

# Fair Labor Association: Independent External Factory Assessment

Assessment Date :

**05 Aug 2024**



## Factory Information

FLA Affiliates	Bella+Canvas
Country	Nicaragua
Number of Workers	1135

## 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)	9
Harassment Or Abuse (H/A)	1
Health, Safety And Environment (HSE)	6
Hours Of Work (HOW)	6
Nondiscrimination (ND)	3

## Assessment Information

Assessor	Rodriguez Compliance Group
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Assessment Date	05 Aug 2024
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Assessment Purpose	
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## ASSESSMENT RESULTS

### Compensation (C)

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	During this assessment, management could not provide the time records of employees who no longer work for the company. The current system only saves the records for a period of one (1) month. Even though the payroll department has a backup information on Excel spreadsheets, these records are not exact, and the payroll records are closed. Furthermore, without access to reliable time records (directly from the formal time system) of the former employees, the auditor was unable to verify the number of hours worked, whether the workers did not exceed local law, nor able to verify whether the payment received by the worker(s) was accurate and correct.
Recommendation for Immediate Action	1) Review the labor code and apply as indicated by the Ministry of Labor 2) Revise the company's policy and procedures in accordance with the labor law. 3) The company must securely store accurate records of all hours worked, including overtime, breaks and leave of current and former employees. All records must be true and accurate. 4) Train the finance department in new procedures or processes which align to the law. 5) Ensure the company's internal network have the capacity for store whether on-site or off-site.
Compliance Classifications	Immediate Action Required
Local Law	Nicaragua Labor Code Article 17(I)

### Employment Relationship (ER)

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 met the legal requirements of hiring or employing workers with disabilities, as required by local laws. The law stipulates that 2% of the workforce should be workers of this classification, and currently the company has on payroll twenty (20) individuals when the minimum should be thirty-two (32) individuals.
Recommendation for Immediate Action	1. Review the legal requirements 2. Develop a strategy of outreach to the non-profits within the disabled community. 3. Highlight the opportunity of employment for the disabled worker at the job fairs conducted by the community. 4. Provide training to all level of employees 5. Review Policy on a periodic basis
Compliance Classifications	Immediate Action Required
Local Law	Law on the Rights of Persons with Disabilities (Law 763), article 36.
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	None of the workers knew the email address for contacting Bella Canvas, nor did they have any knowledge of the round tables. During interviews with the workers, the auditors found that the workers are aware of the suggestion boxes, the regional hotline (QR code) and the open-door policy that begins with the supervisors and immediate bosses. The factory has posted on bulletin boards the resolutions to anonymous complaints from the suggestion box and the round tables.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
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.

<p>Finding Details</p>	<p>A review of the company’s policy on termination and retrenchment, identified as TXN-PLRH-021[version 1.0, October 2022], and the procedural document identified as TXN-PRRH-021 [version 1.0, October 2022], the auditor notated the following deficiencies: 1) A lack of procedural steps or process to consult with workers or their representatives prior to the reduction in force or plant closure. Even though factory management stated there is a Joint Health &amp; Safety committee and the Round Table meetings with workers, these groups of workers were not identified as the group to be consulted if there is a proposed or anticipated reduction in force or plant closure. Both documents state there will be communication to workers once the decision is made or plans are ready for execution. 2) On page 3 of the TXN-PLRH-021, states HR department will create a list of employees subject to reduction based on objectives criteria to be communicated, however, the criteria or examples of criteria is not disclosed in the policy or procedure documents. While on page 3 of the TXN-PRRH-021, states any employee with a grade point average equal to or less than 3 will be considered eligible for retirement. It is not known how the evaluation will be created, or the issuance of the score if the company does not conduct performance reviews of production workers. 3) Neither of the two documents (policy or procedures) discuss communication strategies to be developed and implemented that mitigate the adverse effects of such changes on workers and their communities. However, the documents do mention that the company will contact other employers in efforts to place workers in similar employment.</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.6.1</p>
<p>Benchmark Details</p>	<p>Employers shall have written policies and procedures and implement practices that encourage ongoing training of all categories of workers with the goal of raising or broadening skills in order to advance in their careers within the factory or beyond.</p>

Finding Details	REVIEW ER.7.1 The company does not manage nor utilize performance reviews of production workers. At the time of this assessment performance reviews are only conducted for managers and administrative staff.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	
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 company does not manage nor utilize performance reviews of production workers. At the time of this assessment performance reviews are only conducted for managers and administrative staff.
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	REVIEW ER.7.1 The company did not provide evidence of 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.
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	Workers are unaware of the Code's terms of reference and how it relates to their daily work life. They have minimal information on the following topics: non-retaliation policy, staff development policies and procedures, disciplinary procedures (including appeal), and freedom of association. Auditors reviewed the new hire orientation and noted that while these topics are mentioned at high level, the presentation primarily highlights the WRAP program, dedicating 12 slides to it.
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	The Disciplinary System policy document (PLR-PL003-CORP, revision B June 2024) and the form used to document disciplinary actions does not indicate if a third-party witness (as selected by the worker) is part of the process. This concept of third-party witness is not known or recognized by workers interviewed by the auditors.
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.
Finding Details	The form used by HR to document a disciplinary action does not include the appeal process, and management alleges within the section "Comentario del Trabajador acerca de su falla" [Comments of the Worker regarding his failure], in marking the tick box of "I agree", or "I disagree" it is parallel to requesting the appeal process; even though, the concept of appeal is not mentioned in the document signed by the worker. Furthermore, the disciplinary action form does not list the five (5) phases of sanctions (verbal, written, act of commitment, suspension (up to 7 days), and termination), as listed in the Disciplinary System policy document (PLR-PL003-CORP, revision B June 2024), and highlighted on slide 12 of the new hire orientation. A sample review of 40 personnel files, the auditor identified three (3) warning documents with the following issues: not listing the severity of the behavior sanctioned, not indicating if the warning is a repeat offense, and the statement in the form which advises the worker that a possible sanction is suspension without pay.

Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	

### Harassment Or Abuse (H/A)

Benchmark ID	H/A.2
Benchmark Details	Employers shall not use monetary fines and penalties as a means to maintain labor discipline, including for poor performance, for broken or lost tools/machinery, or for violating company rules, regulations, and policies.
Finding Details	The Disciplinary System policy document (PLR-PL003-CORP, revision B, June 2024) does not affirm that sanctions will not include financial penalties of any type. Furthermore, the disciplinary form includes a statement which advises the worker that a possible sanction is suspension without pay.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	

### Health, Safety And Environment (HSE)

Benchmark ID	HSE.5.1.3
Benchmark Details	All applicable, legally required or recommended elements of safe evacuation shall be complied with, including all the following elements: installation and maintenance of emergency lighting

Finding Details	The factory, in buildings #5 and #6, has emergency lights (10) at all the exit doors, but there is a lack of emergency lighting along the path or corridors to the emergency exits. This deficiency of lighting does not align with the local laws or legal requirements. The buildings have the following dimensions: Warehouse #5 has 8,420.89 square meters. Annexes 2 has 643.25 square meters. Warehouse #6 has 3,301.50 square meters.
Recommendation for Immediate Action	ROOT CAUSE: The company does not align with the local laws or legal requirements. 1. Review the legal requirements. 2. Install the lighting in the pathways as required. 3. Conduct periodic inspections of the functionality of the lights.
Compliance Classifications	Immediate Action Required
Local Law	Article 18 #10 of the General Law on Occupational Health and Safety (Law 618), The Employer's Obligations are: 10. Analyze possible emergency situations and adopt the necessary measures regarding first aid, fire prevention and evacuation of workers.
Benchmark ID	HSE.5.1.2
Benchmark Details	All applicable, legally required or recommended elements of safe evacuation shall be complied with, including all the following elements: installation and maintenance of fire alarms;
Finding Details	During the physical review, the auditor requested a test of the alarm system of the activation units (2), in building #6. But when the employee tried to demonstrate the activation, she was unsuccessful in activating the system. Later in the audit day, management advised a review was conducted and the activation unit function properly, as management thinks the worker who tried to activate the alarm did so incorrectly.
Recommendation for Immediate Action	ROOT CAUSE: Workers do not know how to activate the fire alarm. 1. Ensure all workers required to activate alarms are trained properly. 2. inspect equipment on a periodic basis.
Compliance Classifications	Immediate Action Required

Local Law	
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	<p>1. The company is in the process of renewing the Occupational Health and Safety License issued by the Ministry of Labor, as required by Article 18 #6 of the General Law on Occupational Health and Safety (Law 618), Article 16 of the Regulations of Law 618. The last License (# LHT 480-06-2022) was issued on June 28, 2022, and expired on June 27, 2024.</p> <p>2. The company is in the process of approving the Technical Organizational Regulations on Health and Safety, as required Article 61, 66, 67 and 72 of the General Law on Occupational Health and Safety (Law 618). The process began on July 22, 2024, and the approval from the Ministry of Labor is pending.</p> <p>3. At the time of this assessment, the company did not have the Medical Office Authorization License which is issued by the Ministry of Health (MINSA), as required by Article 7 of Law No. 423, General Health Law, published in La Gaceta No. 91 of May 17, 2002. Law No. 394, Health Provisions Law, published in La Gaceta No. 200 of October 21, 1988. The company began the process on June 13, 2024. However, the company currently has a valid Medical Office Authorization issued by the local authority, Local Comprehensive Health Care System (SILAIS).</p>
Recommendation for Immediate Action	<p>ROOT CAUSE: The company has not complied with local laws or regulations.</p> <p>1) Designate a person responsible for following up on the process for all permits.</p> <p>2) Conduct periodic visits and/or consultations with the competent government entity;</p> <p>3) Obtain the renewal in a timely manner</p>
Compliance Classifications	Immediate Action Required

Local Law	1) Article 18 #6 of the General Law on Occupational Health and Safety (Law 618), Article 16 of the Regulations of Law 618; 2) Article 61, 66, 67 and 72 of the General Law on Occupational Health and Safety (Law 618); 3) Article 7 of Law No.423, General Health Law, published in La Gaceta No. 200 of October 21, 1988
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	During the physical review, the auditor noticed that the SDS document for the textile stain remover chemical [FH2000] was not available in the chemical warehouse, required by Articles 39, 129 and 130 of the General Law on Occupational Health and Safety (Law 618).
Recommendation for Immediate Action	ROOT CAUSE The company is not aligned with legal requirements. 1) Designate a person responsible to ensure all SDS documents are available for the chemicals in on-site. 2) Review the inspection checklist to ensure that SDS documents are always available for review the areas where chemicals are handled and stored. 3) Conduct periodic inspections. 4) Train employees to review and request if the SDS is not avail in the work area.
Compliance Classifications	Immediate Action Required
Local Law	Articles 39, 129 and 130 of the General Law on Occupational Health and Safety (Law 618).
Benchmark ID	HSE.30.2.6
Benchmark Details	The health, safety, and environmental policies shall contain the framework for a comprehensive health, safety, and environmental management system including a HS&E risk assessment within which the following are clear and regularly tested and reviewed:protections to workers who allege health, safety, and environmental violations;

Finding Details	At the time of this assessment, the company is in the process of obtaining approval of the Hygiene Risk Assessment, as required by local laws or regulations. The management began the process began on July 22, 2024, and the approval from the Ministry of Labor is pending.
Recommendation for Immediate Action	ROOT CAUSE: The company has not complied with local laws or regulations. 1) designate a person responsible for following up on the process before the Ministry of Labor; 2) carry out periodic visits and/or consultations with the competent government entity; c) obtain approval of the Hygiene Risk Assessment.
Compliance Classifications	Immediate Action Required
Local Law	Article 18, Numbers 4 and 5, and Article 114, Number 1 of the General Law on Occupational Health and Safety (Law 618).
Benchmark ID	HSE.17.1
Benchmark Details	Workstations, including seating and standing arrangements and reach required to obtain tools, shall be designed and set-up in such a manner as to minimize bodily strains.
Finding Details	Of the 1,033 sewing workers, only 250 workers are not provided with ergonomic chairs. These workers have chairs with wooden backrests, the height of the seat and backrest of the chair are not adjustable to the worker's anatomy, and the seat does not allow the worker to lean. Management is aware and has a plan of purchasing the appropriate ergonomic chair, as required by local laws. However, the workers are instructed to perform ergonomics exercises which are scheduled twice per workday. Interviewed workers mentioned the ergonomics exercises, and the auditor observed that workers perform these exercises.

<p>Recommendation for Immediate Action</p>	<p>ROOT CAUSE: The company has not aligned with the local laws or code requirements. 1. The management should design the workstation with consideration of the worker assigned to the task, the task requirements, and ensure the physical activity minimizes bodily strains. Local law specifically regulates how to comply with this requirement. If the work is to be done seated, the employer must take into account the ergonomic guidelines of articles 293 to 295 of Law 618, 2. Designate a person who is responsible to oversee the design of the workstation as indicated in local laws. 3. Provide training to workers on the proper ergonomic use of the chair 4) Conduct periodic inspections to ensure the proper functioning and maintenance of the chairs.</p>
<p>Compliance Classifications</p>	<p>Immediate Action Required</p>
<p>Local Law</p>	<p>Articles 293 to 295 of the General Law on Occupational Health and Safety (Law 618).</p>

**Hours Of Work (HOW)**

<p>Benchmark ID</p>	<p>HOW.13.1</p>
<p>Benchmark Details</p>	<p>Any workplace procedures regulating the timing of annual leave (e.g., requiring a minimum period of service before being allowed to use annual leave, written requests to be submitted a certain time before the annual leave) must be in line with national laws, regulations and procedures.</p>
<p>Finding Details</p>	<p>REVIEW HOW.11.1 Through document review, interviews with workers and management, the auditors verified that the company does not comply with local law in granting annual vacation time. The workers did not rest from their annual vacation in the first half of the year (January 1 to June 30, 2024), the company only paid for these vacations (July 18, 2024). A similar situation will occur for the second half of the year since the workers are not scheduled to rest the full fifteen (15) days. There is no annual schedule that guarantees that each worker will rest from their 30 vacation days per year, as established by local law. On some occasions, an employee may make a personal request and is granted the time off, and the company will classify those days as vacation days.</p>



<p>Recommendation for Immediate Action</p>	<p>ROOT CAUSE: The company's management explained that it is a long-standing practice in the country for workers not to take the holidays corresponding to the first half of the year and instead to work them. This is well received by the workers since it allows them to receive additional income. They believe that eliminating this practice would be poorly received by employees and would put the company at a competitive disadvantage compared to other maquila companies. 1. Review Labor Law requirements 2. Review policies and procedures, including developing a company vacation calendar. 3. Communicate policies and procedures, including the Labor Law, to all levels of employees. 4. Train all levels of employees on revised policies and procedures, including the Labor Law. 5. Post vacation calendar, as required. 6. Review outstanding vacation days that are owed to workers, and ensure workers take the vacation days as indicated. Going forward, track employee vacations, indicating accrued vacation days, vacation days taken, and vacation days pending to ensure all employees receive full vacation leave.</p>
<p>Compliance Classifications</p>	<p>Immediate Action Required</p>
<p>Local Law</p>	<p>Article 76 of the Nicaraguan Labor Code states "Every worker has the right to enjoy fifteen days of continuous and paid rest as vacations, for every six months of uninterrupted work in the service of the same employer."</p>
<p>Benchmark ID</p>	<p>HOW.1.1</p>
<p>Benchmark Details</p>	<p>Employers shall comply with all national laws, regulations and procedures concerning hours of work, public holidays and leave.</p>
<p>Finding Details</p>	<p>During the payroll review, the auditor verified that eleven (11) workers worked 3.5 hours of overtime in a single day, exceeding the local legal limit of working a maximum of 3 hours of overtime per day. This occurred during the week of June 10-16, 2024. The workers belonged to the areas of finished product warehouse (2 workers), maintenance (2 workers), packaging (1 worker), inspection (1 worker), picking for the production (4 workers) and supervisor (1 worker).</p>

<p>Recommendation for Immediate Action</p>	<p>ROOT CAUSE: Management advised there was a very specific production situation that occurred during that period. 1. The company must designate a person responsible for monitoring the number of overtime hours worked per day and per week, 2. Maintain a daily or weekly monitoring report of all hours of work to ensure that workers are not asked to work overtime once they have met the daily/week limits. 3. Identify and adopt mechanisms to help prevent excessive overtime, including cross-training for workers (to allow workers to learn to use multiple machines), review production planning versus capacity, etc.</p>
<p>Compliance Classifications</p>	<p>Immediate Action Required</p>
<p>Local Law</p>	<p>Article 57 and 58 of the Nicaragua Labor Code states "The number of overtime hours may not exceed three hours per day or nine hours per week."</p>
<p>Benchmark ID</p>	<p>HOW.22.4</p>
<p>Benchmark Details</p>	<p>Employers shall not maintain multiple time-keeping systems and/or records.</p>
<p>Finding Details</p>	<p>The time clock system is not linked to the payroll system, which means that the payroll department must perform several manual steps to ensure accurate and correct payment of wages: first, the payroll department downloads the consolidated time stamps from the time system into an Excel spreadsheet, then payroll department will reviews the workers who may have any issues (for example, late arrivals or justified leave) and then payroll department sends this information to the Human Resources area. Then the HR department is responsible for making the necessary manual changes to another set of Excel spreadsheets and this information is transferred to another file with the workers' entry and exit stamps. During worker interviews, no complaints related to the payment of wages were reported.</p>
<p>Recommendation for Immediate Action</p>	
<p>Compliance Classifications</p>	<p>Sustainable Improvement Required</p>

Local Law	
Benchmark ID	HOW.3
Benchmark Details	Employers shall provide reasonable meal and rest breaks, which, at a minimum, must comply with national laws.
Finding Details	During the physical review of the work floor, the auditor observed five (5) employees working during the lunch break. When asked why, the workers said they did it to “get ahead” with production requirements. The behavior by the workers was deemed voluntary. Management recognizes this issue and has plans in place to prohibit this habit, and under consideration is turning off power in the work area during the lunch break. In general terms, the legal requirements stipulate 35 minutes of a break in an 8-hour day, and the factory complies with this requirement.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	
Benchmark ID	HOW.11.1
Benchmark Details	Employers shall provide workers with paid annual leave as required under national laws, regulations and procedures.
Finding Details	Through document review, interviews with workers and management, the auditors verified that the company does not comply with local law in granting annual vacation time. The workers did not rest from their annual vacation in the first half of the year (January 1 to June 30, 2024), the company only paid for these vacations (July 18, 2024). A similar situation will occur for the second half of the year since the workers are not scheduled to rest the full fifteen (15) days. There is no annual schedule that guarantees that each worker will rest from their 30 vacation days per year, as established by local law. On some occasions, an employee may make a personal request and is granted the time off, and the company will classify those days as vacation days.

<p>Recommendation for Immediate Action</p>	<p>ROOT CAUSE: The company's management explained that it is a long-standing practice in the country for workers not to take the holidays corresponding to the first half of the year and instead to work them. This is well received by the workers since it allows them to receive additional income. They believe that eliminating this practice would be poorly received by employees and would put the company at a competitive disadvantage compared to other maquila companies. 1. Review Labor Law requirements 2. Review policies and procedures, including developing a company vacation calendar. 3. Communicate policies and procedures, including the Labor Law, to all levels of employees. 4. Train all levels of employees on revised policies and procedures, including the Labor Law. 5. Post vacation calendar, as required. 6. Review outstanding vacation days that are owed to workers, and ensure workers take the vacation days as indicated. Going forward, track employee vacations, indicating accrued vacation days, vacation days taken, and vacation days pending to ensure all employees receive full vacation leave.</p>
<p>Compliance Classifications</p>	<p>Immediate Action Required</p>
<p>Local Law</p>	<p>Article 76 of the Nicaraguan Labor Code states "Every worker has the right to enjoy fifteen days of continuous and paid rest as vacations, for every six months of uninterrupted work in the service of the same employer."</p>
<p>Benchmark ID</p>	<p>HOW.12.2</p>
<p>Benchmark Details</p>	<p>The time at which annual leave is taken is determined by employers in consultation with workers, taking into account work requirements and the opportunities for rest and relaxation available to workers.</p>
<p>Finding Details</p>	<p>There is no consultation with workers through a leave committee or any alternative method.</p>
<p>Recommendation for Immediate Action</p>	
<p>Compliance Classifications</p>	<p>Sustainable Improvement Required</p>
<p>Local Law</p>	

## Nondiscrimination (ND)

Benchmark ID	ND.2.1
Benchmark Details	All employment decisions shall be made solely on the basis of a person's qualifications, in terms of education, training, experience, demonstrated skills and/or abilities, as they relate to the inherent requirements of a particular job.
Finding Details	<p>REVIEW ER.1.1 A review of the company's policy on termination and retrenchment, identified as TXN-PLRH-021[version 1.0, October 2022], and the procedural document identified as TXN-PRRH-021 [version 1.0, October 2022], the auditor notated the following deficiencies: 1) A lack of procedural steps or processes to consult with workers or their representatives prior to the reduction in force or plant closure. Even though factory management stated there is a Joint Health &amp; Safety committee and the Round Table meetings with workers, these groups of workers were not identified as the group to be consulted if there is a proposed or anticipated reduction in force or plant closure. Both documents state there will be communication to workers once the decision is made or plans are ready for execution. 2) On page 3 of the TXN-PLRH-021, states HR department will create a list of employees subject to reduction based on objectives criteria to be communicated, however, the criteria or examples of criteria is not disclosed in the policy or procedure documents. While on page 3 of the TXN-PRRH-021, states any employee with a grade point average equal to or less than 3 will be considered eligible for retirement. It is not known how the evaluation will be created, or the issuance of the score if the company does not conduct performance reviews of production workers. 3) Neither of the two documents (policy or procedures) discuss communication strategies to be developed and implemented that mitigate the adverse effects of such changes on workers and their communities. However, the documents do mention that the company will contact other employers in efforts to place workers in similar employment. 4) Neither of the two documents (policy or procedures) do not mention that the management will follow non-discriminatory criteria selecting individual workers who will be laid off.</p>
Recommendation for Immediate Action	

Compliance Classifications	Sustainable Improvement Required
Local Law	
Benchmark ID	ND.4
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 current job application asks questions of a personal nature which are not related to the job or task requirements. For example, the questions include the following: "Personas que dependen de usted" [People who depend on you], and Family Data, in both of these sections, the form will require the applicant to provide personal details of individuals of the same household such as name, age, type of relationship, telephone or cell number, where they work and/or profession. In addition, the preliminary interview form used by HR department will ask the applicant the following question "What moral values do you practice in your personal and work life?" During the interview with HR and CSR managers, they agreed that this form, like other documents used by Corporate or facility management are under evaluation or revision to ensure alignment and compliance to FLA benchmarks.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	
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	REVIEW ER.1.1 A review of Reduction of Personnel and Plant Closures policy documents (TXN-PLRH-021) advises that the selection of workers will be based on critical objectives to be communicated; however, the document does not advise the type of characteristics, and does not declare that personal characteristics (gender, race, religion, age, sexual orientation, nationality, political opinion, social group, ethnic origin, marital status, or union affiliation or sympathy) are not part of the criteria.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	

