



Verification Assessment

COMPANIES: Nike, Inc
COUNTRY: Mexico
ASSESSMENT DATE: 10/10/17
ASSESSOR: FLA EMEA
PRODUCTS: Apparel
NUMBER OF WORKERS:

FLA Comments

This SCI is a verification assessment of assessment AA0000000488. All corrective action plan updates for AA0000000488 will be published on this report.

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.

Previous Report Findings and Verification Results

PREVIOUS FINDING NO.1

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

There are no written policies or procedures that encourage workers to participate in ongoing training that would increase their skill sets and advance their careers. [ER.28, ER.1]

There are no written policies or procedures for conducting performance reviews that include steps and processes linked to job grading and promotion opportunities. [ER.29, ER.1]

There are no written policies or procedures related to promotions or job reassignment. [ER.30, ER.1]

Most managerial and mid-level job descriptions include gender and age requirements, e.g., female and between 25 – 38 years old. [ND.1, ND.2, ER.3.2]

Some job descriptions are either missing or not available for some production and managerial positions. [ER.1.1]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.3.2, ER.28.1, ER.29.1, and ER.30.1; Nondiscrimination Benchmarks ND.1 and ND.2)

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status: Partially Remediated

Explanation:

Through records review, assessors corroborated that the factory has developed procedures that encourage workers to participate in ongoing training that would increase their sets and advance their careers; however, a policy on this topic is still missing. [ER.1, ER.28]

Root Causes:

The factory management was lacking knowledge on how to develop policies on Personnel Development that encourage workers to participate in ongoing training that would increase their sets and advance their careers.

2. Finding Status: Partially Remediated

Explanation:

The factory has developed and implemented procedures for conducting performance reviews that include steps and processes linked to job grading and promotion opportunities; however, a policy on performance reviews is still missing. [ER.1 and ER.29]

Root Causes:

The factory management was lacking knowledge on how to develop a policy on performance reviews.

3. Finding Status: Partially Remediated

Explanation:

The factory has developed procedures on promotion and job reassignment; however, a policy on promotion and job reassignment is still missing. [ER.1 and ER.30]

Root Causes:

The factory management was lacking knowledge on how to develop policies on promotion and job reassignment.

4. Finding Status: Remediated

Explanation:

Assessors review all job descriptions available at the factory, including those related to managerial and mid-level positions, and they do not include gender or age requirements.

5. Finding Status: Partially Remediated

Explanation:

None of the job descriptions available at the factory include the forklift operation. Employment contracts of workers who actually operate forklifts do not include that specific task; as a result, salary paid to these workers has not been adjusted to include this additional function performed by them. This issue affects six workers from Screen Printing and Maintenance Departments. [ER.1, C.5]

Root Causes:

The factory failed to include the forklift operation activity as part of the job description of forklift operators, as said activity was not considered a specialized task.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.28.1, ER.29.1 and ER.30.1; Compensation Benchmark C.5)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1.

A training policy will be developed, training to encourage workers to develop their skills and knowledge.

2. A policy will be created to carry out the performance evaluations that are carried out to the workers to be reviewed and followed up.
3. A policy will be created to regulate the procedure of promotion of workers when it is carried out.
4. Finished
5. The work contract of the employees who use the forklift in the factory will be

modified so that the function within the same is specified as well as an incentive for carrying out this activity.

Company Action Plan Update

Remediated in accordance with the factory. Pending to receive the evidence.

PREVIOUS FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Compensation

Finding Explanation

Management has not made sufficient efforts towards either communication or training activities to ensure that workers understand their compensation, including the calculation of their wages and fringe benefits. Workers were not aware of the factory's wage structure, provided bonuses, and legal provisions applicable to the calculation of some benefits (vacation, Christmas bonuses, profit sharing, etc.). [ER.1, ER.15, ER.16 and C.17]

Workers are not informed, either verbally or in writing, of overtime wage rates. Interviews found that most employees are unaware of the different overtime premium rates.

The pay slips provided to workers do not include the total number of hours worked (regular and overtime) every workweek.

Local Law or Code Requirement

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status: Partially Remediated

Explanation:

Assessors found that factory has implemented communication efforts that include posting of information on compensation. However, these efforts have not been enough to ensure that workers are aware of the factory's wage structure, provided bonuses, and legal provisions applicable to the calculation of some benefits, such as vacation, Christmas bonuses, and profit sharing. [ER.1, ER.15, ER.16 and C.17]

Root Causes:

It was the factory's opinion that posting information about compensation at prominent areas of the production floor would be enough to ensure that workers gain awareness about compensation; hence, the factory had not considered ongoing training activities.

2. Finding Status: Remediated

Explanation:

From worker interviews, assessors corroborated that the factory verbally informs workers about the different overtime premium rates. Written information on overtime rates is also posted.

3. Finding Status: Remediated

Explanation:

By reviewing a sample of payslips, assessors found that now they include detailed information on all hours of work performed by workers in a weekly basis, including regular hours of work and overtime.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15.2 and ER.16.1; Compensation Benchmarks C.17.1, C.17.1.1, C.17.1.2 and C.17.1.3)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The factory will have training for workers to explain the payments that include benefits issues and other compensation that they have

2. Finished 3. Finished

Company Action Plan Update

Remediated during 2019 in accordance with the factory. Pending to receive the evidence.

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

Management does not have written policies and procedures on Termination & Retrenchment. [ER.1, ER.32]

There is no procedure for determining termination payouts. Termination procedures should: a) include the methodology used for the correct assessment of payouts for all modes of Termination & Retrenchment and b) account for all legal requirements.

There is no confidential channel for workers to report their concerns or issues concerning payment during the retrenchment process. [ER.19, ER.25.3]

Based on documentation review, in 2014, 84 workers whose contracts were terminated for resignation and job abandonment reasons have not been paid their severance packages. In some resignation cases, management obtained a liability release from workers without having paid them their severance packages.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.19.1, ER.19.2, and ER.32.2)

Recommendations for Immediate Action

Ensure that all workers receive full payment of severance packages that have not been paid to date.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Partially Remediated

Explanation:

Although the factory management has developed procedures on Termination and Retrenchment, there is no policy on Termination and Retrenchment. [ER.1 and ER.32]

Root Causes:

Factory management was lacking knowledge on how to develop a policy on Termination and Retrenchment.

2. Finding Status: Remediated

Explanation:

Assessors corroborated that the factory developed procedures for calculating termination payouts that include calculation methods and account for all legal requirements.

3. Finding Status: Not Remediated

Explanation:

There is no confidential channel for workers to report any concern about payment of termination payouts during a retrenchment process. [ER.19 and ER.25]

Root Causes:

Factory management was lacking knowledge on how to implement this FLA Benchmark requirement.

4. Finding Status: Remediated

Explanation:

Assessors reviewed payment records showing that 2014 owed severance and termination payouts were paid to the workers. No new instances of unpaid severance or termination payouts were found.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.19.2, ER.25.3, and ER.32.1)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1.
A policy will be developed to carry out the procedure of dismissal and cutting of personnel in the factory
2.
Finished
3.
The factory will implement a confidential communication channel to inform or

clarify any concerns about termination payments
4.
Finished

Company Action Plan Update

Completed during 2019 in accordance with the factory. Pending to receive the evidence.

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

During their probation period, newly hired workers are asked by management to decide whether or not they will join the union. Workers sign this commitment without having a chance to meet union delegates/leaders and decide for themselves if they want to join the union. This practice is considered interference with workers' associational rights. [ER.26, FOA.2]

The 2013 collective bargaining agreement (CBA) includes an exclusion/inclusion clause (11th) that requires management to:

exclusively hire unionized workers and

terminate workers if they decide to leave the union, an action which would be sufficient cause for employment termination. On April 2001, the Mexican Supreme Court ruled that the use of an exclusion clause is a violation of the constitution, as it infringes upon workers' associational rights. Moreover, the 2012 Labor Law reform overturned exclusion clauses in the federal labor law (specifically, Article 395, Section 2). [ER.26, FOA.2, FOA.20.2]

Management has not obtained workers' written consent to deduct union fees

A copy of the CBA is not provided to workers.

There is no designated space or facility for worker representatives, (union delegates or union leaders) to properly fulfill their responsibilities.

Local Law or Code Requirement

Mexican Supreme Court, Statement 385 from April 17, 2001; FLA Workplace Code (Freedom of Association Benchmarks FOA.2, FOA.15, FOA.20.2, and FOA.24; Employment Relationship Benchmarks ER.16.2 and ER.26)

Recommendations for Immediate Action

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Partially Remediated

Explanation:

Through worker and management interviews, assessors corroborated that the factory management provides the option to new workers to affiliate to the union or not during the hiring process. However, since the management continues asking new workers whether they want to join the union or not, without union representatives involvement, there is still management interference. [ER.26, FOA.2]

Root Causes:

1. It is the prevailing practice in Mexico that management conducts union affiliation with workers.
2. As the factory management asked workers whether they want to join the union or not, as opposed to automatically enroll them as it used to be in the past, the management thought they were now in compliance.

2. Finding Status: Remediated

Explanation:

Management promoted a negotiation of CBA terms with the union; as a result the Exclusion Clause was eliminated.

3. Finding Status: Remediated

Explanation:

Assessors corroborated that the factory now obtains workers' written consent to implement the union fees deductions. From records review assessors noted that such written authorizations are kept at workers' personnel files.

4. Finding Status: Not Remediated

Explanation:

A copy of the CBA is not provided to the workers.

Root Causes:

Factory management thought that they would be in compliance with posting the CBA in a prominent area at the production floor, without having to provide copies of the CBA to all workers as required under FLA Benchmarks. [ER.16.2]

5. Finding Status: Remediated

Explanation:

During the observation tour, assessors noted one office that has been designated for the union leaders to meet when needed. During the interviews with union leaders, they corroborated that the factory has designated this office as a union facility.

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, Article 357; FLA Workplace Code (Employment Relationship Benchmarks ER.16.2 and ER.26; Freedom of Association Benchmarks FOA.2, and FOA.20.2)

Recommendations for Immediate Action

Management to refrain from asking new workers whether they want to join the union or not, during the recruitment process, and ensure worker affiliation to union is done by the union representatives.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. When the worker hiring process is carried out, the union delegate will be included to present the union and ask the worker if he wants to join the union.
2. Finished
3. Finished

4. The factory will consider budget for the printing of a copy of the collective contract to deliver a copy to the workers

Company Action Plan Update

Completed during 2019 in accordance with the factory. Pending to receive the evidence.

PREVIOUS FINDING NO.5

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

Although some information on Workplace Conduct & Discipline is included in the factory's internal rules, the factory does not have written disciplinary rules, procedures or practices that embody a system of progressive discipline. Additionally, there is no written requirement related to keeping records of all warnings and disciplinary actions. [ER.27]

Workers' right to appeal disciplinary actions is not properly regulated; there is no procedure related to appeal process implementation. [ER.27]

Current disciplinary practices do not allow workers to have a third-party witness (one chosen by the worker subject to the disciplinary actions) present during the imposition of disciplinary actions. [ER.27]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.27.1, ER.27.3.4, and ER.27.4)

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status: Partially Remediated

Explanation:

The factory management developed some disciplinary procedures; however, they are missing clear rules for ensuring fair and progressive implementation of discipline, as the disciplinary procedures do not specify which are the types of sanctions applicable to the prohibited behaviors; hence, there is a risk of discretionary implementation of sanctions. [ER.27]

Root Causes:

Management followed template of disciplinary procedures regulated on the Internal Regulations approved by the Secretary of Labor in

Mexico, and did not ensure that it was a progressive disciplinary system.

2. Finding Status: Partially Remediated

Explanation:

The appeal process is not properly regulated, as the current procedure for appealing disciplinary actions does not include management staff responsible for the appeals, timeframes for presenting and resolving the appeals, modalities for workers to present the appeals (verbal, written, both). [ER.27]

Root Causes:

Management was lacking knowledge on how to develop a sound appeal process of disciplinary action.

3. Finding Status: Partially Remediated

Explanation:

Disciplinary procedures include a third party witness, but in all cases it is a representative of the union; the procedures do not allow the possibility for workers to have a witness of their own choosing during the imposition of a disciplinary action. [ER.27]

Root Causes:

Management was unaware of the FLA Benchmark that requires the third party witness is of the workers' own choice.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.27.1 and ER.27.4)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory will review the conduct and discipline procedure that exists to include a system of progressive discipline, a worker's appeal process and the election of a witness chosen by the worker.

Company Action Plan Update

Completed in Nov 2018 in accordance with the factory. Pending to receive the evidence.(progressive discipline system).

PREVIOUS FINDING NO.6

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Grievance System

Finding Explanation

There is no written grievance system in the workplace. HR staff handles most grievances via a suggestion box located in the main entrance.

There are no grievance procedures that enable workers to seek senior manager review and consideration if the direct settlement with the immediate supervisor fails or is inappropriate.

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.25.2, and ER.25.3.1)

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status: Remediated

Explanation:

Assessors corroborated that the factory management has developed and implemented a grievance system, with clear procedures, that includes different grievance channels, such as open door policy with HR Management or immediate supervisors, suggestion boxes, and Ethics Committee which implies monthly meetings with randomly selected workers from different departments.

2. Finding Status: Remediated

Explanation:

Assessors corroborated, through records review and worker interviews that the management has developed and implemented procedures that enable workers to seek senior manager review and consideration if the direct settlement with the immediate supervisor fails or is inappropriate.

PREVIOUS FINDING NO.7

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

The factory's Environmental Protection policy does not include a statement regarding management's commitment to minimizing environmental impacts.

The factory's environmental procedures do not include:

procedures that enable workers to raise environmental concerns,

procedures for reporting environmental emergencies, and

protections for workers who allege environmental violations.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status: Remediated

Explanation:

Assessors reviewed the current environmental protection policy and noted that it includes a statement regarding management's commitment to minimizing environmental impacts.

2. Finding Status: Remediated

Explanation:

Factory management has developed environmental protection procedures that enable workers to report environmental concerns or emergencies and that also include protections against potential retaliation.

PREVIOUS FINDING NO.8

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

The factory's health and safety (H&S) policy does not include a commitment to comply, at the very least, with local law.

The factory's H&S procedures do not include:

how workers can report H&S concerns,

protections against workers who allege H&S concerns,

measures to protect the reproductive health of employees through minimizing exposure to workplace hazards, and

steps for reporting death, injury, illness, and other H&S issues, such as near-miss accidents. All of the above were procedural (as opposed to implementation-related shortcomings), except for the reporting of accidents, which did not track near-miss cases. [ND.8]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.31.1, ER.31.2.4, ER.31.2.5, and ER.31.2.6; Nondiscrimination Benchmark ND.8.1; Health, Safety and Environment HSE.12)

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status: Remediated

Explanation:

The current health and safety policy reviewed by assessors includes a commitment to comply with local law.

2. Finding Status: Partially Remediated

Explanation:

Assessors corroborated that the factory has developed procedures for workers to report health and safety concerns, and death, injuries, illness that include protections against potential retaliation. However those procedures do not include measures to protect the reproductive health of employees through minimizing exposure to workplace hazards. [ND.8, HSE.12]

Root Causes:

Management was aware of how to develop a procedure that includes all measures to protect the reproductive health of employees.

Local Law or Code Requirement

FLA Workplace Code (Nondiscrimination Benchmark ND.8.1; Health, Safety & Environment Benchmark HSE.12)

COMPANY ACTION PLANS

Action Plan no 1.

Description

8.2. HSE DEVELOP PROCEDURE THAT INCLUDE ALL MEASURES TO PROTECT THE REPRODUCTIVE HEALTH OF WORKERS, ACCORDING WITH RISK EVALUATION IN EACH AREA.

Company Action Plan Update

Completed / Remediated during 2019 in accordance with the factory. Pending to receive the evidence (the HSE procedure).

PREVIOUS FINDING NO.9

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

The factory has not conducted a risk analysis in the screenprinting and sublimation departments, as legally required. [ER.31, HSE.1]

Most interviewed workers in the sublimation department complained about the air quality in this work area; they explained that the vapors generated by the machines cause headaches, eye irritation, and nausea. During the observation tour: a) vapors from the machines were concentrated in and around the workstations and b) the air extractor in this area was not working. Gathered information revealed that most of the time, the air extractor was switched off due to room temperature changes that could affect the production process quality of printed goods. [HSE.1, HSE.13]

Local Law or Code Requirement

Mexican Official Rule NOM-004-STPS-1999, Articles 5.2, 5.2.2, and 5.3; FLA Workplace Code (Employment Relationship Benchmark ER.31.1; Health, Safety and Environment Benchmarks HSE.1 and HSE.13)

Recommendations for Immediate Action

Immediately look for alternatives to reduce the concentration of vapors in the sublimation department.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Partially Remediated

Explanation:

Last vapors assessments conducted at Sublimation and Screen Printing Departments were carried out in Oct 2017. However, said assessment was not conducted by an accredited company as legally required since the accreditation issued by the Mexican Entity of Accreditations to this external company expired in Dec 2016. [ER.31 and HSE.1]

Root Causes:

Management was unaware of the legal requirement for having accredited companies conducted the vapors assessment.

2. Finding Status: Not Remediated

Explanation:

Vapors generated at Sublimation Department continue provoking negative effects on workers, such as headaches and eye irritation. The factory has not adopted additional measures to ensure the vapors are reduced. [HSE.1 and HSE.13]

Root Causes:

Current vapor extraction system affects the production process by altering the quality of impressions, and the management continues to explore alternatives extraction systems that could be compatible with the production process.

Local Law or Code Requirement

Mexican Official Norm 004-STPS-1999, Articles 5.2, 5.2.2, and 5.3; Mexican Official Norm 010-STPS-1999, Articles 5.3 and 10.1; FLA Workplace Code (Employment Relationship Benchmark ER.31.1; Health, Safety and Environment Benchmarks HSE.1 and HSE.13)

Recommendations for Immediate Action

Implement protective measures to reduce the concentration of vapors in the Sublimation Department.

COMPANY ACTION PLANS

Action Plan no 1.

Description

9.1. COLLECT ACCREDITATIONS FROM THE LABORATORY THAT CARRIED OUT THE VAPORS ASSESSMENTS

Company Action Plan Update

Completed in accordance with the factory. Pending to receive the evidence related to the accreditations from the laboratory that carried out the vapors assessments.

PREVIOUS FINDING NO.10

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

Some chemicals in the ink department do not have secondary containment and there is no spillage kit available and ready to use in a nearby area.

A non-smoking sign is missing for the ink department's chemical storage room, as legally required.

Eight of the sewing production line workers do not have ergonomic chairs. [HSE.17.1]

There is no training on:

a. lock out/tag out, b. fall protection/work at heights, and c. lifting techniques for relevant maintenance workers and workers at the warehouse, as legally required.

There are holes in the embroidery department's roof. As the assessment took place during the rainy season, it was observed that leaks posed a slippage risk for workers in this department.

Local Law or Code Requirement

Recommendations for Immediate Action

1.
Ensure that secondary containers (and a ready-to-use spillage kit) are available for all ink containers in the ink department
2.
Post a non-smoking sign in the ink department's chemical storage area.
3.
Ensure that all sewing production line workers are provided ergonomic chairs.
4.
Repair the holes in the embroidery department roof.

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status: Remediated

Explanation:

During the observation tour the assessors found that chemical containers at Ink Department are equipped with secondary containers. Also, assessors noted spillage kit readily available to use.

2. Finding Status: Remediated

Explanation:

During the observation tour, assessors noted a non-smoking sign posted at the chemical storage area of Ink Department

3. Finding Status: Partially Remediated

Explanation:

Assessors noted three workers missing ergonomic chairs at the sewing production lines. [HSE.17.1]

Root Causes:

The replacement of all old chairs by adjustable chairs has not been completed at all, and despite most of workers already received and ergonomic chair, there were only three of them that are still missing an appropriate chair.

4. Finding Status: Remediated

Explanation:

Through records review and interviews with maintenance workers, assessors found that the factory has provided worker training on lockout/tagout, work at heights/fall protection and lifting techniques for relevant maintenance workers.

5. Finding Status: Remediated

Explanation:

Assessors noted that roof at Embroidery Department was in good condition, and no holes were observed.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment HSE.17.1)

COMPANY ACTION PLANS

Action Plan no 1.

Description

10.3. REPLACE ALL OLD CHAIRS FOR NEW ERGONOMIC CHAIRS

Company Action Plan Update

Completed during 2019 in accordance with the factory. Pending to receive the evidence related to the new ergonomic chairs.

PREVIOUS FINDING NO.11

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

The following issues related to fire safety were observed:

There are no fire extinguishers in the compressor and food preparation areas.

The main entrance's emergency exit opens inwards.

Emergency lights are missing above the emergency exits at the main and secondary entrances.

Emergency exit signs are not equipped with their own electricity source, so that they can stay lit when the electrical power goes off.

An electrical panel in the heat transfer department was missing restriction signs. Additionally, 1 electrical panel in the embroidery department was missing restriction and warning signs.

Some electrical panels are missing circuit breakers.

The sublimation department does not have a nearby emergency exit; consequently, workers in this department have to go through the embroidery and heat transfer departments before they can access the main emergency

exit.

First aid kits are missing in the warehouse (raw material), heat transfer, and embroidery departments.

When tested, the emergency exit lights did not work in the cutting, heat-transfer, embroidery, screenprinting, and raw material departments.

An emergency/evacuation plan has not been posted in most production areas.

Fire extinguisher hoses are missing nozzles in several areas of the production floor.

The factory has not trained all workers on fire safety (prevention, protection, and basic fire fighting techniques), as legally required. Members of the fire brigade (6 workers) are the only ones who receive such training.

The emergency alarm is not loud enough to be heard in all areas of the administration offices.

Local Law or Code Requirement

Mexican Official Rule NOM-002-STPS-2000, Articles 5.8 and 7, Section d); 9.1.3, Section a); 9.2.4, Section b); 11.1.2, Section h); Mexican Official Rule NOM-026-STPS-2008, Article 5.4, Section i); Mexican Official Rule NOM-029-STPS- 2011, Articles 5.12 and 10.1, Section a); FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.5.1, HSE.6, and HSE.13)

Recommendations for Immediate Action

1.
Retrofit the emergency exit at the main entrance, so that it opens outwards.
2.
Add fire extinguishers at the canteen and compressor areas.
3.
Add emergency lights above the 2 emergency exits at the main and secondary entrances.
4.
Install emergency exit signs that automatically light up when the electrical power goes off. 5. Post restriction and warning signs on all electrical panels.
- 5.

Place metallic covers on all empty slots in all electrical panels.

6.
Place first aid kits at the embroidery, row material, warehouse, and embroidery departments.
7.
Ensure that workers at the sublimation department are provided an additional emergency exit.
8.
Ensure that emergency exit lights are properly working in all production and office areas.
9.
Add emergency/evacuation plans in prominent areas of all departments.
10.
Ensure that all fire extinguishers hoses are retrofitted with nozzles.
11.
Ensure that all workers are trained on fire safety (prevention, protection, and basic fire fighting techniques).
12.
Ensure that the emergency alarm can be heard in all administration office areas.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status: Remediated

Explanation:

During the observation tour, assessors noted that fire extinguishers have been placed at the compressors and food preparation areas.

2. Finding Status: Remediated

Explanation:

Assessors tested the main emergency exit and found that it opens outwards.

3. Finding Status: Remediated

Explanation:

Emergency exits at the main and secondary entrances are now equipped with emergency lights.

4. Finding Status: Remediated

Explanation:

Emergency exit signs are equipped with their own electricity source, so they can light when the power goes out.

5. Finding Status: Remediated

Explanation:

All electrical panels at Heat Transfer and Embroidery Departments are equipped with warning and restriction signs.

6. Finding Status: Remediated

Explanation:

Assessors noted that all electrical panels were in good conditions, and equipped with circuit breakers.

7. Finding Status: Remediated

Explanation:

Assessors corroborated that the factory has installed an emergency exit in the Sublimation Department.

8. Finding Status: Remediated

Explanation:

During the observation tour, assessors noted that first aid kits have been installed in the Warehouses, Heat Transfer and Embroidery Departments.

9. Finding Status: Remediated

Explanation:

Assessors tested emergency exit lights at Cutting, Heat Transfer, Embroidery, Screen-printing, and Raw Material Warehouse Departments, and all were properly working and in good condition.

10. Finding Status: Remediated

Explanation:

Emergency evacuation plans have been posted throughout all production departments within the factory.

11. Finding Status: Remediated

Explanation:

All fire extinguishers' hoses inspected during the observation tour, at the different production departments, are equipped with nozzles.

12. Finding Status: Remediated

Explanation:

Through records review and interviews with workers assessors corroborated that all workers have been trained on basic fire safety preventive and protective measures. Also, more than a third of the workforce has been trained on basic fire fighting techniques.

13. Finding Status: Remediated

Explanation:

Assessors tested the emergency alarm and it was audible at the different areas of the administrative offices.

PREVIOUS FINDING NO.12

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

The medical facility operates only until 5:30 pm; subsequently, employees who work until 10:00 pm are covered by the on-site medical services.

Local Law or Code Requirement

Federal Labor Law, Article 504, Section II); FLA Workplace Code (Health, Safety and Environmental Benchmarks HSE.1, HSE.18.1, and HSE.18.2.1)

Recommendations for Immediate Action

Ensure that the medical facility operates during all working hours, including the night shift.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

Through interviews, assessors corroborated that the nurse stays until 7:30 pm when workers from daily shift performed overtime. For those workers of night shift, whom stayed at the factory until 10:00 pm, the factory has ensured the presence of at least two employees with training on first aid techniques.

PREVIOUS FINDING NO.13

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

The factory has not developed written policies for many of the Employment Functions: Recruitment, Hiring & Personnel Development; Compensation; Hours of Work; Termination & Retrenchment; Industrial Relations; Workplace Conduct & Discipline; and Grievance System.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.23.1, ER.28.1, ER.29.1, ER.30.1, and ER.32.1)

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

Explanation: The factory still has not developed written policies for many of the Employment Functions, including: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, and Grievance System. [ER.1, ER.23, ER.28, ER.29, ER.30 and ER.32]

Root Causes: The documents created by the management as policies, are actually procedures, since the management was lacking knowledge on how to develop the written policies.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.23.1, ER.28.1, ER.29.1, ER.30.1, and ER.32.1)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory will create policies for:

Selection, Hiring, staff development, Compensation, Hours of work, Cutting of personnel and termination of employment relationship, industrial relations, conduct and discipline, claims system.

Company Action Plan Update

Completed during 2019 in accordance with the factory. Pending to receive the evidence.

PREVIOUS FINDING NO.14

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

Ongoing training for workers is not provided for the following Employment Functions: Recruitment, Hiring & Personnel Development; Compensation; Hours of Work; Termination & Retrenchment; Industrial Relations; Workplace Conduct & Discipline; and Grievance System. [ER.15.2, ER.1.2]

The factory does not provide specific training for: a) supervisors on most of the Employment Functions, such as Recruitment, Hiring & Personnel Development; Compensation; Hours of Work; Termination & Retrenchment; Industrial Relations; Workplace Conduct & Discipline; and Grievance System and b) managerial positions on the last 2 Employment Functions. [ER.17.1, ER.17.3, ER.1.2]

Workers' orientation training does not include Industrial Relations and HR policies. [ER.15.1]

Local Law or Code Requirement

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

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation:

Ongoing training for workers is not provided for the following Employment Functions: Recruitment, Hiring & Personnel Development; Compensation; Hours of Work; Termination & Retrenchment; Industrial Relations; Workplace Conduct & Discipline; and Grievance System. [ER.1 and ER.15]

Root Causes:

The factory has not adapted the production scheme to include time for conducting training activities with workers.

2. Finding Status: Partially Remediated

Explanation:

Assessors corroborated that the factory has provided training to management staff on Workplace Conduct & Discipline and Grievance System. However, ongoing training for supervisors is not provided for the following Employment Functions: Recruitment, Hiring & Personnel Development; Compensation; Hours of Work; Termination & Retrenchment; Industrial Relations; Workplace Conduct & Discipline; and Grievance System. [ER.1 and ER.17]

Root Causes:

The factory has not adapted the production scheme to include time for conducting training activities with supervisors.

3. Finding Status: Partially Remediated

Explanation:

By reviewing the training material used during orientation training and interviews with new workers, assessors corroborated that orientation training includes Industrial Relations and Freedom of Association. However, as most of HR policies have not been created yet, they are not included in the orientation training. [ER.15]

Root Causes:

Missing written policies refrains management for including them on the orientation training to new workers.

Local Law or Code Requirement

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

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory will coordinate in the production area the necessary times for training and development of workers within their working hours.

Company Action Plan Update

Remediated during 2019 in accordance with the factory. Pending to receive the evidence.

PREVIOUS FINDING NO.15

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

Workers: a) do not receive ongoing or regular communication about the following Employment Functions: Recruitment, Hiring & Personnel Development; Hours of Work, Termination & Retrenchment; Industrial Relations and b) only receive sporadic communication about grievance procedures.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.16.1, ER.25.1, and ER.32.5)

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

Explanation: Based on interviews with management and workers, observations during the physical inspection and records review, assessors corroborated that the factory regularly communicates existing procedures and provisions of the Internal Regulations and CBA applicable to most of the Employment Functions; however, communication on Industrial Relations and Freedom of Association is not provided to the workers. ER.1, ER.25

Root Cause: The absence of an Industrial Relations and FOA policy within the factory has refrained management to provide communication to the workers on those topics.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.1.2, and ER.25.1)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory will develop a policy of industrial relations and free association and will be made known to the workers.

Company Action Plan Update

Completed during 2019 in accordance with the factory. Pending to receive the evidence.

PREVIOUS FINDING NO.16

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

The worker integration component is missing across all Employment Functions. This indicates that the factory has not established procedures to request and/or receive workers' input/feedback regarding the creation, implementation, and updating of its policies and procedures. Workers are neither systematically integrated nor consulted in decision-making processes.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3 and ER.25.2)

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

In Feb 2016, the factory created an Ethics Committee, which meets once a month with the participation of production workers from different departments randomly selected. The purpose of this Committee is to discuss issues concerning workers. Assessors reviewed the minutes of the monthly meetings. Despite this is a functional grievance and dialogue channel with workers; the factory has not given workers to provide feedback on the newly created or revised policies and procedures during the meetings. [ER.1, ER.25]

Root Causes:

Factory management failed to include the policy and procedure creation/revision during the Ethics Committee meetings.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.1.3 and ER.25.2)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory will develop, implement and publicize a procedure for the creation of policies and procedures involving workers in the process.

Training will be given to workers.

Company Action Plan Update

Completed during 2019 in accordance with the factory. Pending to receive the evidence.

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

Since the factory has not developed policies and procedures for most Employment Functions, there is no review process in place. Employment Functions for which policy and procedures do exist are not reviewed regularly, either. For example, the Recruitment, Hiring & Personnel Development policies and procedures are dated 2009 and have not been reviewed since.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.29.1.1, ER.30.2, and ER.31.1)

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

Explanation: For existing policies and procedures the factory management conducts regularly review process; however, for most of Employment Functions the factory has not created written policies, as a result, there is no review process either. [ER.1, ER.29, ER.30, ER.31]

Root Causes: As a result of the absence of written policies, the factory does not conduct a review process.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.29.1.1, ER.30.2, and ER.31.1)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory will review and update the Human Resources policies and procedures, which will be communicated to the workers so that they are informed of them.

Company Action Plan Update

The factory developed Human Resources Policies. Completed during 2019 in accordance with the factory. Pending to receive the evidence.

New Findings and Action Plans

NEW FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

Assessors found for 19 (out of 32) short-term contracts, workers are actually performing permanent tasks. The short-term contracts were signed between 1992 and 2012 for a period ranging between 30-90 days. In the past, it was the factory's practice to sign multiple short-term contracts with workers. This practice has not been continued for new contracts; however, for workers hired between 1992 and 2012 (about 5% of the workforce) the factory did not revise the contracts to permanent employment contracts. renewed employment contracts to switch them to permanent contracts. [ER.8, ER.9]

One of the reviewed personnel files does not have the legally required employment contract, as required by law. [ER.2]

Employment contracts do not specify the actual hours of work performed by workers; specifically, the contracts do not include the hours of work for the night shift (starting and ending working time). Additionally the CBA, Internal Regulations, and agreements signed with workers to modify hours of work do not include the actual hours of work of the night shift. [ER.2]

Local Law or Code Requirement

Federal Labor Law, Articles 24, 25 (section V), 36 and 37; FLA Workplace Code (Employment Relationship Benchmarks ER.2.1, ER.8 and ER.9)

Recommendations for Immediate Action

1. Review all workers' personnel files and ensure the temporary employment contracts are replaced by permanent employment contracts when applicable.
2. Ensure that all employment contracts are kept in the workers' personnel files.

COMPANY ACTION PLANS

Action Plan no 1.

Description

The files of all the workers who are working in the factory to update the work contracts will be reviewed and complete.

The collective contract will be revised to update the information regarding the work hours of the night shift.

Company Action Plan Update

Completed during 2019 in accordance with the factory. Pending to receive the evidence.

NEW FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

Suspension of work during the September 19th 2016 earthquake did not follow the legal procedure, which requires notifying the local authority (Conciliation and Arbitration Board). As a result, the factory deducted 50% of worker's salary for that workday without obtaining the approval from the Conciliation and Arbitration Board. [HOW.1, HOW.19, C.1]

Local Law or Code Requirement

Federal Labor Law, Articles 427 section I and 429 section I; FLA Workplace Code (Hours of Work Benchmarks HOW.1, HOW.19.1, HOW.19.2; Compensation Benchmark C.1)

Recommendations for Immediate Action

Retroactively pay the 50% of salary workers that was deducted during the work suspension.

NEW FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

There is no written policy on voluntary overtime. [ER.1]

Workers are not totally clear on the implications of voluntary overtime: from interviews with workers, assessors noted that some workers thought that the legal weekly limit of 9 overtime hours means that they “must work” 9 overtime hours; as a result, they do not exercise their right to refuse to work overtime. Other workers said that the overtime is not voluntary, but when assessors asked them whether they could opt to stay to work overtime or to leave the factory, they responded that they could leave the factory. This demonstrates that workers have not been sufficiently informed about what voluntary overtime means. [ER.1, ER.16]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.1.2 and ER.16.1)

Recommendations for Immediate Action

Ensure workers receive further communication about the voluntary nature of overtime, and measure workers’ awareness of said policy.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The factory will create a policy for the overtime hours worked by the employees, explaining when they apply and their rights as well as their form of payment.
2. This policy will be made known to the workers

Company Action Plan Update

Completed during 2019 in accordance with the factory. Pending to receive the evidence.

NEW FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

Two supervisors exert excessive pressure on workers to reach production goals. According to workers, these supervisors aggressively, and continuously, insist to workers that they should work faster. The factory has already identified the need for training supervisors, and it is currently implementing a training process for them on different topics such as managing staff, production needs, and conflict management. At the time of the assessment, two training sessions have been completed. [ER.17.2]

Local Law or Code Requirement

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

Recommendations for Immediate Action

Ensure that supervisors at the Sewing Department do not commit psychological abuse against workers as a means to ensure production outputs are completed on time.

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory continues with the training to supervisors and boards to give a training of the deal with the personnel.

Visits are made by the head of production and Human Resources to the work areas to supervise and be in contact with the workers

Company Action Plan Update

Remediated in accordance with the factory. Pending to receive evidence.

NEW FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

The factory has not obtained the legally required Unique Environmental Licensee and Annual Operation Card (COA for its initials in Spanish). [HSE.1, HSE.4]

There are no spill kits to clean potential chemical spills at the Plotter Department and the Raw Material Warehouse. [HSE.1, HSE.6, HSE.9]

Local Law or Code Requirement

General Law on Ecological Balance, Articles 28, 29, 30 and 31; Health and Safety Regulations at the Workplace, Article 42 (section I); FLA Workplace Code (Employment Relationship Benchmark ER.2.1; Health, Safety and Environment Benchmarks HSE.1, HSE.4, and HSE.17)

Recommendations for Immediate Action

1.
Complete the process for obtaining the environmental permits.
2.
Provide spill kits at all areas where chemicals are used and stored.

COMPANY ACTION PLANS

Action Plan no 1.

Description

22.1. ENVIRONMENTAL LICENSEE AND (COA) DO NOT APPLY TO THE COMPANY BECAUSE IT IS CLASIFICATE TO LITLLE GENERATOR HAZARDS.

ACTUALLY TEXTURERIAS WAITING FOR CERTIFICATE OF CLEANING INDUSTRIAL BY SEMARNAT AND ENVIRONMENTAL AGENCY.

22.2. IMPLEMENT KIT ANTIDERRAMES IN THE AREAS OF STORE OF RAW MATERIAL AND PLOTTER

Company Action Plan Update

Texturerias have the certificate of cleaning Industrial by SEMARNAT and Environment Agency.Evidence is attached.

Texturerias implemented spill kits at all areas where chemicals are used and stored. Pending to receive evidence.

NEW FINDING NO.6

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

The factory has not completed a fire risk assessment, as legally required, in order to determine the level of fire risk present at the factory. [ER.2, HSE.1, HSE.4]

The last ast temperature, noise and illumination assessments, performed on October 8 2017, were not conducted by an accredited company, since the accreditation issued by the Mexican Entity of Accreditations to this external company expired in Dec 2016. [ER.2, HSE.1, HSE.4]

No ergonomic risks assessment has been conducted, as a result no proactive steps have been implemented to reduce repetitive-motion stress/injuries (such as ergonomic breaks), and workstations have not been adjusted as needed. [ER.2, HSE.1, HSE.4, HSE.17]

Local Law or Code Requirement

Mexican Official Norm 011-STPS-2001, Article 10.1 and Article 12.1; Mexican Official Norm 025-STPS-2008, Article 13.1; Mexican Official Norm 020-STPS-2000, Article 5.3; Health and Safety Regulations at the Workplace, Article 42 (section I); FLA Workplace Code (Employment Relationship Benchmark ER.2.1; Health, Safety and Environment Benchmarks HSE.1, HSE.4, and HSE.17)

COMPANY ACTION PLANS

Action Plan no 1.

Description

23.1. ELABORATE THE STUDY OF FIRE RISK OF THE COMPANY ACCORDING TO NORMATIVE AND DETERMINE THE LEVEL OF RISK PRESENT

23.2. COLLECT ACCREDITATIONS CURRENT TO OCTOBER 2017, OF THE LABORATORIES THAT CARRIED OUT STUDIES OF NOISE, LIGHTING AND TEMPERATURE

23.3. DEVELOP PROCEDURE OF ERGONOMIC RISKS WOKPLACE TO INCLUDE THE ACTIVE TO REDUCE STRESS AND INJURIES

Company Action Plan Update

Completed in accordance with the factory. Pending to receive evidence.

NEW FINDING NO.7

NOTABLE FEATURE

FINDING TYPE: Compensation

Finding Explanation

The factory provides free salads and fruit for all workers during lunchtime from Monday to Saturday.

The factory provides a monthly attendance bonus called “despensa,” which is MXN \$348.00 (around USD \$28.00) for all workers who come to work for the whole month and arrive on time.