



FAIR LABOR
ASSOCIATION®

INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Carhartt, Inc.
COUNTRY: Mexico
ASSESSMENT DATE: 06/22/16
ASSESSOR: FLA China
PRODUCTS: Apparel
NUMBER OF WORKERS: 776

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: Recruitment, Hiring & Personnel Development

Finding Explanation

1. There is no policy on performance reviews for production workers that includes steps and processes, demonstrates linkages to job grading, prohibits discrimination, provides written feedback, and complies with legal requirements.
2. The Recruitment, Hiring & Personnel Development procedures do not include steps and requirements for promotion, demotion, and job reassignment.
3. The written outcomes of promotion, demotion, and job reassignment are not provided to workers.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.29.1, and ER.30.1)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Action Plan Title

Recruitment, Hiring & Personnel Development

Details

1. Company procedures and programs based on objective performance factors in relation to the job function will be enhanced to include evaluating operators on an annual basis. Completion date is end of April, 2017. Responsible person is the SR HR Manager Mexico.

2. The procedure has been updated on Recruitment, Hiring & Personnel Development that includes promotion, demotion and job reassignment. Education with operators is expected to be completed by the end of December, 2016. Responsible person is the SR HR Manager Mexico.

3. A process for providing written outcomes of promotion, demotion and job reassignment has been included in the procedure of Recruitment, Hiring & Personnel Development. Education and implementation is expected to be completed by the end of December, 2016. Responsible person is the SR HR Manager Mexico.

Planned Completion Date

04/30/17

Planned completion date

10/08/16

FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

The factory does not have job descriptions for production positions.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.1.1)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Action Plan Title

Recruitment, Hiring & Personnel Development

Details

1. The factory does have sewing operator job descriptions. Additional job descriptions will be created for other production related positions. Expected completion date is end of February, 2017. Responsible person is the SR HR Manager Mexico.

Planned Completion Date

02/28/17

Planned completion date

10/08/16

FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. There are no written procedures on Compensation that cover the calculation of wages, incentives system, legal and fringe benefits, deductions, etc.

2. There are no written procedures on the system through which workers can dispute compensation and receive clarification.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.1.1; Compensation Benchmark C.19)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Action Plan Title

Compensation

Details

1 & 2. The company will compile current procedures related to the calculation of wages, incentive system, legal and fringe benefits, deductions, etc. into one document. We will also document the current process and procedure for associate concerns or questions related to compensation. Once the procedures are documented, managers, supervisors, and workers will be communicated with and trained on the procedures. Updated procedures and training are expected to be completed by end of March, 2017. Person

responsible is the SR HR Manager Mexico.
Planned Completion Date
03/31/17

Planned completion date
10/08/16

FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

There are no written procedures on Hours of Work that include steps and processes to manage working hours, overtime, leave, and breaks in normal or exceptional circumstances.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1 and ER.23)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Action Plan Title

Hours of Work

Details

1. The company will compile current procedures for managing hours of work into one document. Once the procedures are documented, managers, supervisors, and workers will be communicated with and trained on the procedures. Updated procedures and training are expected to be completed by end of March, 2017. Person responsible is the SR HR Manager Mexico.

Planned Completion Date

03/31/17

Planned completion date

10/08/16

FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. The factory provides leave and rest time to workers according to seniority.

2. The factory imposes undue restrictions on the use of annual leave. Specifically, workers are asked not to take more than two consecutive days of leave per week and not to take vacations on Mondays or Fridays. This practice violates local law.

Local Law or Code Requirement

Mexico Federal Labor Code 81; FLA Workplace Code (Hours of Work Benchmarks HOW.1, HOW.12.1, and HOW.13)

Recommendations for Immediate Action

Do not impose unreasonable/undue restrictions on employees' use of leave.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Action Plan Title

Hours of Work

Details

1. Training was provided to all managers, heads of departments and supervisors to reinforce Carhartt's current policy to take vacation and rest time when needed (negotiating with production necessities when needed) and prohibit imposing unreasonable restrictions on associates' vacation or use of leave (regardless of seniority). This was completed October, 2016. Person responsible is the Area HR Manager.

Planned Completion Date

12/31/16

Planned completion date

10/08/16

Company Action Plan Update

12/21/16 : 1. Training was provided to all managers, heads of departments and supervisors to reinforce Carhartt's current policy to take vacation and rest time when needed (negotiating with production necessities when needed) and prohibit imposing unreasonable restrictions on associates' vacation or use of leave (regardless of seniority). This was completed October, 2016. Person responsible is the Area HR Manager.

FINDING NO.6

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

There are no procedures on Termination & Retrenchment that include steps to determine termination payouts, methods for correct assessment of payouts, take into account applicable national legal requirements, allow for communication and consultation with workers' representatives before reaching a final decision on layoffs, and implement a mechanism that allows workers to report concerns about retrenchment payouts.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.19.1, ER.19.2, ER.25.3, and ER.32.3)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Action Plan Title

Termination & Retrenchment

Details

Carhartt will update its current Termination & Retrenchment procedure with more detail on the methodology and process for decision making. Carhartt will inform Carhartt's communication team of any alternatives that were considered prior to any material retrenchment. Carhartt follows Mexico labor law for determining termination and retrenchment (layoff) payouts. If the associate has any concerns or problems related to payout during a retrenchment process, they may discuss it confidentially with any Human Resources representative or the Plant Manager. Person responsible is the SR HR Manager Mexico.

Planned Completion Date

08/31/17

Planned completion date

10/08/16

FINDING NO.7

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

FLA's special comment on Freedom of Association in Mexico:

Factory workers in Mexico face a unique barrier to their rights to freedom of association and collective bargaining through the widespread use by employers of illegitimate Collective Bargain Agreements (CBAs), commonly known as "protection contracts". Governmental institutions, such as the Conciliation and Arbitration Boards and the Secretariat of Labor, as well as some of the main national union confederations also have responsibility in perpetrating this practice.

Designed to protect employers from having to negotiate with legitimate unions representing workers' interests, a "protection contract" is a CBA signed between an employer and an employer-dominated union that does not truly represent workers and their interests. These unions may be the creation of a lawyer, a union federation, or bogus "union leaders," but in each case the CBAs are drafted and signed without real and effective consultation with workers or workers' knowledge of the terms of the agreement. In some cases, employers sign protection contracts as a response to the pressure exerted by union confederations and due to the lack of oversight by the local authorities to prevent such practice.

In determining the legitimacy of union representation in Mexican factories, FLA assessors look for certain criteria that indicate whether the union is truly representing workers or there is a violation of the freedom of association element of the FLA Workplace Code of Conduct. These criteria can be found in detail here: <http://www.fairlabor.org/report/protection-contracts-mexico>.

There is a CBA in place but it was not signed by a workers' representative structure. Workers are not affiliated with a union, there are no worker representatives elected by workers, and conditions regulated in the CBA were not negotiated with the workers.

The factory does not post the CBA or provide copies to the workers so that it can be reviewed or consulted, as legally required.

The factory does not have procedures on Industrial Relations and Freedom of Association.

As further evidence that there is no genuine worker representative structure in the factory, assessors noted the following: despite the existence of a CBA, workers do not participate in general assemblies; workers do not participate in the yearly salary revision required by law; conditions in the CBA barely exceed the minimum legal requirements; no union fees are deducted from union wages.

Local Law or Code Requirement

International Labor Organization (ILO) Convention 87, on Freedom of Association and Protection of the Right to Organize (ratified by the Mexican State on April 01, 1950), Art. 2; Federal Labor Law, Articles 357 and 359; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16.2 and ER.26; Freedom of Association Benchmarks FOA.1, FOA.2, FOA.16.1, FOA.20.1, and FOA.20.2)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Carhartt believes in Freedom of Association (FOA) and providing a work environment where associates can voice concerns, leadership is approachable, issues are addressed, and changes are implemented. Carhartt's current union structure is consistent with the practice of the industry.

As shared previously with the FLA, Carhartt will continue to explore changes to our current practices and communication to employees related to freedom of association and collective bargaining rights. Carhartt will provide the applicable CBA with our associates in the event a newly negotiated one is available. It is Carhartt's existing practice to inform associates of their current wages and benefits, and other applicable workplace practices. Carhartt will continue to participate in any ongoing FLA policy review and working sessions regarding union structure in Mexico -- and Carhartt will stay apprised as we contemplate the appropriate changes. Carhartt will continue to implement its current Freedom of Association policy in line with FLA's model supplier Freedom of Association policy. Carhartt will train/educate employees regarding awareness, understanding and responsibilities of Freedom of Association on an annual basis. Meeting rooms for associates to meet collectively are available in the facility upon request and availability.

Carhartt currently has dialogue mechanisms in place and will continue to utilize its Communication Team (representatives from various levels/jobs) monthly to encourage two-way communication and feedback. Also, Carhartt will continue to utilize current mechanisms such as the monthly Round Table discussions for both direct and indirect employees, open door policy with leadership and Human Resources, and suggestion boxes in a confidential environment.

Planned Completion Date
04/30/17

Planned completion date
10/08/16

FINDING NO.8

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

During worker interviews, assessors found evidence of verbal and psychological abuse by one supervisor in one sewing production module. All workers interviewed from this module confirmed the issue. They also stated that they had reported it to management before, but the factory has not taken action. This has been an ongoing issue in this section for a significant period of time.

Local Law or Code Requirement

Federal Labor Law, Article 133, Sections XII and XIII; FLA Workplace Code (Harassment or Abuse Benchmarks H/A.1, H/A.5, H/A.6, H/A.8.1, and H/A.11)

Recommendations for Immediate Action

Prevent workers from being subjected to any form of verbal or psychological abuse at sewing production lines.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Action Plan Title

Workplace Conduct & Discipline

Details

An investigation by Human Resources was performed immediately and the appropriate disciplinary action was taken. The impacted team is reporting significant improvement with their supervisor. We are continuing to monitor the situation on a regular basis and will take additional action as required to ensure associate concerns are addressed. Person responsible is the Area HR Manager.

Planned Completion Date

11/30/16

Planned completion date

10/08/16

Company Action Plan Update

12/21/16 : An investigation by Human Resources was performed and the appropriate disciplinary action was taken. The impacted team is reporting significant improvement with their supervisor. We are continuing to monitor the situation on a regular basis and will take additional action as required to ensure associate concerns are addressed.

FINDING NO.9

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Grievance System

Finding Explanation

1. During the observation tour, assessors noted two suggestion boxes (in the cutting and sewing departments) without paper and pencil for workers to write their suggestions/complaints, evidence of an ineffective Grievance System.
2. During worker interviews, some workers mentioned cases in which their suggestions/complaints were not kept confidential by the factory. The instances explained by workers involved grievances that could be addressed without revealing workers' names. Some of these grievances were verbally raised to the Production Manager and others were raised during the round table that the factory conducts regularly.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.25.2)

Recommendations for Immediate Action

1. Ensure that paper and pen/pencil are available at all suggestion boxes at all times so that workers can submit their grievances.
2. Take appropriate actions to ensure confidentiality is respected whenever workers use the various grievance channels.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Action Plan Title

Grievance System

Details

1. A process has been established to review on a daily basis that all suggestion boxes have papers and pen/pencil. Completed on July, 2016. Responsible person is the Area HR Manager.

2. Training was provided to managers and supervisors to reinforce the confidentiality policy for the individual channels (open doors policy, grievance system, etc.) and for the collective channels (round tables). It is firmly stated that all comments are to remain confidential not only to the associates but for all attendees of the round table. Training with associates will be completed by end of December, 2016. Person responsible is the Area HR Manager.

Planned Completion Date

12/31/16

Planned completion date

10/08/16

Company Action Plan Update

12/21/16 : 1. A process has been established to review on a daily basis that all suggestion boxes have papers and pen/pencil. Completed on July, 2016. Responsible person is the Area HR Manager. 2. Training was provided to managers and supervisors to reinforce the confidentiality policy for the individual channels (open doors policy, grievance system, etc.) and for the collective channels (round tables). It is firmly stated that all comments are to remain confidential not only to the associates but for all attendees of the round table. Training with associates will be completed by end of December, 2016. Person responsible is the Area HR Manager.

FINDING NO.10

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Two male restrooms in the cutting and sewing departments do not have any way for workers to dry their hands.
2. Two water stations in the sewing department and one water station in the packing department do not have cups. Although the factory provides all new workers with drinking water bottles when they join the factory, some workers might not carry them or have them available at the factory, hence the need to provide cups at all times.

Local Law or Code Requirement

Mexican Official Norm NOM 001-STPS-2008, Article 5.4; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.19, and HSE.23.1.2)

Recommendations for Immediate Action

1. Provide a way for workers to dry their hands in all male restrooms in the cutting and sewing departments.
2. Ensure that cups to drink water are available at all times, at all drinking water stations.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Action Plan Title

Health & Safety

Details

1. Paper towels were immediately restocked in the restrooms. A procedure for restocking the paper towels was put in place. Our current policy is to restock these items three times a day.

2. Paper cups were restocked immediately. A procedure for restocking the paper cups was put in place. Our current policy is to restock these items each day.

Responsible person is the Area HR Manager.

Planned Completion Date

12/31/16

Planned completion date

10/08/16

Company Action Plan Update

12/21/16 : 1. Paper towels were immediately restocked in the restrooms. A procedure for restocking the paper towels was put in place. Our current policy is to restock these items three times a day. 2. Paper cups were restocked immediately. A procedure for restocking the paper cups was put in place. Our current policy is to restock these items each day.

FINDING NO.11

UNCORROBORATED RISK OF NON-COMPLIANCE

FINDING TYPE: Health & Safety

Finding Explanation

The factory has installed a cooling system in the production areas; however, this system is not sufficient to keep all workstations in the sewing department cool. For that reason, the factory has provided some fans for these workstations; however, according to some workers these fans are still not sufficient to keep the workstations cool, especially in the summer. As there were no temperature measurements in the areas where heat might be a concern, assessors could not verify if the temperature meets the legal requirements.

Local Law or Code Requirement

Mexican Official Norm NOM 001-STPS-2008, Article 8.3; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.13)

COMPANY ACTION PLANS

Action Plan no 1.

Description

More intensive maintenance will be provided to the current cooling system and more fans will be installed strategically in the facility to ensure a comfortable temperature for the workers. We will also continue to monitor the temperature and investigate actions as needed to determine if additional steps are required. Person responsible is the Director of Manufacturing.

Planned Completion Date

04/30/17

Planned completion date

10/08/16

FINDING NO.12

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

1. The factory does not provide specific training for supervisors on Recruitment, Hiring & Personnel Development, Termination & Retrenchment, or Industrial Relations.
2. The factory does not conduct ongoing training for the following Employment Functions: Recruitment, Hiring & Personnel Development, Termination & Retrenchment, Compensation, Hours of Work, and Industrial Relations.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15.2, ER.17.1, and ER.17.3)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Action Plan Title

Training (Macro)

Details

See answer to Finding Number 1. Carhartt's current training will be enhanced to include the policies and procedures on all

employment functions required by the FLA by end of April, 2017. Person responsible is the SR HR Manager Mexico.
Planned Completion Date
04/30/17

Planned completion date
10/08/16

FINDING NO.13

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

1. The factory does not conduct ongoing communication for the following Employment Functions: Recruitment, Hiring & Personnel Development, Termination & Retrenchment, Compensation, Hours of Work, and Industrial Relations.
2. The Worker Integration component is missing from all Employment Functions. The factory does not have policies and procedures to receive worker input/feedback on the creation, implementation, and revision of its policies and procedures. Also, workers are neither systematically integrated nor consulted in the decision-making processes.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.1.3, ER.16.1, ER.25.1, ER.25.2, ER.26, ER.29.1.1, and ER.30.2)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Action Plan Title

Communication & Worker Integration (Macro)

Details

Carhartt currently has dialog mechanisms in place for Recruitment, Hiring & Personnel Development, Termination and Retrenchment, Compensation, Hours of Work and Industrial Relationships and will continue to utilize its Communication Team (representatives from various levels/jobs) monthly to encourage two way communication and feedback. Also, Carhartt will continue to utilize its current mechanisms such as monthly Round Table discussions for both direct and indirect employees, open door policy with leadership and Human Resources, and suggestion boxes in a confidential environment. Responsible person is the Sr. HR Manager Mexico.

Planned Completion Date

12/16/16

Planned completion date

10/08/16

Company Action Plan Update

12/21/16 : Carhartt currently has dialog mechanisms in place for Recruitment, Hiring & Personnel Development, Termination and Retrenchment, Compensation, Hours of Work and Industrial Relationships and will continue to utilize its Communication Team (representatives from various levels/jobs) monthly to encourage two way communication and feedback. Also, Carhartt will continue to utilize its current mechanisms such as monthly Round Table discussions for both direct and indirect employees, open door policy with leadership and Human Resources, and suggestion boxes in a confidential environment. Responsible person is the Sr. HR Manager Mexico.

FINDING NO.14

NOTABLE FEATURE

FINDING TYPE: Compensation

Finding Explanation

1. According to the Mexican Federal Labor Law, workers should receive a Christmas bonus equal to 15 days of pay; the factory provides a larger Christmas bonus to all workers (between 16 and 25 days of pay, depending on seniority).

2. Free transportation is provided for all workers.
3. The factory provides food vouchers for all workers (worth up to 40% of the monthly legal minimum wage).

FINDING NO.15

NOTABLE FEATURE

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory has implemented a program called "Caught being safe" (Atrapado siendo seguro) through which workers who promote safety practices (e.g. reporting unsafe conditions) accumulate points. Workers who accumulate the most points receive gifts.
2. The factory has also implemented a program called "Take care of yourself for me" (Cuidate por mi) through which workers' relatives write letters with motivational messages on why they should take care of themselves in the workplace to encourage workers to take safety seriously. The letters and family photos are posted on the production floor.