



FAIR LABOR  
ASSOCIATION<sup>®</sup>

## INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Delta Apparel, Inc  
COUNTRY: Mexico  
ASSESSMENT DATE: 11/24/16  
ASSESSOR: FLA China  
PRODUCTS: Apparel  
NUMBER OF WORKERS: 645

## 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. The factory does not conduct performance reviews for production workers.
2. The factory does not provide workers with written outcomes regarding decisions made on promotions, demotions, or job reassignments.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.29.1 and ER.30.1.2)

##### Root Causes

1. The factory has concentrated on the creation of policy and procedures for other employment functions and has not seen the need to formalize steps to implement performance reviews for production workers.
2. The Human Resources Management has limited awareness of the FLA Workplace Code and Benchmarks, particularly on Employment Relationship.

##### FLA's Recommendations for Sustainable Improvements

1. Develop a policy and improve the current procedures for Personnel Development; include performance reviews and the steps and processes for job assessment and promotional opportunities.
2. Formalize written procedures regarding 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.
3. Provide ongoing training for all workers, supervisors, and managerial staff on the newly created policies and updated procedures.
4. FLA Affiliate is to ensure that the factory is knowledgeable of the FLA Code and Benchmarks, especially on Employment Relationship.

#### COMPANY ACTION PLANS

##### Action Plan no 1.

##### Description

1 & 3. Facility will develop a policy and will improve its Personnel Development procedure; also will train all associates on the newly created policy and procedure.

2. Facility will develop a training program for its associates.

4. FLA Affiliate will ensure that factory is knowledgeable of the FLA Code and Benchmarks.

#### Company Action Plan Update

Facility developed a performance review policy and procedure on personnel development as well. All associates were trained on such policy and procedures and FLA Code of Conduct.

## FINDING NO.2

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Termination & Retrenchment

##### Finding Explanation

1. Through documentation review and interviews with management, the assessors noted the factory's systematic practice of requiring workers to sign a voluntary resignation letter for every type of termination, including terminations with cause and terminations without cause. No discriminatory practices or improper calculation of severance payments were identified during the assessment.

##### Local Law or Code Requirement

Mexico Federal Labor Law, Article 47; FLA Workplace Code (Employment Relationship Benchmark ER.32.1)

##### Root Causes

1. The factory conducts this practice because of the Company's legal advisor advised that this practice will "reinforce" the factory's legal protection against potential labor complaints.

##### FLA's Recommendations for Sustainable Improvements

1. Stop the practice of issuing resignation letters for all types of termination. Instead, the factory should request a resignation letter only when a worker wishes to voluntarily terminate the employment relationship. Review and revise the current termination policies and procedures accordingly.

2. Consult a labor expert on how to manage terminations according to Mexico's labor legal framework. Provide training to Human Resources staff on the proper procedures for managing terminations.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1 & 2. Company will stop the practice of issuing a resignation letter for all types of terminations. Also will provide a training to H.R. staff in how to managing terminations.

##### Company Action Plan Update

Facility stopped the practice of issuing a resignation letter for any type of termination and trained H.R. staff in how to manage terminations.

## FINDING NO.3

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Workplace Conduct & Discipline

##### Finding Explanation

1. The factory's internal regulations (Company's Internal Regulations, Article 84) includes language on a sanction ("minor fault") for workers who refuse to be part of legally required commissions, for example, the health and safety commission, profit sharing commission, and training commission. Although assessors did not find evidence that factory management has implemented this

provision, it is a risk for workers to be subjected to unreasonable disciplinary action, as participation on those commissions should be voluntary.

#### Local Law or Code Requirement

Mexican Federal Labor Law, Article 424 section IV; FLA Workplace Code (Employment Relationship Benchmarks ER.27.1 and ER.27.2.1)

#### Root Causes

1. The first version of the factory's Internal Regulations was registered with this clause and subsequent revisions conducted by management have not identified an issue with this clause.

2. The Secretary of Labor did not note this as an illegal clause when approving the factory's Internal Regulations.

#### Recommendations for Immediate Action

1. Revise the current Internal Regulations to eliminate Article 84, and register the updated version with the Secretary of Labor.

#### FLA's Recommendations for Sustainable Improvements

1. Management to implement an in-depth review and update of policies, procedures, and other internal documents to ensure they are aligned with the local law and the FLA Workplace Code and Benchmarks.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Facility will perform the modification of the Company's internal regulations and will registered in to the Secretary of Labor. Also will conduct a review of policies and procedures to ensure their alignment with Local Labor Code and FLA Workplace Code and Benchmarks.

#### Company Action Plan Update

Previous progress update: Facility started the review of the Internal Regulations along with the legal advisor of the Company

New progress update: Facility reviewed and modified internal regulations and registered in to the Labor Ministry. Conducted an annual review of policies and procedures as well.

## FINDING NO.4

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Grievance System

#### Finding Explanation

1. One of two suggestion boxes is located in sight of production workers and next to where the factory's guard is situated, which does not ensure confidentiality. The second suggestion box is located in the canteen, which is a safer location, but it is not equipped with pencil and paper for workers to write their suggestions and/or complaints.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.25.2 and ER.25.3)

#### Root Causes

1. Factory management did not take into consideration that placing a suggestion box in the sight of workers and the factory's guard might inhibit or discourage workers from using it.

2. Interviewed workers shared that some workers write suggestions and/or complaints at home therefore the factory does not ensure that suggestion boxes are equipped with pencil and paper at all times.

#### Recommendations for Immediate Action

1. Relocate the suggestion box that is in the sight of workers and the guard, and place it in a more confidential location (e.g. inside restrooms).

2. Equip the suggestion box in the canteen with pencil and paper.

#### FLA's Recommendations for Sustainable Improvements

1. Assign someone responsible to ensure that suggestion boxes are equipped with pencil and paper at all times.
2. Continue to inform workers that the suggestion boxes and grievance mechanisms are confidential and that there is a non-retaliation policy in place.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Facility will relocate the suggestion box and will equip both suggestion boxes with paper and pen.

#### Company Action Plan Update

Facility relocated suggestion boxes and placed paper and pen beside each one of them.

## FINDING NO.5

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Environmental Protection

#### Finding Explanation

1. During the observation, assessors noted six fluorescent lamps stored in a small room that is being used as a storage room in Distribution Warehouse #2; however, these lamps are considered hazardous waste, and should be stored in the designated area for hazardous waste and disposed of by an accredited external company.

#### Local Law or Code Requirement

Mexican Official Norm 001-STPS-2008, Article 5.1; FLA Workplace Code (Health, Safety and Environment Benchmark HSE.1, HSE.9)

#### Root Causes

1. Due to changes in production, some work areas were modified and lamps were removed. The maintenance staff in charge of implementing these arrangements stored these lamps instead of taking them to the hazardous waste collection area.
2. Regular physical inspections conducted by health and safety staff did not cover this room, as no production activity takes place there.

#### Recommendations for Immediate Action

1. Store used fluorescent lamps in the hazardous waste storage room.

#### FLA's Recommendations for Sustainable Improvements

1. Improve regular physical inspections to include all areas, including areas where production activity does not take place.
2. Improve communication and training provided to maintenance staff on hazardous waste requirements and procedures.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

- 1 & 2. Factory will ensure that all used fluorescent lamps are stored at the hazardous waste storage room, will also provide a reinforcement training in how to handle hazardous waste to all maintenance staff.

#### Company Action Plan Update

Previous progress update: Facility placed all used fluorescent lamps in the hazardous waste storage room and started retraining to maintenance staff.

New progress update: Facility concluded to retrain all maintenance staff on hazardous waste handling.

## FINDING NO.6

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. There is a legal questionnaire based on the local health and safety regulations that the factory has to complete, according to this questionnaire, the factory falls under the "high fire risk" category. According to these regulations, all workplaces under this classification should be equipped with hydrants and sprinklers. During an external fire risk assessment performed in March 2014, the Civil Protection Authority also recommended the factory have hydrants and sprinklers. However, the factory has not installed hydrants or sprinklers in this factory.
2. During the onsite assessment, one smoke detector in Distribution Warehouse #2 was chirping, indicating a battery malfunction.
3. Two evacuation maps (one in Distribution Warehouse #1 and one in the Packing Department) include two viewer location points ("You Are Here"), which could mislead workers and visitors regarding their current location and the right evacuation routes.
4. The only entrance to the canteen, which is also used as an emergency exit, is missing a rest landing as required by law, which increases the risk of falling.
5. The firefighting equipment in Distribution Warehouse #2 is missing a neck protector and firefighter pants. Additionally, the firefighting equipment in the Packing Department is missing neck protector and gloves.
6. The emergency light at emergency exit #4 (located in the aisle connecting the Screen-printing Department and the Distribution Warehouses) is placed in the wrong location; the emergency light is above the door of the nearby restroom. According to legal requirements, it should be placed right above the emergency exit.
7. A significant amount of dust and lint has accumulated on machinery, windows, cables and electrical panels throughout most of the production areas.

#### Local Law or Code Requirement

Mexican Official Norm 006-STPS-2013, Article 7.7 section g); Mexican Official Norm 002-STPS-2010, Articles 5.2, 5.4, 5.9, 5.10 and 7.16; Mexican Official Norm 001-STPS-2008, Article 7.1.1; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.5.1, HSE.6.1, HSE.13 and HSE.19)

#### Root Causes

1. As the facilities are equipped with automatic and hanging fire extinguishers, the factory management does not consider it necessary to have hydrants and sprinklers. The Civil Protection Authority has not assessed whether the automatic and hanging fire extinguishers are enough to fulfill the legal requirements on fire preparedness.
2. Since the supplier company checked the smoke detectors in Distribution Warehouse #2, the month proceeding the assessment, the factory management trusted that all devices, including the batteries were properly working.
3. The periodic inspections conducted by the health and safety staff failed to completely report all fire safety issues.
4. The frequency of cleaning is not enough to remove excess dust and lint.

#### Recommendations for Immediate Action

1. Install sprinklers and hydrants as legally required, based on the factory's "high risk of fire" category.
2. Contact the company who supplies smoke detectors in order to replace the smoke detector that is chirping.
3. Correct the two evacuation maps that have two viewer location points.
4. Build a rest-landing on the stairs leading to the entrance of the canteen, as this entrance is also used as an emergency exit.
5. Ensure that all firefighting equipment in Distribution Warehouse #2 and the Packing Department is complete and readily available to be used in case of fire.
6. Install the emergency light right above emergency exit #4, as legally required.
7. Improve the cleanliness on the production floor by regularly removing excess dust and lint on machinery, windows, cables and electrical panels.

#### FLA's Recommendations for Sustainable Improvements

1. Improve the health and safety inspections by revising the relevant inspection form to include all areas of concern, for example, availability of complete fire fighting equipment, conditions of smoke detectors batteries, and cleanliness on machinery, windows, cables, and electrical panels.
2. Provide in-depth training to health and safety staff in charge of conducting the regular health and safety inspections.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Facility will submit its Internal Civil Protection program to the Mexican Government to ensure its full compliance with the Mexican legislation.
2. Facility will contact the smoke detector company to replace the chirping one, will also continue performing weekly and monthly reviews to ensure all smoke detectors are working properly.
3. Facility will correct the evacuation maps of both areas.
4. A rest land will be built at the canteen entrance.
5. Facility will ensure all firefighting equipment is complete.
6. The light will be installed above emergency exit 4.
7. Facility will develop a cleaning schedule to ensure instalation is clean.

#### Company Action Plan Update

Previous progress update:

2. Facility contacted the smoke detector company and replaced the smok detector that was chirping, also continues performing its review of smoke detectors on a weekly and monthly basis.
3. Facility corrected the emergency maps of both areas.
6. Emergency light was placed above emergency exit 4.

New progress update:

1. Facility Internal Civil Protection Program was approved by the Mexican Government.
4. A rest land at the canteen entrance was built.
5. Facility completed all firefighting equipment
7. Facility developed a cleaning log sheet to ensure instalatin free excess of lint.

## FINDING NO.7

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. Workers in the screen-printing department handle two chemicals: one cleaner and one adhesive. According to the Material Safety Data Sheets (MSDS) of these two products, workers should use masks and gloves when handling the chemicals, however the factory does not provide workers with such Personal Protective Equipment (PPE). Due to the lack of PPE, the factory has not communicated to workers the associated risks of handling these chemicals.

#### Local Law or Code Requirement

Mexican Official Norm 005-STPS-1998, Article 5.9; Mexican Official Norm 017-STPS-2008, Articles 5.3, 5.4 and 5.5; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.7, HSE.8 and HSE.9.2)

#### Root Causes

1. Factory management did not review the health and safety information of the MSDS of the chemicals used in the screen-printing department.
2. Regular health and safety inspections do not cover all aspects of chemical management, such as a review of MSDS requirements.

#### Recommendations for Immediate Action

1. Provide workers handling chemicals in the screen-printing department with masks and gloves, as per MSDS requirement.
2. Train workers on the proper use of PPE, including how to safely store, dispose of, and replace it.

#### FLA's Recommendations for Sustainable Improvements

1. Health and safety staff are to conduct an in-depth review of the MSDS of all the chemicals in use to ensure the specific requirements for safe chemical management are met.
2. Improve the periodic health and safety inspections to include all basic aspects of safe chemical management.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Facility will perform an in-depth review of the MSDS of all the chemicals, will also retrain all associates on the chemical management and will provide appropriate PPE free of charge where it is necessary.
2. Facility will include a review of chemical aspects in the weekly safety inspections.

#### Company Action Plan Update

Previous progress update:

1. Facility concluded with the review of the MSDS of all chemicals.
2. Facility included a review of chemical aspects in the weekly safety inspections.

New progress update:

1. Facility performed a training on chemical management and also continue providing necessary PPE.

## FINDING NO.8

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. The canteen does not have a sink for workers to wash their hands before and after eating.
2. During the inspection of first aid kits in Distribution Warehouse #2 (First aid kit #3) and Distribution Warehouse #1 (First aid kit #4), assessors found on expired burn ointments in each kit.
3. In the Compressor Room, the purge valve of compressor #1 has a water leak.
4. Signs indicating the maximum storing heights in Distribution Warehouse #1 are incomplete as they were only posted on the first level of shelves of the multi-story storing racks. There were a total of nine racks with three shelves of storage each.
5. Two glass windows in the screen-printing department are missing warning signs to prevent workers from hitting them which increases the risk of injury.

#### Local Law or Code Requirement

Mexican Official Norm 001-STPS-2008, Articles 5.1, 5.2 and 5.4; Mexican Official Norm 006-STPS-2013, Articles 7.6.1 section e) and 7.7.1 section g); FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.6.1, HSE.14.1 and HSE.19)

### Root Causes

1. Factory management believes that workers would wash their hands in the restrooms available in the production areas before going to the canteen.
2. The periodic inspections of first-aid kits do not include checking expiration dates, only the availability of first aid items.
3. The maintenance staff in charge of inspecting compressors daily failed to observe the water leak on compressor #1.
4. Under management's opinion, it was sufficient to only indicate the maximum storing heights on the first shelf level of the multi-story storing racks.
5. Risk analysis conducted by factory management failed to identify and report the risks of the glass windows in the screen-printing department.

### Recommendations for Immediate Action

1. Install a mechanism for workers to wash their hands in the canteen.
2. Replace the two expired burn ointments found in the first aid kits in Distribution Warehouses #1 and #2, and ensure that all first aid supplies have not expired.
3. Repair the water leak on compressor #1 in the compressors room.
4. Ensure that signs indicating the maximum storing height are posted on all shelf levels of the multi-story storing racks in Distribution Warehouse #1, as legally required.
5. Remove the two glass windows in the screen-printing department, as they expose a risk of injury to workers. If this is not possible, provide warning signs for these windows to reduce risk of injury.

### FLA's Recommendations for Sustainable Improvements

1. Establish and implement an effective internal monitoring procedure to ensure that the factory complies with all health and safety legal requirements.
2. Train and communicate with Health and Safety Committee members about the newly created internal monitoring procedure, and involve them in periodic inspections.
3. Revise the current checklist used for the periodic physical inspections to include: i) health and safety conditions in the canteen; ii) expiration date of first aid supplies; and iii) conditions of the multi-story racks in the warehouses. Inform Health and Safety Committee members and other relevant staff of this change.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Facility will place sinks at the canteen to ensure all workers have an appropriate area to wash their hands.
2. Facility replaced the expired oints in the FA kits and will ensure through weekly inspections that expiration dates will be reviewed on all medications.
3. Facility fix the purge valve leak.
4. Signs at the storage racks will be placed to identify appropriate storage capacity.
5. Glass windows will be properly identified.

#### Company Action Plan Update

Previous progress updates:

2. Facility replaced expired oints from the FA kits, also included in the weekly audits expiration dates of all medications.
3. Facility fixed purge valve.
4. Signs at the storage racks are been placed.

New progress update:

1. Facility placed sinks at the canteen.
5. Glass windows were identified to avoid any risk for associates

## FINDING NO.9

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Policies & Procedures (Macro)

##### Finding Explanation

1. The factory does not have written policies for either Personnel Development or Retrenchment. There are no policies on Workplace Conduct & Discipline, however there are some documents or systems in place to manage disciplinary practices.
2. The factory does not have written procedures on Retrenchment or Industrial Relations.
3. Even though the factory has written procedures for Personnel Development, they do not include: a) criteria for promotion, demotion, and job reassignment, demonstrate linkages to job grading, prohibit discrimination, or use of demotion or job reassignment as a form of penalty or punishment; b) encourage the 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; and c) performance review steps and process, demonstrate linkages to job grading, prohibit discrimination, and provide written feedback to workers.
4. The procedures on Recruitment, Hiring & Personnel Development do not include guidance on special categories of workers.
5. The factory does not have procedures on Retrenchment that: a) include methods of calculating final payouts in accordance with legal requirements; b) require communication and consultation with worker representatives in cases of retrenchment and before reaching a final decision on a layoff, with the purpose of averting or minimizing its effects; and c) include a mechanism that allows workers to report any concerns or problems they may experience with regard to legally-owed payments during the retrenchment process.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.14, ER.19.1, ER.27.1, ER.28.1, ER.29.1, ER.30.1, ER.32.1, and ER.32.3)

##### Root Causes

1. The FLA affiliated company, at the corporate level, has not completed the process of aligning their own policies and procedures for all Employment Functions, as required by the FLA.
2. As the factory has not experienced many Retrenchment situations, management has not seen the need to formalize the policies and procedures on Retrenchment.
3. Local labor laws do not mandate employers to develop and implement policies and procedures on Personnel Development, Retrenchment, Workplace Conduct & Discipline, or Industrial Relations, which are included in the FLA Workplace Code.

##### FLA's Recommendations for Sustainable Improvements

1. Create policies on Personnel Development, Retrenchment, and Workplace Conduct & Discipline. The procedures on Personnel Development should be revised to include all elements required under the FLA Workplace Code.
2. Formalize, in writing, the procedures regarding 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.
3. Create procedures on Industrial Relations and Retrenchment. Procedures on Retrenchment should include: a) steps and process for determining payouts, administration of payouts, on-time payments of severance and all legal benefits; b) channels for workers to confidentially express concerns and problems they might have during the retrenchment process.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. Facility will develop a policy on Personnel development, Retrenchment and Workplace Conduct and Discipline.

2 & 3. An Industrial relations procedure will be developed as well as a Retrenchment procedure including all the necessary elements for its alignment with the FLA Workplace Code. Facility will develop a training program for all its associates.

#### Company Action Plan Update

New policies on conduct and discipline, terminations and industrial relations were created as well as its procedures. All associates were trained in the newly created policies and procedures

## FINDING NO.10

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Training (Macro)

##### Finding Explanation

1. The factory does not provide any ongoing training for workers or specific training for the relevant supervisors on Personnel Development, Retrenchment, or Industrial Relations.
2. The factory does not provide orientation training to new workers on Personnel Development or Retrenchment.
3. New workers do not receive written documentation that substantiates all the issues covered in orientation.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15.1, ER.15.2, ER.17.1, ER.17.3, and ER.25)

##### Root Causes

1. Most of the factory's training efforts are focused on other areas, such as Hours of Work and Health & Safety, with little attention paid to Personnel Development, Industrial Relations or Retrenchment.
2. The factory has not seen the need to provide to new workers written documentation of the topics covered in the orientation process. Factory staff were not aware of the FLA benchmark requiring the provision of written documentation to new workers.

##### FLA's Recommendations for Sustainable Improvements

1. Create and implement a comprehensive training program based on the SCI Employment Functions. Provide training on all policies and procedures for Personnel Development, Retrenchment, and Industrial Relations.
2. Establish mandatory training for all workers in the factory, including administrative staff, supervisors, and those in managerial positions.
3. Designate compliance staff to be responsible for the implementation of the training program.
4. Provide workers with written documentation that outlines all topics covered during orientation. Ensure that information on Personnel Development and Retrenchment are included in both the orientation training and the written documentation that will be provided to workers.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

- 1 & 2. Factory will provide training to all personnel on Personnel Development, Retrenchment and Industrial relations, such training will be also implemented with the new hires.
3. Facility will assigned a member of the staff responsible for the implementation of the training program.
4. Facility will developed a written document to be provided to workers and new hires.

##### Company Action Plan Update

Factory trained all personel on policies incluing Personnel Development, Retrenchment and Industrial relations. Assigned the H.R. manager as responsible for the training program. A new brochure is been delivered to new hires with this information.

## SUSTAINABLE IMPROVEMENT REQUIRED

## FINDING TYPE: Communication &amp; Worker Involvement (Macro)

Finding Explanation

1. As the factory is missing policies on the following Employment Functions, no communication is provided to workers on these policies or their possible updates: Personnel Development, Retrenchment and Workplace Conduct & Discipline.
2. As the factory is missing procedures on the following Employment Functions, no communication is provided to workers on these procedures or their possible updates: Personnel Development, Retrenchment and Industrial Relations.
3. Communication on the following Employment Functions is limited or insufficient: Recruitment & Hiring, Compensation, Hours of Work, and Termination.
4. The Worker Involvement component is missing across all Employment Functions. This indicates that the factory has not established procedures to request and/or receive workers' input or feedback regarding the creation, implementation, and updating of its policies and procedures. Workers are neither systematically involved nor consulted in the decision-making processes.
5. Bi-partite commissions mandated by law are not integrated with sufficient worker participation but mostly with employer participation. The joint commissions that are lacking the legally required 50% makeup of worker representation are: a) Commission on profit sharing; b) Commission on occupational health and safety; c) Commission on training; and d) Commission on company rules and regulations. Most of these Commissions have one or two administrative employees, but there is no production workers' participation.

Local Law or Code Requirement

Mexican Federal Labor Law, Articles 125 section I, 153 section E, 424 section I, and 509; Mexican Official Norm 019-STPS-2004, Article 6.3.1.1; FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.1.3, ER.16.1, ER.25.1, ER.25.2, ER.29.1.1 and, ER.30.2; Compensation Benchmark C.17)

Root Causes

1. Lacking some policies and procedures leads to a lack of communication.
2. Management does not see the need for ongoing and periodic communication with the workforce, besides the ongoing training activities.
3. Most of the factory's communication efforts are focused on Health & Safety; with little attention paid to other areas such as Personnel Development, Retrenchment, and Compensation.
4. Top-down communication without the incorporation of workers' feedback is culturally acceptable in the region. Normally, all policy and decision making is administered entirely by senior management.
5. There are a lack of incentives for workers to participate in the legally required joint commissions.

FLA's Recommendations for Sustainable Improvements

1. Once the missing policies and procedures are created, communicate to workers, through various channels, the policies and procedures for all SCI Employment Functions. These channels can include postings in restrooms, giving documents at orientation trainings, sending information through emails, placing the documents on canteen tables, and regular updates by supervisors.
2. Designate a staff member responsible for implementing the communication efforts.
3. Establish policies and procedures enabling workers to consult with, and provide input to, management.
4. Train all workers, supervisors, and managers on the newly created worker integration policies and procedures.
5. Designate staff from the HR Department and/or a Compliance Manager with the responsibility of implementing the worker integration policies and procedures within five months.
6. Develop an incentive system to encourage worker participation in the legally required bi-partite commissions. Provide appropriately focused training to eligible workers prior or during their participation in relevant commissions, to ensure they fully understand their roles and responsibility in the commissions.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

Company will display all the newly created policies through all available channels at the facility, will train all associates on such policies and will implement a strategy to receive input from workers on policies and procedures. Facility will assign a member of the staff for implementing and will ensure that the legally required bi-partite commissions contain correct ratio of workers and management.

#### Company Action Plan Update

Company displayed the policies through different channels and trained all associates. Facility is receiving feedback from workers on the policies through workers.

## FINDING NO.12

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Review Process (Macro)

#### Finding Explanation

1. As the factory does not have written policies there is no review process for the following Employment Functions: Personnel Development, Retrenchment, and Workplace Conduct & Discipline.

2. As the factory does not have written procedures on Retrenchment and Industrial Relations, there is no review process for these Employment Functions.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.29.1.1, and ER.30.2)

#### Root Causes

1. Since the factory does not have policies and procedures for some Employment Functions, there is no review or update process.

#### FLA's Recommendations for Sustainable Improvements

1. Once the factory has developed the missing policies and procedures, regularly review and update them according to local legal and FLA Compliance Benchmark requirements.

2. Designate a staff member responsible for the review process.

3. Keep documentation on any reviews and updates of the factory's policies and procedures.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1 & 3. Facility will implement its policy review procedure in all the newly created policies.

2. The responsible for the review process will be the H.R. Manager.

#### Company Action Plan Update

Facility implemented the annual review policy procedure in the newly created policies through the H.R. Manager