



FAIR LABOR
ASSOCIATION®

INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Volcom
COUNTRY: Mexico
ASSESSMENT DATE: 11/14/17
ASSESSOR: VeLar
PRODUCTS: Apparel
NUMBER OF WORKERS: 280

Summary of Code Violations

Companies that join the FLA agree to uphold the FLA Workplace Code of Conduct throughout their entire supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and defines labor standards that aim to achieve decent and humane working conditions.

While it is important to note when violations of the FLA Workplace Code of Conduct occur, the purpose of these assessments is not simply to test compliance against a particular benchmark, but rather to develop an understanding of where and how improvements can be made to achieve sustainable compliance. Code of Conduct violations can be found throughout the course of an assessment of the employment and management functions, and are addressed in companies' action plans.

Findings and Action Plans

FINDING NO.1

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The company has records of those accidents reported to the social security. However, there are no records of safety incidents, small injuries, or illness. In addition, it is not tracking and investigating the injuries and accidents to determine the root cause. The Health and Safety Commission is the one responsible by law for these activities. HSE.1, HSE.2, HSE.3

2. The factory does not review the Health and Safety Procedures in a periodic way, neither ensured they are in compliance with the local law. Some tests are incomplete (such as Position Risk Assessment and the Light level assessment). ER.1, ER.31

Local Law or Code Requirement

Mexican Official Norm NOM-019-STPS-2011 Point 5.9; FLA Workplace Code (Employment Relationship ER.1, ER.31; Health, Safety and Environment HSE.1, HSE.2, HSE.3)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Records of safety /Small injuries started been kept by Factory, and investigation on all injuries was put in place.

2. Position risk assessment and Light level assessment were adjusted.

Company Action Plan Update

06/13/18 : Completed on 5/18/2018.

FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The Noise level assessment specifies levels over 85 dbL. In these cases, the law requires employees exposed to this noise level must be provided with PPE; however, the company has not provided the corresponding PPE (earplugs) to employees. HSE.7
2. Sewing machines (OVER) are missing the needle safety guards HSE.14.1
3. The company has not performed audiometry test to employees exposed to noise levels over 85dbL. HSE.1, HSE.2
4. The position risk assessment to determine the required PPE, considers all production positions as one type, even though there are four types of positions in this factory. It does not specify the particular risks of the printers, sewers and inspector employees. In addition, ear plugs are not provided HSE.7
5. The position risks assessments include ergonomic requirements and the consideration of anti-stress and ergonomic measures (such as stops for exercises); however, these measures are not implemented yet. HSE.17
6. The forklift has all the required safety devices; however, it's inspected on a monthly basis, and not at the beginning and ending of the shift as required by law. HSE.14.1

Local Law or Code Requirement

Mexican Official Norm NOM-011-STPS-2001 Point 5.4, 5.7; Mexican NOM-004-STPS-1999 point 7.1; Mexican Official Norm NOM-017-STPS-2008 5.2; Mexican Official Norm NOM-006-STPS-2014 7.8.1 (a); FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.2, HSE.7, HSE.14, HSE.17)

Recommendations for Immediate Action

1. Provide the required PPE for employees; such as earplugs adequate for the noise level.
2. Install and maintain needle safety guards in sewing machines.
3. Perform the medical controls (audiometry test) to employees working in noise areas.
4. Specify each positions with its duties and risk in the position risk assessment in order to detect real PPE requirements for each position.
5. Develop a plan for ergonomic measures' implementation.
6. Establish forklift inspections at the beginning of every shift.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Proper PPE was provided to employees exposed to high levels of noise.
2. All sewing machines were adjusted to have the safety needle guard.
3. Audiometry exams were performed to employees exposed to high levels of noise.
4. The position risk assessment was separated per position type, ear plugs were provided.
5. The Company started an anti stress program.
6. Beginning and ending date inspections were put in place for the forklift.

Company Action Plan Update

06/13/18 : Completed on 5/18/2018.

FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Employees have not received specific training in correct PPE usage, revision, reposition, cleaning, limitations, maintenance, storage and final disposition. The company has not provided the required PPE to the employees and employees do not bring their own PPE. HSE.7, HSE.8
2. The company has not provided training on measures for safe handling of materials to warehouse personnel. HSE.14
3. The company has not provided any training to the Health and Safety Commission members.
4. The company has not provided specific or formal training to employees in charge of machinery maintenance activities. In this case, the maintenance personnel is experienced in machinery maintenance. HSE.14
5. The company has not developed and implemented a LOTO system. The LOTO equipment is also missing. HSE.14
6. The company has not provided training on chemicals used, handling and storage to employees using chemicals. Production employees mainly use paints. HSE.9

Local Law or Code Requirement

Mexican Official Norm NOM-017-STPS-2008 Point 5.6; Mexican Official Norm NOM-006-STPS-2014 Point 5.11; Mexican Official Norm NOM-019-STPS-2011 Point 5.13; Mexican Official Norm NOM-004-STPS-1999 Point 7.2.1; Mexican Official Norm NOM-029-STPS-2011 8.1 (d); Mexican Official Norm NOM-005-STPS-1998 Point 5.13; FLA Workplace Code (Health, Safety and Environment HSE.1, HSE.7, HSE.8, HSE.9, HSE.14)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Training was put in place for correct usage of PPE, also proper PPE was supplied to the employees.
2. Training was provided for measures on safe handling of materials to warehouse.
3. More training was done to the Health and Security commission members.
4. Formal training was put in place for employees in charge of machinery maintenance.
5. Loto system was implemented.
6. Loto machinery (tools) was bought.
7. Proper training was given to production employees using chemicals.

Company Action Plan Update

06/13/18 : Will be completed because factory is adding more training on 6/15/2018.

FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. The factory has no written plan to reduce environmental impact; neither written policies, guidelines or metrics to control and reduce it. HSE.1
2. Containers at the hazardous waste warehouse were not label as required by law. It was missing the: waste name, production process in which was generated, company's name, hazardous characteristics and date of generation. HSE.1, HSE.10

Local Law or Code Requirement

Regulation of the General Law for Prevention and Complete Managing of Waste Article 46 point IV; FLA Workplace Code (Health, Safety and Environment HSE.1, HSE.10)

Recommendations for Immediate Action

1. Develop written policies, procedures and a specific plan for environmental impact reduction and deliver training to managers, supervisors and employees.
2. Mark all containers with labels that include the company name, the NFPA code for chemical characteristics, and the day and process in which it was generated.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory implemented written plan to reduce environmental impact.
2. Containers were relabeled with the proper information.

Company Action Plan Update

06/13/18 : Completed on 5/18/2018.

FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The chemicals' warehouse is in an outside area and is missing floor protection to prevent ground contamination. There is a container device; but it does not have enough capacity to contain the chemicals. The floor shows a small spill from the chemicals. In addition, there are at least two other areas storing chemicals inside the building which are missing anti-spillage devices. HSE.9
2. The Factory does not have an appropriate system to respond to any unexpected environmental emergency such as chemical spills or gas leaks. HSE.5
3. The chemical warehouse is missing: eye shower station, anti-spillage equipment, MSDS for chemicals stored, PPE use signs, PPE storage area, PPE for employees handling chemicals, "No Smoking" signs, and fire extinguishers. Employees receive no training. HSE.2, HSE.10
4. The company has painted the main aisles in the production area; however there are missing aisles in the painting area and materials warehouse. HSE.5

Local Law or Code Requirement

Mexican Official Norm NOM-005-STPS-1998 Point 5.10; Mexican Official Norm NOM-005-STPS-1998 5.4, 5.9, 5.10, 8 (a, h); Mexican Official Norm NOM-017-STPS-2008 5.8, 7.1 (m); Mexican Official Norm NOM-002-STPS-2010 5.10; Mexican Official Norm NOM-002-STPS-2010 Point 7.15 (g); FLA Workplace Code (Health, Safety and Environment HSE.2, HSE.5, HSE.9, HSE.10)

Recommendations for Immediate Action

1. Ensure to have drip pans with enough capacity (established in the technical sheets) in accordance with chemicals' specifications (established in the MSDS), and quantity. In addition, clean the leak that is already in the area and cover the floor with adequate chemical protection.
2. Based on the chemical risk assessments; develop and implement an appropriate system for environmental emergencies and delivery training to those employees involved in chemical handling.
3. Equip the chemical warehouse with necessary safety devices such as: eye shower station, anti-spillage equipment, MSDS for chemicals stored, PPE use signs, PPE storage area, PPE for employees handling chemicals, "No Smoking" signs, and fire extinguishers. Train employees on this information.
4. Mark the evacuation aisles with yellow paint in the production area.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Floor was added to the outside warehouse, also added bigger containers for in case of a chemical spill.
2. Factory implemented a different system besides the one we had to be better prepared in case of environmental emergency.
3. All points were added to the outside warehouse.
4. Missing aisles were painted.

Company Action Plan Update

06/13/18 : Completed on 5/18/2018.

FINDING NO.6

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Grievance System

Finding Explanation

1. The factory has a suggestion box. However, there is no formal procedure for revision and handling of employees comments, including who is responsible to review the suggestions, that records are to be kept, the follow up protocol, the feedback mechanism, etc. In addition, no records were available for review from the suggestion box. The assessor could not review how comments and feedback were handled. ER.2, ER.25

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship ER.2 and ER.25)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The Factory implemented a better procedure to show how its been handling the comments and suggestions of the employees. Attaching supporting documents.

Company Action Plan Update

06/13/18 : Completed on 5/18/2018.

FINDING NO.7

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. Disciplinary actions are recorded in employee's files but there is no evidence of third party witnesses in the process to confirm the disciplinary act and for transparency. ER.27.4

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.27.4)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The Factory adjusted to have another witness at the time that disciplinary process it been done, attaching supporting document.

Company Action Plan Update

06/13/18 : Completed on 5/18/2018.

FINDING NO.8

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. The factory does not provide any space for labor union representative inside the factory. In addition, employees are not aware of where to find the union representative. Some employees did not know who the union representatives are. FOA.15
2. The factory has not created and communicated a dialogue mechanism with workers to solve any concerns they might have as a group. There are no meetings or specific commissions for particular matters. ER.25
3. Operative workers who are all automatically enrolled in to the union did not participate in the Collective Bargaining Agreement negotiation. The Collective Bargaining Agreement was signed with a Union neither created by the employees nor selected by them. During interviews, it was noted employees were not aware of the labor union. In addition, the factory manager confirmed the contract was signed with a "White Union" that was not elected by the employees but chosen by the company. Also, when auditors asked for the negotiation records no evidence was presented by the factory management. FOA.16, FOA.10
4. Factory has not provided employees with a copy of the Collective Bargaining Agreement during the orientation or any other moment. The existing document is posted at the main entrance but it's not clearly signalized. FOA.16

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.25; Freedom of Association Benchmarks FOA.10, FOA.15, FOA.16)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The Factory adjusted to assign a specific place for the Union representative to be available so that any employee can meet with them at any given time. This is something that the factory just started and is communicating the availability of the union via our normal boards that are located at the entrance, eating areas, bathrooms and workplace. As time progresses the employees will get more familiar with the union and they will also be able to resolve any doubts they might have. Attaching supporting picture.

The Factory started providing a copy of the collective Bargain agreement with the Union during orientation. In addition to this, we signalized the place where the contract is posted in a better way attaching supporting document.

Company Action Plan Update

06/13/18 : To be completed on 6/15/2018.

FINDING NO.9

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The factory pays Saturday overtime in cash to all operative employees. This work schedule is recorded on a manual list and is paid on Wednesdays (not Friday as it is with regular payroll) in cash and it is not included in the official payroll. This work is not calculated towards taxes and social security benefits. It could not be confirmed if workers are paid the correct amount. C.1, C.5, C.6, C.7
2. The factory does not have a formal system for employees to raise doubts, concerns or claims related to their payment and social

benefits calculation. However, during the interviews, employees confirmed they have identified the Payroll Responsible and are allowed to raise questions and require calculation revision when needed. C.19

Local Law or Code Requirement

Law of the Social Security Article 27 paragraph IX; FLA Workplace Code (Compensation Benchmarks C.1, C.5, C.6, C.7, and C.19)

Recommendations for Immediate Action

1. Ensure all working hours, including overtime, are recorded in the regular system and are included in the payroll for taxes, social benefits and other calculation and distributed in the weekly payment.
2. Develop a system (written protocol), for employees to review their payment calculation and raise unconformities. This system must include the person and periods to receive and solve employees doubts, concerns or claims.

COMPANY ACTION PLANS

Action Plan no 1.

Description

The Factory adjusted as the payment that was done in cash was only for a couple of Saturdays. All hours from all working days are included on the regular payroll and is calculated with taxes and social security. Attaching supporting document.

Company Action Plan Update

06/13/18 : Completed on 11/20/2017.

FINDING NO.10

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

1. As the factory does not have policies and procedures in place, the factory has not communicated policies for: Recruitment, Hiring and Personnel Development, Compensation, Hours of Work, Termination and Retrenchment, Industrial Relations, Workplace Conduct and Discipline, Grievance System, Environmental Protection, Health and Safety and responsibility/accountability. ER.16, ER.25, ER.27, ER.32, C.17
2. The company does not inform employees about the payroll calculation process, when and how it is elaborated, which benefits they must receive and how to read the payroll receipt. However, it was noted that employees are provided with their receipt and are able to raise any question to the payroll responsible. C.17, ER.16

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship ER.16, ER.25, ER.27, ER.32; Compensation Benchmarks C.17)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The Factory started training for all employees so that they are aware of all the policies and procedures regarding Recruitment, Hiring, Compensation, Hours of work, Grievance, payroll calculations etc. attaching supporting document.

Company Action Plan Update

06/13/18 : Will be completed because we are adding more training on 6/15/2018.

FINDING NO.11

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The company has not developed job descriptions for any position; so there are no specifications of requirements for each job neither defined responsibilities. ER.1
2. The company has no performance review procedures or protocol. Therefore, they do not conduct periodic and sustainable employees' performance review for any position. ER.29.1
3. All operative employees receive a labor contract for a determined period of three months even when they are hired for a permanent process of the factory's production system. After this period, the company does not sign a new contract and considers the current labor relation as permanent. Legally, contracts with determined period of time can only be applied to positions that are finite period of time, such as: covering a maternity leave, specific project for a limited period of time, covering a holiday season or a peak season. Neither of these scenarios happen at the company. ER.1
4. There is no evidence of contract distribution to employees. In addition, during interviews employees confirmed they have not received a copy of their labor contract. ER.1, C.1.2

Local Law or Code Requirement

Federal Labor Law Article 24, Article 37; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.29; Compensation Benchmarks C.12)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The Factory has developed job descriptions for all positions, attaching supporting document.
2. The Factory is reviewing procedures to review employees performances, attaching supporting documents.
3. The Factory has adjusted their contracts to be for an undetermined period of time, attaching supporting document.
4. The factory distributes contracts to all employees and they are signing a paper as they receive it, attaching supporting document.

Company Action Plan Update

06/13/18 : Completed on 5/18/2018.

FINDING NO.12

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Policies & Procedures (Macro)

Finding Explanation

1. The factory does not have written policies or procedures for any Employment Function including: Recruitment, Hiring and Personnel Development, Compensation, Hours of Work, Termination and Retrenchment, Industrial Relations, Workplace Conduct and Discipline, Grievance System, Environmental Protection, Health and Safety and responsibility/accountability. They also have not developed an internal Code of Conduct. ER.1, ER.25, ER.27, ER.28, ER.29, ER.30, ER.32, HSE.1

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship ER.1, ER.25, ER.27, ER.28, ER.29, ER.30, ER.32; Health, Safety and Environment Benchmarks HSE.1)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The Factory has written procedures for all employment functions. The factory also developed an internal Code of conduct, attaching supporting document.

FINDING NO.13

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Responsibility & Accountability (Macro)

Finding Explanation

1. The factory has not defined in written the responsible /accountable person for: recruitment, hiring and personnel development, Compensation, hours of work, termination and retrenchment, industrial relations, workplace conduct and discipline, grievance system, environmental protection, health and safety and responsibility/accountability. ER.1

Local Law or Code Requirement

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

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory has written responsible person for all areas, attaching supporting document.

Company Action Plan Update

06/13/18 : Completed on 5/18/2018.

FINDING NO.14

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

1. The company has not provided new workers with specific and recordable training on the following Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Industrial Relations, Workplace Conduct, Grievance System, Environmental Protection, Health & Safety, and Termination & Retrenchment. ER.15

2. The company has not provided supervisors with specific or recorded training on the following Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Industrial Relations, Workplace Conduct, Grievance Systems, Environmental Protection, Health & Safety, and Termination & Retrenchment. ER.17, ER.27

3. The company has not provided workers with ongoing training on the following Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Industrial Relations, Workplace Conduct, Grievance System, Environmental Protection, Health & Safety, and Termination & Retrenchment. ER.1, ER.15, ER.25

4. The company has not provided any training or written description of overtime payment calculation. However, employees confirmed during interview that they understand how it is calculated and if necessary they are allowed to ask questions directly to the Payroll Responsible. C.8, C.17

5. The factory has not officially trained the HR, manager or supervisors in relation to the Internal Rules Handbook (which is the only workplace conduct and discipline guideline in the factory). The Internal Rules Handbook is published but the HR personnel has never received a formal training. Therefore, the factory was unable to present any records regarding training on this matter. ER.27

6. Factory has not provided employees with a copy of the Internal Rules Handbook during the orientation or any other moment. The existing document is posted at the main entrance but it's not clearly signalized and not all pages are visible. ER.15

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, ER.17, ER.25 and ER.27; Compensation Benchmark C.8)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The Factory is providing new workers with recordable training on recruitment, Hiring, compensation, health and safety and termination and retrenchment. See attachment for training and pictures.
2. The Factory is providing supervisors with recorded training on Recruitment, Hiring Compensation, Hours of work, Industrial relations, Work place conduct, grievance systems, etc. See attachment for training and pictures.
3. The factory is providing workers on ongoing training on recruitment, hiring, etc. See attachment for training and pictures.
4. The factory is providing training on all matters related to payroll calculation so that employees are more aware of how their payroll is formed. See attach picture and training.
5. The Factory is training HR to better understand the Internal Rules handbook, See training and pictures.
6. The Factory provides a copy of their Internal Rules handbook, the employees are signing a paper that states that it is given to them, attaching picture.

Company Action Plan Update

06/13/18 : To be completed on 6/15/2018.