



FAIR LABOR
ASSOCIATION®

INDEPENDENT EXTERNAL ASSESSMENT REPORT



Verification Assessment

COMPANIES: Commemorative Brands Inc.
COUNTRY: Mexico
ASSESSMENT DATE: 12/13/18
ASSESSOR: FLA EMEA
PRODUCTS: Jewelry [including watches]
NUMBER OF WORKERS: 274

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: Policies & Procedures (Macro)

Finding Explanation

1. There are no written policies or procedures for the following Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Environmental Protection, and Health & Safety.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.19.1 ER.23.1, ER.29.1, ER. 30.1, ER.31.1, and ER.32.1)

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status Partially Remediated

Explanation: According to a document review and management interviews, the factory has developed policies and procedures on the following Employment Functions: Recruitment, Hiring & Personnel Development; Hours of Work; Environmental Protection; and Health & Safety. There are policies but no procedures on Compensation. In addition, there were some issues with the existing policies and procedures:

- The Hours of Work policy establishes that workers cannot work more than 60 hours per week (48 regular hours and 12 overtime hours). However, local law only allows nine hours of overtime per week (three overtime hours per day, three days per week). Workers must be compensated for any additional overtime hours at 300% of their normal wage, but this time is not allowed in the first place; Moreover, the factory does not state that all that all overtime will be voluntary; the Internal Rules Handbook specifies that workers are required to work overtime whenever the factory needs them to do;
- The Termination & Retrenchment policy and procedures do not include the legal requirements regarding Retrenchment or how the factory will ensure compliance with these laws. The policy does not include a commitment to follow FLA requirements;
- There are no policies or procedures on ongoing training; and
- The Recruitment, Hiring & Personnel Development procedures do not specify the rules regarding non-discrimination or the steps that will be taken to prevent discrimination. In addition, the policy does not require the factory to seek workers' written feedback on their performance reviews. The assessors noted that workers do write comments on their assessments, but the policy does not require this or provide details regarding how these comments are factored in to the performance assessment results. [ER.1, ER.19, ER.23, ER.28, ER.29, ER.30, ER.32]

Root Causes: Management is aware of the FLA's general requirements, but they do not receive specific, effective training on the FLA

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.19, ER.23, ER.28, ER.29, ER.30, and ER.32)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1a) OT policy revised to reflect all OT hours will be worked on a voluntary basis. A voluntary OT form has been established to be signed by each employee as confirmation of their voluntary acceptance of the OT hours. The company's Internal Shop Rules to be revised to reflect all necessary changes resulting from Auditors' findings.

1b) Termination & Retrenchment policies and procedures revised to include legal requirements, if any, on retrenchment and to include the company's commitment to FLA requirements. Attached.

1c) Employee Training and Development policy, procedure & ongoing training schedule crafted. Attached.

1d) All policies have been revised to reflect non-discrimination steps to be taken to prevent discrimination in all employment policies including recruitment, hiring, compensation, and training. Employee review policy/procedure revised to ensure workers' written feedback on their performance reviews is considered and factors in to the performance assessment. See revised Employee Handbook for revisions.

PREVIOUS FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

1. The factory does not provide ongoing training for workers or supervisors for the following Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Workplace Conduct & Discipline, Grievance System, Environmental Protection, and Health & Safety.

Local Law or Code Requirement

Legal Requirements, FLA Workplace Code (Benchmarks)

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status Partially Remediated

Explanation: According to the factory's training records, employees have received ongoing training on factory's policies and procedures and FLA's policies in different sessions throughout 2018 (the last record was from August 16th 2018). However, the training still does not cover the following information which is missing from the factory's procedures: Hours of Work; Non-discrimination; Freedom of Association and Collective Bargaining; Recruitment, Hiring, and Personnel Development; Termination & Retrenchment; and Compensation. In addition, the supervisors have not received ongoing training since October 2017. [ER.1, ER.15, ER.17, ER.27]

Root Causes: The factory is considering training for employees but not specifically for supervisors explaining their responsibilities under

the Code of Conduct policies. The training program focuses on operative employees, but does not cover specific information for supervisors such as disciplinary methods, nondiscrimination, freedom of association, etc.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, ER.17, and ER.27).

COMPANY ACTION PLANS

Action Plan no 1.

Description

Employee new hire and ongoing training on all employment, compensation & benefit areas including hours worked, non-discrimination, freedom and collective bargaining, recruitment, hiring, and personnel development; termination & retrenchment has been formalized on attached training schedule. Supervisor training to include code of conduct and all employment formalized on training schedule attached.

PREVIOUS FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Review Process (Macro)

Finding Explanation

1. Since there are no written policies and procedures, the factory does not conduct a review process for the following Employment Functions: Recruitment, Hiring, & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Environmental Protection, and Health and Safety.

Additionally, the existing policies on Industrial Relations, Workplace Conduct & Discipline, Grievance

System are not regularly reviewed.

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

Remediated

Remediation Details

1. Finding Status Remediated

Explanation: According to a document review and interviews with management, all of the factory's policies and procedures are reviewed annually by the corporate offices and legal assessors. Updates are then made when applicable. The policies and procedures were last reviewed in September 2018.

PREVIOUS FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

1. Workers do not receive ongoing or regular communication about the following Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, and Termination & Retrenchment.

2. 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, ER.16.1, ER.25.2, ER.29.1.1, and ER.30.2)

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status Partially Remediated.

Explanation: According to a document review, workers are trained on the following topics: FLA information and policies, the factory's Code of Conduct, Employee Manual (including the related policies and procedures), and the Internal Rules Handbook. In addition, there is a meeting called "Coffee with the Manager" every three months. Workers who want to participate can sign up in the HR office and can raise any comments, concerns, or questions during the meeting. Assessors reviewed and verified the meeting records. Assessors also noted that the workplace rules and the FLA Workplace Code of Conduct were posted in the factory. However, during the worker interviews, workers were not able to clearly explain the factory's policies on Freedom of Association, the profit-sharing process, or the performance review system. [ER.1, ER.16, ER.29]

Root Causes: Since these topics are not considered initially in the factory's policies and procedures, they are not covered in the training. Also, there is no training procedure. This document will help to ensure all required topics (policies, procedures, related laws, internal protocol, etc) are covered in the initial and ongoing training on a systematic basis.

2. Finding Status Partially Remediated

Explanation: According to a document review and interviews with management and workers, workers are invited to participate in the Health & Safety Commission, the Mixed Committee for Training and Skills Development, the Mixed Employee Commission, and the Profit-Sharing Commission. However, there is no evidence that the Profit-Sharing Commission is involved in the Profit-Sharing project; profit-sharing calculations are performed automatically by the payroll computer system. Employees are not able to participate (through their representatives) in the calculation as required by law and ensure their rights are properly considered. In addition, the factory's policies and procedures are updated in the corporate offices without worker participation. [ER.1, ER.25]

Root Causes:

The policies, procedures and even some processes are elaborated and / or reviewed directly by the corporate and the management just implements them. That is why despite creating the commissions to meet the requirement; The effective participation of the workers is not considered since the decisions have already been made in the corporate and even factory managers do not necessarily participate on them.

Local Law or Code Requirement

Federal Labor Law Article 125 Clause I; FLA Workplace Code (Employment Relationship Benchmark ER.1, ER.16, ER.25, and ER.29)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1) Training to explain the policies on freedom of association, the profit-sharing process, or the performance review system established to be emphasized at new hire orientation. This orientation process will be conducted in 5 days (whole or partial) to ensure new employees receive, process and retain policies & procedures including FLA workplace code of conduct, and related protocols. Sample NEW HIRE AGENDA attached. Ongoing training policy and schedule on these and other employee related matters has been established to reinforce employee's knowledge and awareness in these areas. See attached training schedule.

2) Profit-sharing project/procedure established to ensure the Profit Sharing Commission, comprised of factory and company representatives, participate in the annual profit sharing calculation and distribution process. Last distribution dated March, 2019. See attached policy/procedure.

PREVIOUS FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The factory's general hiring practice is to hire all workers under temporary contracts signed on multiple and consecutive short-term periods; workers only have limited opportunities to become permanent employees. This is contrary to Mexican labor law and FLA Compliance Benchmarks, both of which only allow temporary contracts under certain conditions, which do not apply in this case.
2. Information requested on the job application includes age, gender, civil status, health status, and nationality. These questions may lead to discrimination during the recruitment process.
3. There are no job descriptions for any positions, production-related or administrative, within the factory.
4. There are no written policies and procedures on Personnel Development, which includes promotion, reassignment, and advancement of workers.
5. There are no written policies that promote continuous training for the different categories of workers within the factory to raise and broaden their skills, so that they can advance in their careers.
6. There are no policies and procedures on performance review for production workers, including the steps/processes for job assessment and promotional opportunities.

Local Law or Code Requirement

Mexican Federal Labor Law, Articles 25-III and VIII; FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.3.1, ER.8, ER.8.1, ER.8.2, ER.8.3, ER.9.1, ER.9.2, ER.28.1, ER.29.1, ER.30.1, and ER.30.1.1; Nondiscrimination Benchmark ND.2.1)

Recommendations for Immediate Action

1. Refrain from issuing and signing multiple temporary employment agreements with production workers.
2. Revise the current employment application form to remove all questions related to applicants' age, gender, civil status, health status, and nationality.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status Remediated

Explanation: The factory provided permanent contracts to its current employees stating their original hiring date in order to respect their service time. The factory signs labor contracts with new employees for an undetermined amount of time as required by law. Assessors verified this through worker interviews and by reviewing the labor contracts for 30 employees.

2. Finding Status Partially Remediated

Explanation: According to a review of the HR and medical files, the factory eliminated questions about health and marital status from the job application form, however, the form still asks for information that is legally required, such as the applicant's age, gender, and nationality. This information is required for legal compliance; the factory must verify applicants' age and nationality to request the appropriate documentation such as school certificates (for young workers) or legal working permission (required by law for migrant workers). In order to avoid discrimination, the factory has developed job descriptions for each position that are based on abilities and capacities. These documents were provided to the auditors for revision. [ER.3, ND.2]

Root Causes:

1. Local law requires the factory to verify workers' age and nationality.
2. The factory does not have non-discrimination procedures that specify how to avoid discrimination throughout all Employment Functions.

3. Finding Status Remediated

Explanation: The job descriptions for all positions are listed in the employees' catalogue.

4. Finding Status Not Remediated

Explanation: According to a document review and interviews with management and workers, the factory has developed performance review procedures that cover performance evaluations for the purpose of salary increases; however, the procedures do not include a promotion process. In addition no policies and procedures were developed for reassignment process. [ER.1, ER.30]

Root Causes: Management is missing training on the complete FLA Workplace Code. They did not consider the complete Benchmark with the complete implementation and information process.

5. Finding Status Not Remediated

Explanation: According to a review of the Employee Handbook and the Employee Policies and Procedures, there are no written policies that promote continuous training program in order to raise and broaden workers' skills so that they can advance in their career within the factory and beyond. [ER.1, ER.28]

Root Causes: Management only focused on the performance review process and salary increases, they did not consider the need to prepare workers for promotion possibilities.

6. Finding Status Partially Remediated

Explanation: The factory has developed a performance review procedure, but they only provide details on assessments for the purpose of salary increases, not promotions. Furthermore, the assessment protocol only covers salary increases after the first performance review (the first performance review occurs one year after hiring and after that performance reviews are only conducted every two years); depending on the position there is a point after which assessments will be performed but salary increases will not necessarily be provided. [ER.1, ER.29, ER.30]

Root Causes: Management only focused on the performance review process and salary increases, they did not consider promotion possibilities.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.3, ER.28, ER.29, and ER.30; Non-Discrimination Benchmark ND.2)

COMPANY ACTION PLANS

Action Plan no 1.

Description

5 (2a) Company revised employment application to workers' age and nationality; refer to employment application attached.

5 (2b) Employment, compensation & training policies revised to include Non-discrimination and steps taken to prevent discrimination.

5 (4) Manufacturing employee policy compensation - promotion and salary increase procedures developed.

5 (5a) Manufacturing employee policy compensation - promotion and salary increase procedures developed; employee training scheduled for new hire and ongoing thereafter per training schedule attached.

5 (5b) Policy promoting continuous training developed; all employees (factory & management) to receive training per training schedule attached.

5 (6) The current Manufacturing Compensation Structure provides a clear path, timeline and compensation levels for each skill level milestone an employee can progress thru during the first 2 years in the job. See attached (PLAN DE COMPENSACION - TRABAJADORES DE PRODUCCION). Prior to reaching the next skill level milestone, the employee is trained and tested to ensure he/she possesses the required skills to successfully test and certify at the next level. The employee's salary increases according to the pay grid. Within the two major operator categories, Specialized and Non-Specialized, the employee is cross trained in multiple skills. The employee's skill level is continuously measured and is considered for promotion when skill level reaches the required efficiency. Upon reaching the top level of the compensation matrix, the employee's salary is reviewed every year thereafter and recommended for an increase based on merit increase percentage standards established by the Company for all employees each year. Attached is current manufacturing compensation structure.

PREVIOUS FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. Factory management does not sufficiently inform workers and supervisors about wages and benefits. In addition, the factory does not conduct training to ensure that workers understand the wage structure, calculation of and legal provisions applicable to bonuses, and other benefits, such as vacation, the Christmas bonus, and profit sharing.

2. Factory management did not allow workers to rest on November 16, 2015, which was a national Holiday; instead, workers rested on November 20, 2015, which is not allowed by the Mexican Federal Labor law.

Local Law or Code Requirement

Mexican Federal Labor Law, Articles 74 and 75; FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.16.1, ER.17.1 and ER.22.1; Hours of Work Benchmarks HOW.1 and HOW.10; Compensation Benchmarks C.17.1, C.17.1.1, C.17.1.2, C.17.1.3, and C.17.1.5)

Recommendations for Immediate Action

1. Ensure that all workers are provided a rest day on national holidays, as legally required.

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status Partially Remediated

Explanation:

According to a review of the training material and interviews with workers, assessors confirmed that the factory trains workers on Social Security benefits and the timing and location of wage payments. However, the training does not cover the wage structure, bonuses including the Christmas bonus, leave, or profit-sharing. [ER.1, ER.16, C.17]

Root Causes:

Management is aware of the FLA's general requirements; however, they do not receive specific, effective training on the FLA Workplace Code and Benchmarks or its implementation mechanisms.

2. Finding Status Remediated

Explanation: The factory no longer requires workers to work on national holidays. To verify this, assessors reviewed 22 workers' time records from the following holidays: December 25th, 2017; January 1st, 2018; February 6th, 2018; March 6th 2018; May 1st 2018; and November 19th 2018. All of these holidays took place during the regular work week. Assessors noted that in the records, the payroll administrator manually marked a time in and time out. Management explained that this was done to calculate their payment. This was verified during worker interviews and a review of the payroll and production records.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.16.and Compensation Benchmark C.17)

COMPANY ACTION PLANS

Action Plan no 1.

Description

6 (1) The New Hire orientation process has been enhanced to ensure all employment, compensation & benefit areas are covered. This process will be conducted in 5 days (whole or partial) to ensure new employees receive, process and retain policies & procedures including FLA workplace code of conduct, and related protocols. Sample NEW HIRE AGENDA attached. Additionally, employees (factory & management) will receive ongoing training on all areas throughout the year per training schedule attached.

PREVIOUS FINDING NO.7

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. A review of payroll and time records from the period March 2015 to August 2015 showed that 20 production workers exceeded 60 hours a week; on average, these employees worked between 60.5 and 63 hours per week.

Local Law or Code Requirement

Recommendations for Immediate Action

1. Ensure that employees do not work more than 60 hours per week.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status Remediated

Explanation: Assessors reviewed the time records of 22 sampled workers from the following periods:

- a. December 17, 2017-January 6, 2018
- b. April 29-June 2, 2018
- c. September 3-23, 2018
- d. October 29-November 25, 2018

Workers did not work more than two overtime hours per week during these time periods. This overtime occurred from October 28-November 4, 2018.

PREVIOUS FINDING NO.8

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

1. Factory does not a procedure for determining payouts, including methods for the correct assessment of payouts for all modes of termination/retrenchment, taking into account national legal requirements.
2. Factory has not formally established channels for workers to confidentially express any concerns or problems they may be experiencing around legally owed payment during the retrenchment process.

Local Law or Code Requirement

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

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status Partially Remediated

Explanation: The factory developed a termination procedure that lists the factors that must be considered when calculating severance pay (e.g. pending vacations, accumulated Christmas bonuses, etc.) but does not specify how these calculations are performed. In addition, the procedure does not include any information on the retrenchment process and requirements. [ER.1, ER.19]

Root Causes: Management is aware of the FLA's general requirements, but they do not receive specific and effective training on the FLA Workplace Code and Benchmarks or its implementation mechanisms.

2. Finding Status Partially Remediated

Explanation: Although the termination procedure has been finalized, the procedure still does not list the confidential phone number that workers can use to express their concerns or problems they may be experiencing around legally owed payment during the Retrenchment process. [ER.1, ER.19, ER.25]

Root Causes: Management is aware of the FLA's general requirements, but they do not receive specific and effective training on the FLA Workplace Code and Benchmarks or its implementation mechanisms.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.19, and ER.25)

COMPANY ACTION PLANS

Action Plan no 1.

Description

8 (1) Settlement payout components – manner of calculation to be added to payout calculation. See attached Explanation.

8 (2) Termination & Retrenchment policies revised to include confidential phone number workers can call to express concerns or problems with legally owed payments.

PREVIOUS FINDING NO.9

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The evacuation plan posted in the production areas lack the following information required by law: a) the location of emergency exits, b) location of fire extinguishers, c) location of first aid kits, d) the name of the factory, and e) the neighboring properties.
2. The factory management does not conduct a risk analysis to determine the type of Personal Protective Equipment (PPE) required for each job position.
3. There is no secondary containment for chemical containers temporarily stored in the hazardous waste warehouse.
4. One toilet was out of service at the female restroom in production area.
5. The factory does not have Material Safety Data Sheets (MSDS) available for the chemicals Sprits General Purpose Mold Release and Sinergy 905 in the production area. In addition, 15 MSDS for chemicals in the production area of the factory were in English, which is not the workers' local language.
6. A non-accredited company conducted the lighting and noise analysis performed in administrative offices, and production areas.
7. The factory does not mark evacuation routes in the Stone and Diamond areas.
8. The forklift recharge station is not equipped with an eyewash station.
9. The first aid kit installed in the production area does not contain any medical supplies.
10. The factory does not have warning signals with information on the danger of high voltage in the electrical panels.
11. One fire extinguisher is blocked by finished goods; in addition, four fire extinguishers are installed outside the facility in the main yard without protection from the elements.

Local Law or Code Requirement

Federal Regulation of Occupational Safety, Health and Working Environment, Articles 18-IX, 22-IX, 47 and 55; Mexican Official Norm NOM-002-STPS-2010, Articles 5.2, 7.2-b and 7.10; NOM-017-STPS-2008 5.2 and 5.3; Mexican Official Norm NOM-025-STPS-2010-5.5, 5.2, and 7.15; Mexican Official Norm NOM-011-STPS-2008-10; Mexican Official Norm NOM-005-STPS-1998, Articles 5.2 and 5.4; Federal Labor Law, Article 504; FLA Workplace Code (Health, Safety, & Environment Benchmarks HSE.1, HSE.2, HSE.5.1, HSE.6.1, HSE.8, HSE.9.1, HSE.10.1, HSE.13, HSE.19, and HSE.20)

Recommendations for Immediate Action

1. Include the following information in the evacuation map: the entire emergency exits, location of fire extinguishers and first aid kits, the name of the factory and the neighborhood properties.
2. Conduct a risk analysis to determine the type of PPE required for each job position.
3. Install secondary containers for all chemical containments according to their contents.
4. Ensure that all toilets at restrooms are kept in good condition at all times.
5. Keep the MSDS for all chemicals used in production areas available for workers in Spanish.

6. Arrange for a legally required accredited third party company to conduct the lighting and noise analysis in relevant working areas, and follow the appropriate measures/adjustments based on the results.
7. Mark the evacuation routes in the Stone and Diamond areas.
8. Install an eye wash station in the forklifts recharge station.
9. Resupply first aid kits and develop a system to maintain and track the usage and supply of all first aid kits within the factory.
10. Install hazardous warning signs indicating high voltage in all electrical panels.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status Remediated

Explanation: During a factory tour, assessors confirmed that the evacuation plans reflect all required information.

2. Finding Status Remediated

Explanation: Assessors confirmed that management conducts a risk analysis to determine the type of PPE required for each job position.

3. Finding Status Remediated

Explanation: There is secondary containment for the chemicals stored in the warehouse.

4. Finding Status Remediated

Explanation: Assessors confirmed that the toilets are in good condition.

5. Finding Status Remediated

Explanation: During a factory tour, assessors verified that the MSDS for all chemicals in use at the factory are available in the local language.

6. Finding Status Remediated

Explanation: Assessors reviewed the lighting and noise level assessment updates and confirmed that they complied with legal requirements.

7. Finding Status Remediated

Explanation: During a factory tour, assessors observed that the evacuation routes are marked correctly in the Stone and Diamond areas.

8. Finding Status Remediated

Explanation: During a factory tour, assessors observed that an eye wash station was installed in the forklift recharge station.

9. Finding Status Remediated

Explanation: During a factory tour, assessors confirmed that the first aid kit in the production area is fully stocked with medical supplies.

10. Finding Status Remediated

Explanation: During a factory tour, assessors confirmed that there are warning signs posted that provide information on the danger of the high voltage in the electrical panels.

11. Finding Status Remediated

Explanation: During a factory tour, assessors observed that all fire extinguishers are unobstructed and protected from the elements.

PREVIOUS FINDING NO.10

NOTABLE FEATURE

FINDING TYPE: Compensation

Finding Explanation

1. The following benefits are provided to workers, although they are not required under applicable national laws: a) a weekly punctuality bonus to workers who arrive on time during the whole work week; b) subsidized food for workers: the factory pays 50% of the total amount that workers paid for their meals in each work week.

New Findings and Action Plans

NEW FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The factory's medical questionnaires show that the doctor asks female applicants for the date of their last period(FUM). Local law prohibits the factory from asking this question, which could enable the factory to verify if the applicant is pregnant. The assessor asked for evidence that female applicants have been hired after answering this question with a date that indicates pregnancy, however, the factory was unable to provide any. [ER.3, ND.1,ND.5]

Local Law or Code Requirement

Federal Labor Law Article 2nd ; FLA Workplace Code (Employment Relationship Benchmark ER.3; Non-Discrimination Benchmarks ND.1 and ND.5)

Recommendations for Immediate Action

1. Cease the practice of asking female applicants for the date of their last period. Ensure that there is no discrimination against pregnant applicants in the Recruitment & Hiring process.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Upon notice of this finding, company IMMEDIATELY revised questionnaire and deleted prohibited question. Revised questionnaire attached.

NEW FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The Profit-Sharing Commission is not involved in the development or review of the profit-sharing project. Instead, the profit-sharing calculations are done automatically by the payroll computer system. Assessors reviewed the profit-sharing records and did not find any calculation errors, however, local law requires that the Profit-Sharing Commission have the opportunity to participate in the profit-sharing project in order to ensure compliance. This participation must include reviewing the annual data (wages and working days for the whole factory's population) and develop the profit sharing project in accordance with legal specifications. [ER.25, C.1]

Local Law or Code Requirement

Federal Labor Article 125 Clauses I, II, III and IV; FLA Workplace Code (Employment Relationship Benchmark ER.25; Compensation Benchmark C.1)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Profit-sharing project procedure established to ensure the Profit Sharing Commission, comprised of factory and company representatives, participate in the annual profit sharing calculation and distribution process.

NEW FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. The Industrial Relations policy states that the factory recognizes and respects the workers' rights to freedom of association and collective negotiation; however, it does not specify how the factory will guarantee these rights, protect workers against retaliation or discrimination, prevent management interference, ensure transparency, or enable workers to raise concerns related to Industrial Relations. [ER.1]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.1)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Policy revised to outline how the company will ensure employees' rights to freedom of association and collective negotiation are protected, afforded protection against retaliation or discrimination,etc.

NEW FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Grievance System

Finding Explanation

1. The Grievance procedures do not include a mechanism for workers to submit their grievances confidentially. The procedures also mention that workers' confidentiality will be protected as much as possible, but there is no

guarantee that confidentiality will be respected. [ER.1, ER.25]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.25)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Grievance procedure revised to define mechanism for workers to confidentially submit their grievances and commitment to ensure worker confidentiality.

NEW FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. There is no eye wash station in the Tool Crib area. [HSE.6]
2. The factory does not keep records of work-related injuries, fatalities, accidents, and incidents, and these events are not investigated. [HSE.3]
3. The factory does not provide training regarding PPE usage. [ER.1, HSE.7]
4. The factory does not provide training to workers regarding the handling and storage of materials or the use of the lifting truck. [ER.1, HSE.14, HSE.17]
5. The warehouse area is lattice for security reasons. During working hours, the door is open. However, there is no specific procedure to ensure the lattice keys are available and the door could never be closed during working hours.
6. There are no signs posted to indicate the storage racks' maximum load. [HSE.14]

Local Law or Code Requirement

Artículo 5.4 de la Norma Oficial Mexicana NOM-005-STPS-1998; Artículos 4.6 y 4.8 de la Norma Oficial Mexicana NOM-030-STPS-2009; Artículo 5.6 de la Norma Oficial Mexicana NOM-017-STPS-2008; Artículos 5.11 y 7.8.5.2.a de la Norma Oficial Mexicana NOM-006-2014; Artículo 7.1.1 de la Norma Oficial Mexicana NOM-001-STPS-2018; Artículo 9.1 inciso c) de la Norma Oficial Mexicana NOM-006-STPS-2014; Artículo 5.4 de la Norma Oficial Mexicana NOM-026-STPS-1998; FLA Workplace Code (Employment Relationship Benchmark ER.1; Health, Safety, & Environment Benchmarks HSE.3, HSE.6, HSE.7, HSE.14, and HSE.17)

Recommendations for Immediate Action

1. Install an eye wash station in the Tool Crib area.
2. Provide training on PPE usage.
3. Provide training regarding the handling and storage of materials or the use of the lifting truck.
4. Create a procedure to ensure that the lattice keys are available and the door is never closed during working hours.
5. Define the weight and stowage limits allowed in the racks based on the manufacturer instructions and the Health and Safety assessment and post informative signs.

COMPANY ACTION PLANS

Action Plan no 1.

Description

- 1) Eye wash station has been purchased for tool crib area; scheduled for installation no later than 5/31/2019.

2) Work related injury recordkeeping, investigation process and ancillary duties of responsible parties addressed in Safety & Health program manual. Separate recordkeeping process established for these injuries and is to be maintained by company Nurse.

3) PPE training currently provided at new hire orientation or when employee moves, transfers or promotes to different position. Ongoing training schedule established. See attached ongoing training matrix.

4) Training cost on material and storage handling and use of lifting truck identified. Initial employee training to conclude no later than 10/31/2019 – yearly training thereafter.

5) Procedure to ensure warehouse area lattice keys are available and door is kept open during work hours established. Attached.

6) Current racks require upgrade to support storage limits defined. Once upgraded, support storage limit signage to be displayed. ETA of action plan 5/31/2019.