, the dairy and meat products (cheese, cream, sauces, cured meats) stored in the refrigerators in the kitchen are not labeled with preparation or expiration dates. Additionally, some stored prepared foods were not properly labeled. The kitchen is managed by an external service provider. 2. In Plant #2, the kitchen's gas tank area is used to store other kitchen items such as industrial trash cans, pallets, cooler, etc. |
| Recommendation for Immediate Action | 1. Properly label all products with preparation and expiration dates. Establish a system to dispose of expired food promptly. 2. Store all kitchen items in their proper place to maintain hygiene and safety.  |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           |   |

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| Benchmark ID                        | HSE.6.1  |
| Benchmark Details                   | All safety and medical equipment (e.g. fire fighting equipment, first aid kits) shall be available in sufficient numbers throughout the workplace, maintained and stocked as prescribed, and easily accessible to workers.   |
| Finding Details                     | The maintenance workshop at Plant #2 does not have an eyewash station as recommended by the SDS materials for the chemicals used in that area. Per the SDS, in case of contact with the eyes, the worker must wash immediately for at least 15 minutes.  |
| Recommendation for Immediate Action | Review the SDS document and implement the necessary protective measures, including installing the appropriate eyewash in the work area. Provide training to workers in the department and conduct periodic review to ensure the equipment is functional.   |
| Compliance Classifications          | Immediate Action Required  |
| Local Law                           | Article 221 of the General Regulations for Risk Prevention in the Workplace.   |
| Benchmark ID                        | HSE.4.1  |
| Benchmark Details                   | Employers shall at all times be in possession of all legally required and valid permits and certificates related to health, safety, and environmental issues, such as: Purchase and storage of chemicals; Fire safety inspections; Machinery inspections; Waste disposal; Environmental licenses/permits; Sanitation permits, including those required for canteens; and Vehicle inspection and driver permits for all employer provided transportation. |
| Finding Details                     | The company has not obtained authorization for its Emergency and Evacuation Plan from the local Fire Department. Factory management explained that it is in the process of receiving this authorization, and the last procedural step was the response to the observations made by the Fire Department on May 23, 2024.  |

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| Recommendation for Immediate Action | Ensure timely submission of the documents for the required permits. Follow up with the appropriate government or regulatory agency to ensure that permits are issued and the factory always operates with proper permissions.   |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           | As per Article 49 of the Risk Prevention Management Regulations in the Workplace.   |
| Benchmark ID                        | HSE.10.1  |
| Benchmark Details                   | Material Safety Data Sheets (MSDS) for all chemicals and hazardous substances used in the workplace must be available at the usage and storage sites of the chemicals and hazardous substances, in the local language and the language spoken by workers, if different from the local language.   |
| Finding Details                     | In the maintenance workshop of Plant #2, the chemical identified as Super Q did not have the SDS materials and the SDS of the chemical identified as COILUX 1 did not have the complete set of SDS materials. Additionally, the chemical (COILUX 1) was not labeled. Per local law and the FLA Code, the company must have available all the SDS materials in Spanish for the chemical substances used those present risks of radiation, flammability, corrosivity, toxicity, oxidation, instability, or any other type of health hazard. |
| Recommendation for Immediate Action | Ensure all the necessary SDS documents are available. Maintain an accurate and update to date chemical inventory and library of SDS documents. Based on the SDS information, provide the appropriate PPE, and ensure workers are trained. Label all chemical containers, including 2nd containment.   |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           | Article 51 of the General Law on Risk Prevention in the Workplace and articles 89, 90 and 91 of the General Regulation on Risk Prevention in the Workplace.   |



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| 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.   |
| Finding Details                     | In the maintenance workshop of Plant #2, the chemical identified as Super Q did not have the SDS materials and the SDS of the chemical identified as COILUX 1 did not have the complete set of SDS materials. Additionally, the chemical COILUX 1 was not labeled. Therefore, it was not possible to verify the specific personal protective equipment (PPE) that workers in this area must use handling these two chemicals. The assessment confirmed that workers were unaware of the required PPE. |
| Recommendation for Immediate Action | Maintain SDS materials in Spanish for all chemical substances where required, especially those with risks of radiation, flammability, corrosively, toxicity, oxidation, instability, or any other type of health hazard. Provide proper PPE as per these SDS materials, train workers in its use, and ensure workers utilize it.  |
| Compliance Classifications          | Immediate Action Required   |
| Local Law                           |   |
| Benchmark ID                        | HSE.5.2   |
| Benchmark Details                   | Workers shall be trained in evacuation procedures.  |
| Finding Details                     | The evacuation maps for Plant 2, specifically the cutting warehouse, accessories warehouse, and fabric warehouse, are not updated.  |
| Recommendation for Immediate Action | Ensure all posted evacuation maps are accurate and updated.   |
| Compliance Classifications          | Immediate Action Required   |

|                                     |  |
|-------------------------------------|--|
| Local Law                           |  |
| <b>Hours Of Work (HOW)</b>          |  |
| Benchmark ID                        | HOW.1.1  |
| Benchmark Details                   | Employers shall comply with all national laws, regulations and procedures concerning hours of work, public holidays and leave.   |
| Finding Details                     | The factory's Work Hours Policy is outdated. The current policy states the work schedule is Monday to Thursday from 7:00am to 4:45pm, and Friday from 7:00am to 3:45pm. However, currently, the company operates a different schedule: Monday to Thursday from 6:30am to 4:05pm, and Friday from 6:30am to 3:15pm. |
| Recommendation for Immediate Action |  |
| Compliance Classifications          | Sustainable Improvement Required   |
| Local Law                           |  |
| <b>Nondiscrimination (ND)</b>       |  |
| Benchmark ID                        | ND.2.2   |
| Benchmark Details                   | Employment decisions shall not be made on the basis of gender, race, religion, age, sexual orientation, nationality, political opinion, social group, ethnic origin, marital status, or union affiliation or sympathy.   |

|                                     |  |
|-------------------------------------|--|
| Finding Details                     | The auditors reviewed a draft of the document that the factory plans to use as it implements performance reviews for workers (see finding ER.7.1) and questioned a tab identified as “familiares” [Family members]. Factory management explained that it is necessary to evaluate if the worker is a person "who does not have family responsibilities." The auditors advised that recording an individual's family status during a performance review would risk discrimination. The document has not yet been implemented, as it is in draft form. |
| Recommendation for Immediate Action |  |
| Compliance Classifications          | Uncorroborated Risk of Non-Compliance  |
| Local Law                           |  |

