



FAIR LABOR  
ASSOCIATION®

## INDEPENDENT EXTERNAL ASSESSMENT REPORT



### Verification Assessment

COMPANIES: Tervis Tumbler  
COUNTRY: Mexico  
ASSESSMENT DATE: 08/22/18  
ASSESSOR: Francisco Chicas  
PRODUCTS: Apparel  
NUMBER OF WORKERS: 270

## 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

#### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Recruitment, Hiring & Personnel Development

##### Finding Explanation

1. The factory has job descriptions for all production positions, but the employment criteria for all positions include a minimum and maximum age and a gender specification. 2. The employment application forms the factory uses during the Recruitment process ask for information on the applicant's gender, marital status, and other irrelevant information including previous surgeries, injuries, or fractures, which may lead to discrimination during the Recruitment process. Although there is no evidence that such information is requested for discriminatory purposes, factory management should collect this data once the applicant has been hired rather than during the Recruitment process.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.3.2; Non-Discrimination Benchmark ND.2.1)

##### Recommendations for Immediate Action

1. Remove any employment criteria related to gender or age from the job descriptions for all positions. 2. Remove questions about gender, marital status, and medical conditions from the employment application forms to ensure Recruitment & Hiring decisions are based solely on the qualifications of the applicant. Revise the current Recruitment & Hiring procedures to ensure that information related to workers' gender, marital status, and medical history is collected only after workers have been hired.

#### VERIFICATION RESULT

##### Finding Status

Remediated

##### Remediation Details

1. Finding Status (Remediated)

Explanation: The factory's job descriptions are free from discriminating criteria and based solely on the candidate experience and skills.

2. Finding Status (Remediated)

Explanation: Employment application forms are free from discriminating criteria and now requires only name, address, personal references and job expectations.

## PREVIOUS FINDING NO.2

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Recruitment, Hiring & Personnel Development

##### Finding Explanation

Workers are not provided written documentation regarding promotion, demotion, or job reassignment.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.30.1.2)

### VERIFICATION RESULT

##### Finding Status

Not Remediated

##### Remediation Details

1. Finding Status (Not Remediated)

Explanation: The factory has not yet implemented a written notice for workers regarding their promotions or job reassignment.

[ER.30.1.2]

Root Causes: The factory identified the lack of communication on promotions as an issue. Factory explained during the audit they did not acknowledge correct interpretation of the requirement.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.30.1.2)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

There is a "Change of employee status format", which is used for promotions, demotions and any change in salary. A change in procedure was implemented, to specify that a copy of this document must be given to the employee; and the employee has to sign acknowledging receiving this form.

##### Planned completion date

12/02/16

## PREVIOUS FINDING NO.3

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Hours of Work

##### Finding Explanation

1. From a sample review of 120 workers' time records and pay slips from May 23-29, 2016, assessors noted 25 cases in which production employees from different areas exceeded 60 hours of work per week. For example, one employee from Embroidery Line 2 worked 17.36 overtime hours and another employee from Embroidery Line 3 worked 17.56 overtime hours, adding up to a total of 65.36 and 65.56 hours of work per week, respectively. 2. During the week of May 23-29, 2016, assessors also found 23 instances of employees (19 from the embroidery lines, two from the digitalization and samples department, one from maintenance, and one from the warehouse) working on both Saturdays and Sundays (their designated weekly rest days) and not receiving an additional rest day in the following 7-day period, as per FLA Benchmarks.

##### Local Law or Code Requirement

### Recommendations for Immediate Action

1. Ensure that workers do not work more than 60 hours per week. 2. Provide workers with at least one rest day per week. When this is not possible, provide workers with at least one day off in the following 7-day period.

## VERIFICATION RESULT

### Finding Status

Remediated

### Remediation Details

#### 1. Finding Status (Remediated)

Explanation: For the months reviewed (December 2017, May 2018, and August 2018), the assessors did not note any working hours over 60 per week. The maximum overtime noted was at 56 hours/week.

#### 2. Finding Status (Remediated)

Explanation: For the months reviewed (December 2017, May 2018, and August 2018), the assessors did not note any workers to have worked more than six consecutive days without a resting day.

## PREVIOUS FINDING NO.4

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Industrial Relations

### Finding Explanation

1. There is a CBA in place but it was not signed by a workers' representative structure. Assessors noted the following elements proving that there is no genuine worker representative structure in the factory: a) Management automatically affiliates workers with the union during the hiring process, this practice is in line with the inclusion clause incorporated in the CBA that requires that all hired workers to become union members (Second Clause); b) there are no worker representatives elected by workers; c) workers do not participate in general assemblies; d) there is no worker participation in the CBA revision or in the annual salary revision required by law; e) unions fees are not deducted from workers' salaries, instead, the factory management provides such payment to the union once a year; and finally, f) conditions regulated in the CBA barely exceed the legal minimum requirements. 2. The factory has not posted the CBA so that it can be reviewed or consulted, as legally required, nor provided copies of the CBA to the workers, as per FLA Benchmarks. 3. FLA's special comment on Freedom of Association in Mexico: Factory workers in Mexico face a unique barrier to their rights to freedom of association and collective bargaining through the widespread use by employers of illegitimate Collective Bargain Agreements (CBAs), commonly known as "protection contracts". Governmental institutions, such as the Conciliation and Arbitration Boards and the Secretariat of Labor, as well as some of the main national union confederations also have responsibility in perpetrating this practice. Designed to protect employers from having to negotiate with legitimate unions representing workers' interests, a "protection contract" is a CBA signed between an employer and an employer-dominated union that does not truly represent workers and their interests. These unions may be the creation of a lawyer, a union federation, or bogus "union leaders," but in each case the CBAs are drafted and signed without real and effective consultation with workers or workers' knowledge of the terms of the agreement. In some cases, employers sign protection contracts as a response to the pressure exerted by union confederations and due to the lack of oversight by the local authorities to prevent such practice. In determining the legitimacy of union representation in Mexican factories, FLA assessors look for certain criteria that indicate whether the union is truly representing workers or there is a violation of the freedom of association element of the FLA Workplace Code of Conduct. These criteria can be found in detail here: <http://www.fairlabor.org/report/protection-contracts-mexico>.

### Local Law or Code Requirement

International Labor Organization (ILO) Convention 87, on Freedom of Association and Protection of the Right to Organize (ratified by the Mexican State on April 01, 1950), Art. 2; Federal Labor Law, Articles 357, 358 and 359; FLA Workplace Code (Employment Relationship Benchmarks ER.16.2 and ER.26; Freedom of Association Benchmarks FOA.1, FOA.2, FOA.10, FOA.16.1, FOA.20.1, and FOA.20.2)

## VERIFICATION RESULT

### Finding Status

Not Remediated

## Remediation Details

### 1. Finding Status (Not Remediated)

Explanation: No major changes were noted in the CBA to protect the workers' freedom of association. The last review of the CBA was in February 2018. The CBA still includes a clause stating that workers must be immediately affiliated to the union at the moment of hiring without any option to refuse affiliation or join other unions. Although workers' representatives are elected through a bipartisan system, the party elected is composed entirely of second shift workers (evening shift from 16:30 - 00:55 Mon - Fri) which are roughly a fifth of the total workers. There are no records of union assemblies and workers confirmed that the union has no significant presence in the labor relations. Although worker representatives could retell their participation on the CBA review and the profit-sharing bonus (PTU), the representatives stated that they had not received any formal training on the process. There are still no union fees noted in the workers' payroll. The most recent CBA includes additional benefits such as deceased monetary support and scholarships. [FOA.2, FOA.10, FOA.16.1, FOA.20.1]

Root Causes: Facility management struggles to comprehend the core meaning and requirements on freedom of association, arguing that they are complying with the local law and defensive stance of the current union on their exclusiveness clause. Management also claimed that they followed the instructions left in the previous audit on "getting the union on movement". However, the union is still a "White Union" (as are regionally known) with a protection contract agreed between management and an external national union confederation integrated by several unions across the country led by a central organ dedicated to deliver protection contracts to the requiring employers to avoid the formation of legitimate unions.

### 2. Finding Status (Remediated)

Explanation: The CBA was found posted in the communication board of the facility. Workers could also recognize the CBA location.

### 3. Finding Status (Not Remediated)

Explanation: Facility management failed to acknowledge the freedom of association principles and requirements for compliance with international standards. In addition, the facility is in a complicated position to counter the current CBA due the union affiliation to a national confederation with a strong labor and political power and influence. [FOA.2, FOA.10, FOA.16.1, FOA.20.1]

Root Causes: Management comprehension on the freedom of association concept and principles. Current national law that allows White Unions and protection CBAs with exclusivity clauses.

## Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.26; Freedom of Association Benchmarks FOA.2, FOA.10, FOA.16.1 and FOA.20.1)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

4.1 The CBA has been modified to exclude the clause number Four, where it indicated that all vacant positions had to be requested to the union and that it was mandatory for all employees to affiliate to the union.

4.3 The union was formalized or "activated"; the employees held open and free elections, and they chose the group that would represent them. This group has been involved and present in yearly salary and benefits contractual negotiations

#### Planned completion date

12/02/16

#### Company Action Plan Update

4.1 Contract has been modified and accepted by the union. And has been presented to Federal work authorities, for approval and registration

4.3 Union has been operating normally and freely for almost 2 years.

## PREVIOUS FINDING NO.5

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Environmental Protection

#### Finding Explanation

The solid waste collection area is not protected from the elements (sun and rain).

#### Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmark HSE.1)

#### Recommendations for Immediate Action

Protect the solid waste collection area from the elements.

### VERIFICATION RESULT

#### Finding Status

Remediated

#### Remediation Details

1. Finding Status (Remediated)

Explanation: During the facility walkthrough, it was noted that metal structures were installed to store waste and scrap and were located under roof the waste collection area is protected from the elements while the authorized collector disposes of them as per document review.

### PREVIOUS FINDING NO.6

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

#### Finding Explanation

1. There is no secondary containment system in the chemical storage room in case of spillage. 2. During the physical inspection, assessors noted one ladder in the warehouse did not have a non-slip mechanism at the base, increasing the risk of falling. 3. The factory has not defined the maximum height for storing raw material in the fabric and accessories warehouses, as legally required. 4. One fire extinguisher was placed on the floor in the food preparation area. Local law requires that all fire extinguishers should be placed at least ten centimeters above the floor. 5. When it rains, the floor outside of the canteen area gets wet, increasing the risk of slipping. 6. There are no warning lines to warn workers of the uneven floor in the male bathroom in the production area. 7. The factory does not have a use of soil permit or a municipality permit, both of which are required by law. The soil permit is an authorization for a factory or business to perform its activities in the specific area where it is located. 8. Assessors noted one trashcan without a lid in the canteen area.

#### Local Law or Code Requirement

Mexican Official Norm NOM 005-STPS-1998, Article 5.10; Mexican Official Norm NOM 001-STPS-2008, Articles 7.1.1, 7.7.2.3 and 7.7.2.6; Mexican Official Norm NOM 006-STPS-2013, Article 7.7 section g); Mexican Official Norm NOM 002-STPS-2000, Article 9.2.3 section b); Mexican Official Norm NOM 001-STPS-2008, Article 7.4 section b); Internal Regulations of the Secretariat of Urban and Metropolitan Development, Article 9, Section XVI and Article 13, Section VI; Revenue Law of Aguascalientes Municipality from 2013, Article 9; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.9.1, HSE.14.1, and HSE.19)

#### Recommendations for Immediate Action

1. Install a secondary containment system in the chemical storage room. 2. Replace the unsafe ladder in the warehouse with a new one that meets all basic safety standards to reduce the fall risk. 3. Conduct an assessment to determine the appropriate maximum storage height in the warehouses. Define this height as legally required. 4. Install the fire extinguisher in the food preparation area at least ten centimeters above the floor. 5. Equip floor in the outside area of the canteen with a non-slip mechanism to avoid falls due to wet floor. 6. Mark the uneven floor in the male bathroom in the production area with warning lines (brightly colored lines painted on the floor) to alert workers about the risk of falling. 7. Complete the process for obtaining a use of soil permit and a municipality permit. 8. Equip all trashcans at the canteen area with lids to ensure a sanitary environment.

### VERIFICATION RESULT

#### Finding Status

Not Remediated

### Remediation Details

#### 1. Finding Status (Not Remediated)

Explanation: There is no secondary containment system in the chemical storage area located on the first floor of the maintenance workshop or for the hazardous waste containers of located at the printing area of the Flex style sector. [HSE.9.1]

Root cause: The measure to install secondary containment system was based on volume quantity and not on the risk of the chemical stored.

#### 2. Finding Status (Partially Remediated)

Explanation: The ladder used in the warehouse was removed and is not used anymore. However, another ladder used to access the roof of Flex style sector did not have a non-slip mechanism at the base. Although it did not move easily due to it being placed at an angle of inclination and the floor was not slippery, it still poses a falling risk. [HSE.1]

Root cause: The facility has not considered all possible risks related to the use of ladders when they are not used regularly.

#### 3. Finding Status (Remediated)

Explanation: The maximum height for storing raw material at the fabric and accessories warehouses had been marked. These limits were respected and no unsafe conditions were observed.

#### 4. Finding Status (Remediated)

Explanation: The fire extinguisher at the food preparation area was properly installed and available in good conditions for use.

#### 5. Finding Status (Partially Remediated)

Explanation: The floor located in the outside area of the canteen was provided with non-slip strips to avoid falls due to wet floor. However, the non-slip strips were found worn out and did not covered all the fall risk area. In addition, the floors were wet and slippery during the assessment. [HSE.1]

Root cause: Lack of monitoring the effectiveness of measures implemented.

#### 6. Finding Status (Remediated)

Explanation: The warning lines were painted and visible to warn workers of the uneven floor in the male restroom in the production area.

#### 7. Finding Status (Remediated)

Explanation: Based on document review, it was found that the factory obtained the Municipality License which allows activities in accordance with factory operations observed. No issues were noted in the license number issued by the Economic Development Secretariat of the Municipality of Jesús María. The License is valid for one year (up to February 24, 2019) in accordance with local regulations.

#### 8. Finding Status (Remediated)

Explanation: All trashcans at the canteen area had lids and, based on document review, organic wastes coming from the canteen are properly segregated and disposed.

### Local Law or Code Requirement

Mexican Official Norm NOM 005-STPS-1998, Article 5.10 and Federal Regulations on Safety and Health at work, Article 22, fraction IX; Mexican Official Norm NOM 001-STPS-2008, Articles 7.1.1, 7.7.2.3 and 7.7.2.6; Mexican Official Norm NOM 001-STPS-2008, Article 7.4 section b); FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.9.1)

### Recommendations for Immediate Action

1. Ensure that the secondary containment system is provided where hazardous chemicals substances are stored and for the hazardous waste containers that are temporary located at production area during operations.
2. Provide non-slip mechanisms at the base of the ladder and make sure that all ladders used meet basic safety standards to reduce the fall risk.
3. Provide a non-slip mechanism to the floor in the outside area of the canteen and ensure that all slippery areas are covered with this measure, as well as ensure that anti-slip strips installed are maintained in good condition.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

6.1 Instead of installing a separate containment system in the maintenance area, we defined a new area for all chemicals and built a proper containment system

6.2 New ladder was designed and built. This ladder is removable, but when installed it is secured (hooked) on the top and has non-slip material at the bottom of both legs. And when not in use, the ladder is placed removed and hangs on a wall.

6.5 New and more non-slip strips were installed outside the lunch room

#### Planned completion date



## PREVIOUS FINDING NO.7

### SUSTAINABLE IMPROVEMENT REQUIRED

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

##### Finding Explanation

1. The factory does not have written policies for the following Employment Functions: Recruitment, Hiring & Personnel Development, Hours of Work, Compensation, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, and Grievance System. 2. The factory does not have procedures on the following Employment Functions: Personnel Development, Hours of Work, and Industrial Relations. 3. There was no procedure of performance reviews that includes steps and processes, demonstrates linkages to job grading, prohibits discrimination, provides written feedback, and complies with legal requirements. 4. The factory's Termination & Retrenchment procedures do not include: methods of calculating final payouts in accordance with legal requirements; communication and consultation with workers' representatives in cases of retrenchment, before reaching a final decision on a layoff with the purpose of averting or minimizing its effects; a mechanism that allows workers to report any concerns or problems they may experience with regard to legally-owed payments during the retrenchment process. 5. The factory's Workplace Conduct & Discipline procedures do not include an appeal process or the workers' right to have a third party witness of their own choosing present during the imposition of disciplinary actions. 6. The factory's Environmental Protection procedures do not include steps for workers to report environmental concerns or protect workers who allege environmental violations against retaliation. 7. The factory's Health & Safety procedures do not include steps for workers to report Health & Safety concerns or protect workers who do so against retaliation.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.19.1, ER.23.1, ER.25, ER.27.4, ER.28.1, ER.29.1, ER.30.1, ER.30.1.1 ER.31.2.4, ER.31.2.5, ER.31.2.6, ER.32.1, and ER.32.3; Health, Safety & Environment Benchmark HSE.1)

### VERIFICATION RESULT

##### Finding Status

Not Remediated

##### Remediation Details

###### 1. Finding Status (Remediated)

Explanation: The factory has implemented written policies for the following Employment Functions: Recruitment, Hiring & Personnel Development, Hours of Work, Compensation, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, and Grievance System.

###### 2. Finding Status (Not Remediated)

Explanation: Factory has implemented policies on "Labor benefits and Freedom of Association". Although, the labor benefits policy mentions the hours of work there is no clear procedure mentioned to ensure the working hours established are guaranteed. Moreover, the freedom of association procedure does not contain any procedure other than the responsibilities. Finally, procedures on Personal Development are still missing.

[ER.1.1, ER.23.1]

Root Causes: The factory lacks comprehension of the structure of a procedure and confuses it with regulations or policies.

###### 3. Finding Status (Not Remediated)

Explanation: There is still no written procedure on worker evaluation and performance reviews. Management claims that workers are continually evaluated to consider raises category upgrades. However, there is no written evidence and workers are not aware of any related procedures. [ER.25.1, ER.29.1, ER.30.1.1]

Root Causes: The Factory is not used to implement and communicate a formal procedure for personal development and job grading, as they usually allow supervisors to choose worker grading without further and neutral review.

###### 4. Finding Status (Partially Remediated)

Explanation: Although there is a procedure on workers' termination, the procedure does not include calculation on final payout and workers' claims and concerns. In addition, there is no procedure for retrenchment. [ER.19.1, ER.32.1]

Root Causes: The factory did not include the worker participation in the termination process. The factory has not identified the need for a retrenchment procedure.

###### 5. Finding Status (Not Remediated)

Explanation: The workplace conduct and discipline procedures are based on the Internal Regulation of Work. However, the regulation does not include an appeal process or the workers' right to have a third-party witness of their own choosing present during the imposition of disciplinary actions. In addition, the appeal process and third-party witness were left out of the disciplinary records.

[ER.27.4]



Root Causes: The factory was not aware of the appeal process and third-party witness requirements.

#### 6. Finding Status (Not Remediated)

Explanation: There is still no environmental protection procedure as this procedure has been confused with the environmental policy. [HSE.1, ER.31.1]

Root Causes: Factory does not recognize the difference between a policy and a procedure.

#### 7. Finding Status (Not Remediated)

Explanation: Based on document review and workers interview, the factory has not developed or communicated to workers the steps to report Health & Safety concerns or protect workers who do so against retaliation. [ER.25.1, ER.31.2.4, ER.31.2.5, ER.31.2.6, HSE.1]

Root cause: The company does not formally document the positions it takes and does not generate evidence of communication.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.19.1, ER.23.1, ER.25, ER.27.4, ER.28.1, ER.29.1, ER.30.1, ER.30.1.1, ER.31.2.4, ER.31.2.5, ER.31.2.6, ER.32.1, and ER.32.3; Health, Safety & Environment.

Benchmark HSE.1)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

7.2 New procedures on “labor benefits and freedom of association” have been developed and implemented.

7.3 New procedure for Worker evaluation has been developed and implemented

7.4 The procedure has been modified, to indicate that the calculation for the final payout must be in accordance with Mexico’s labor laws (article 47); and for union employees, the union must be informed, and the employee has the right to have a witness present.

7.5 The company’s Workplace Conduct and Discipline procedures were modified, adding article 46, indicating employees right to have an investigation and to choose a witness during the process.

7.6 An Environmental Procedure has been created and added to the Environmental Policy

7.7 A Health and Safety Procedure has been added to the Health and Safety Policy

## PREVIOUS FINDING NO.8

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Training (Macro)

#### Finding Explanation

1. The factory does not provide any ongoing training for workers or specific training for the relevant supervisors on the following Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, and Environmental Protection. 2. The factory does not provide ongoing training for workers on Workplace Conduct & Discipline or Grievance System. 3. The factory does not provide orientation training to new workers on Personnel Development or Human Resources policies.

#### 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: Training on Health and Safety and Environmental Protection is provided primarily to the EHS brigades, such as the firefighting brigade, and the warehouse staff (related to chemical substances). However, the factory lacks evidence of training for the workers regarding Employment Functions. In addition, workers interviewed could not describe any of the Employment Functions, confirming there is no ongoing training or evaluation to ensure comprehension of the training. [ER.15.1, ER.15.2, ER.16.1]

Root Causes: The factory has ignored the importance of the training of workers regarding the employment functions. Lack of available time to provide the training could also be an issue.

##### 2. Finding Status (Not Remediated)

Explanation: Workers interviewed are not aware of a Conduct and Discipline Procedure. Furthermore, workers interviewed could not recognize any appeal process or their access to a neutral third-party witness of their choosing. Workers are communicated the Internal Regulation of Work which includes disciplinary measures, however, there is no actual procedure by which workers can be trained. [ER.15.1, ER.15.2, ER.16.1, ER.27.2, ER.27.3]

Root Causes: The factory lacks a comprehensive Conduct and Discipline procedure. The Internal Regulations of Work disclose the fouls and penalties in the workplace but lacks the elements to be considered a procedure. In addition, the factory lacks a training program that includes all workers.

##### 3. Finding Status (Not Remediated)

Explanation: Workers interviewed stated that there is no clear procedure on personal development, regarding raises and job gradings. In addition, there are no records of orientation or ongoing training for workers on personal development or human resources policies. There are records showing that supervisors are trained, however, based on workers and supervisors' commentaries, the information provided does not reach the general worker population. [ER.15.1, ER.15.2, ER.16.1, ER.29.1]

Root Causes: The factory has ignored the need to train workers on the procedures and policies regarding human resources and personal development. There is no training program to ensure periodic trainings and evaluations to guarantee comprehension.

#### 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

8.1 , 8.2 and 8.3: A plan was created and a training program has been scheduled to communicate and train ALL EMPLOYEES on ALL "HR policies", "Environmental, Health + Safety" and "Conduct and Discipline". This training will be implemented during the month of November 2018

#### Planned completion date

12/02/16

## PREVIOUS FINDING NO.9

## SUSTAINABLE IMPROVEMENT REQUIRED

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

#### Finding Explanation

1. The factory does not communicate information on the policies, procedures, and their updates with the general workforce for the following Employment Functions : Recruitment, Hiring & Personnel Development, Termination & Retrenchment, and Industrial Relations. The factory only sometimes communicates such information on Compensation and Hours of Work. 2. The Worker Integration component is missing from 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 the decision-making processes.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.1.3, ER.16.1, ER.25.1, ER.25.3.2, ER.29.1.1, and ER.30.2;

## VERIFICATION RESULT

### Finding Status

Not Remediated

### Remediation Details

#### 1. Finding Status (Partially Remediated)

Explanation: The Employment Functions policies are posted on the communication board. However, due to the lack of clear procedures for each Employment Function, there is no evidence of worker integration. [ER.1.3, ER.16.1, ER.25.1, ER.25.3.2, ER.29.1.1, ER.30.2, C.17.1]

Root Causes: The factory struggles to recognize the importance of the workers' integration on the development and implementation of policies and procedures to provide a comfortable workplace.

#### 2. Finding Status (Not Remediated)

Explanation: During the audit, no signs were found of the workers integration on the request and/or receive workers' input/feedback regarding the creation, implementation, and updating of its policies and procedures. Workers are still systematically integrated nor consulted in the decision-making processes. [ER.1.3, ER.16.1, ER.25.1, ER.25.3.2, ER.29.1.1, ER.30.2, C.17.1]

Root Causes: The factory struggles to recognize the importance of the workers' integration on the development and implementation of policies and procedures to provide a comfortable workplace.

### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.1.3, ER.16.1, ER.25.1, ER.25.3.2, ER.29.1.1, and ER.30.2; Compensation Benchmarks C.17.1, C.17.1.2, and C17.1.4)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

9.1 and 9.2.- Company's "Procedure for Controlling all Official Company Documents" has been modified, to include the yearly review of all new HR policies and Procedures. An "Employees committee" has been created and this procedure indicated that in all reviews of HR policies and procedures, the "Employees committee" has to be included.

#### Planned completion date

12/02/16

## PREVIOUS FINDING NO.10

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Review Process (Macro)

#### Finding Explanation

1. The factory does not conduct a regular review of its policies on Environmental Protection or Health & Safety. 2. As the factory does not have written policies for the following Employment Functions, there is also no review process: Recruitment, Hiring & Personnel Development, Hours of Work, Compensation, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, and Grievance System.

#### 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

Not Remediated

### Remediation Details

#### 1. Finding Status (Partially Remediated)

Explanation: Based on document review, it was found that policies on Environmental Protection and Health & Safety are reviewed regularly. However, taking into account the new production area called Flex Style (preparation, printing and finishing process) and NBI (resin covering), operating since December of 2017 (as per Maintenance records shown), it was noted that facility has not updated the health and safety assessments required by law, when modifications in the facility or in the operations are made. [ER.1.3, ER.31.1]

Root cause: The factory does not have a procedure to update assessments required by local law and regulations when modifications to the production area occur.

#### 2. Finding Status (Not Remediated)

Explanation: Although policies are reviewed annually (last review in February 2018), the review process does not reach procedures as noted in the lack of proper procedures regarding the Employment Functions. [ER.1.3, ER.29.1.1, ER.30.2]

Root Causes: The factory is not aware of the review process that includes all the management system for the compliance of the FLA benchmarks.

### 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

10.1 The "Health and Safety assessments" have been modified to include the new areas and processes: NBI and FlexStyle

10.3 The "Procedure for Controlling all Official Company Documents" has been modified, to include the yearly review of all new HR policies and Procedures, including the new Employment functions. (Recruitment, Hiring & Personnel Development, Hours of Work, Compensation, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, and Grievance System)

#### Planned completion date

12/02/16

## PREVIOUS FINDING NO.11

## NOTABLE FEATURE

### FINDING TYPE: Compensation

#### Finding Explanation

1. Subsidized food and transportation so workers can save more than 50% the market cost of meals and transportation.
2. Production workers participate in a savings program called "Fondo de Ahorro", and the factory provides an additional 50% of the total amount each worker saves in a weekly basis.
3. Factory supports education for workers so they can complete primary and secondary education and high school. The factory has hired teachers who get to the factory to teach the classes and workers get official education certificates. So far around 50 workers have benefited with this program.

## PREVIOUS FINDING NO.12

## NOTABLE FEATURE

### FINDING TYPE: Recruitment, Hiring & Personnel Development

#### Finding Explanation

The factory has held job fairs to support employment of workers with disability and elderly workers. Factory has also implemented a comprehensive inclusion policy within the workplace; as a result, the Secretary of Labor gave the "Diversity Award" to the factory in 2014.

# New Findings and Action Plans

## NEW FINDING NO.1

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Industrial Relations

##### Finding Explanation

1. The grievance policy posted on the communication board requires the worker to submit grievances along with the name and payroll number to conduct the investigation, thus, violating the worker's confidentiality. Although workers are aware of the grievance mechanisms, they do not feel comfortable using them due to the lack of confidentiality. [ER.25.3]

##### Local Law or Code Requirement

FLA Workplace Code (Industrial Relations Benchmarks ER.25.3)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

1. The policy towards harassment has been modified to indicate that, when submitting a grievance, the employee has the option to include his / her name and employee number, or not; thus, insuring confidentiality. All employees – old and new – have been informed on this modification.

## NEW FINDING NO.2

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Compensation

##### Finding Explanation

1. Workers' pay slips includes a saving fund deduction which, according to the current CBA, is mandatory. Although, worker interviewed expressed their conformance with the deduction due to the fact that the employer contributes with the same amount to the saving fund, there is no evidence the participation in the saving fund is voluntary. [C.11.1, C.11.1.1]

2. The current form of the workers' weekly pay slips does not show total number of hours worked. [C.13.3]

##### Local Law or Code Requirement

FLA Workplace Code (Compensation Benchmarks C.11.1, C.11.2, C.13. and C.13.3)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

14.1 Affiliation to the "savings fund" is voluntary, thus we created a form that all employees are presented with, on the hiring process, where they can accept or deny adhering to the savings fund, indicating their beneficiaries in case of death.

14.2 Payroll receipts have been modified to show total number of hours worked every week by each employee.

## NEW FINDING NO.3

### SUSTAINABLE IMPROVEMENT REQUIRED

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

##### Finding Explanation

1. Newly employed workers are provided with temporary contracts for one month. However, interviewed workers commented that the contract duration is for three months. This temporary condition is not outlined in the contracts and does not meet the requirements of the local law and FLA Workplace Code. Management commented the temporary contracts are actually training contracts. Management was told that even though the contracts are for a training lapse, the local law requires the training contracts to be in an indefinite scheme allowing for up to three months of training. [ER.7.1, ER.8, ER.8.1, ER.8.3]

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.7.1, ER.8, ER.8.1, ER.8.2, ER.8.3)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

15.1 With the guidance and help of the World Emblem's our staff of lawyers, a new contract was created; insuring it complies with all Mx labor laws, and with the FLA requirements.

## NEW FINDING NO.4

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Workplace Conduct & Discipline

##### Finding Explanation

1. The disciplinary measures in the Internal Regulation of Work states as follows: for one absence there will be two days of suspension, for two absences there will be between five and eight days of suspension. These disciplinary measures have ambiguous parameters as for two absences, one worker could be punished for five and up to eight days of suspension with no clear instructions on which cases deserves stronger admonitions. The workers are not paid for the suspended days. Although this practice is in line with local legal requirements, it violates FLA Benchmarks. [ER.27, H/A.2]

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.27; Harassment or Abuse Benchmark H/A.2)

##### Recommendations for Immediate Action

Update the Internal Regulation of Work with clear instructions for the implementation of disciplinary measures and grade the disciplinary measures accordingly to the severity of each different foul. In addition, cease the

implementation of non-paid suspension days as a disciplinary measure. Please, consider the implementation of administrative letters in case of unjustified absences and adhere to the established legal parameter on the

Federal Labor Law Art. 47 Fracc. X, whereby, "Are causes for termination of the employment relationship, without liability for the employer: [...] Having the worker more than three absences of attendance in a period of thirty days, without the employer's permission or without just cause [...]".



## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. The Internal Regulation of Work was modified to include fixed and objective disciplinary measures for every case and situation outlined in it, leaving no place for any ambiguity or subjective interpretation or implementation. This new document has been posted in several places in the company and a copy (trifold) has been given to each employee.

## NEW FINDING NO.5

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Environmental Protection

#### Finding Explanation

1. The hazardous waste temporary warehouse does not have signs of the type of the hazardous wastes stored and the containers used for this type of waste were not labeled indicating type of hazardous residue that contained. [HSE.1, HSE 9.1]

#### Local Law or Code Requirement

Regulations of the General Law for the Prevention and Integral Management of Waste, Title IV, Chapter IV, section I, Article 82, section g) and h); FLA Workplace Code (Health, Safety & Environment Benchmark HSE.1).

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. The correct labels were placed in the warehouse door, and inside - in all containers.

## NEW FINDING NO.6

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. The load capacity of the racks installed at the fabric and accessories warehouses are not established [HSE.1]
2. There is a lack of signaling of the evacuation route, the emergency exits, the fire extinguishers, and the fire alarms installed at the Flex style sector (printing and preparation area). [HSE.1, HSE 5.1]
3. Three out of three containers of approximately 100 mL at the Flex style sector observed without an identification label. Six out of 13 containers of capacity between 2L to 4L at the maintenance workshop were observed as having unidentified liquids. [HSE.1, HSE 9.1]
4. The Material Safety Data Sheets (MSDS) are not available at the working areas where chemicals are used or stored, such as the maintenance workshop, the Flex style (printing), and the NBI sector. The assessors observed the following chemicals: paints, resins, solvents, and lubricant oil. [HSE.1, HSE 2, HSE 10.1]
5. During the document review, it was noted that the factory has conducted a machinery risk assessment in March 2017. However, this study does not include the risk analysis and the inventory of all the hazardous factors and conditions that may affect employee's health for the machinery operating in the Flex style area and the forklift. [HSE.1]
6. Approximately 60% of the machinery warning signs are not posted in the local language. The sign for the emergency button signal is also not posted in the local language. [HSE.1, HSE 14.3]

7. During the factory tour it was noted that the pipelines are not posted indicating the risk and flow direction of the fluid it transports (water, compressed air). [HSE.1]
8. During the document review, it was noted that the company does not have the updated potential risk study on hazardous chemicals that includes the Flex Style area and the NBI area. [HSE.1]
9. During the document review, it was noted that the company has not updated the study to determine the PPE necessary for the Flex Style area and the NBI area. [HSE.1, HSE 7]
10. During the document review and worker interviews, it was noted that there is a lack of communication or training to workers regarding the factory's procedures to protect pregnant and nursing women. [ER.16.1]
11. During the document review, it was noted that factory has a procedure for chemical spills but the workers have not been trained on this procedure. [HSE.1, HSE 9.2, ER.16.1]

#### Local Law or Code Requirement

NOM-006-STPS-2014, Article 9.3, fraction g); NOM-002-STPS-2010, Article 7.2 fraction c), Article 7.15 fraction a), Article 7.16 fraction a); Federal Regulations on Safety and Health at work, Article 53, fraction I and II, Title III, Chapter I, Article 22, fraction XVIII; NOM-004-STPS-1999, Article 5.2; NOM-026-STPS-2008, Chapter 9, Article 9.1.4; NOM-005-STPS- 1998, Article 5.2; NOM-004-STPS-1999, Article 5.2; NOM-017-STPS-2008, Article 5.3; FLA Workplace Code (Health, Safety & Environment Benchmark HSE.1, HSE. 2, HSE. 5.1, HSE. 7, HSE 9.1, HSE 10.1, HSE.14.3, ER 16.1, HS E.1).

#### Recommendations for Immediate Action

Conduct an assessment to determine the actual load capacity of the storage racks installed at the fabric and

accessories warehouses and, once completed, post the corresponding capacity on each rack.

2. Ensure that the evacuation plan is marked at all the facility's areas, and make sure that the emergency equipment has the corresponding visible signs to immediately find it.
3. Ensure that the procedure to identify chemicals is applied at all times in all areas. Identify the containers mentioned in the above finding.
4. Make sure that all Material Safety Data Sheets (MSDS) are available at the production and storage areas in the local language.
5. Update the machinery risk assessment to include all production areas and processes that currently in the factory.
6. Make sure that all warning signs for machinery are posted in the local language.
7. Ensure that all pipelines are properly signaled, indicating the risk, flow, and type of fluid transported, in accordance with local standards.
8. Update the risk assessment of hazardous chemicals used to include the Flex Style and NBI areas.
9. Update the study to determine the PPE for all job positions to include the Flex Style and NBI areas.
10. Provide training to all workers on the factory's policies and procedures regarding pregnant and nursing women.
11. Provide training to workers regarding chemical spills procedures.

## COMPANY ACTION PLANS

Action Plan no 1.

### Description

18.1 The racks manufacturer was reached and requested the maximum load capacity for our racks. Created labels indicating this capacity and placed them on each rack.

18.2 Evacuation plan, "Exit" signs and safety signs have been installed in the new NBI and FlexStyle areas

18.3 Labels were created and placed on ALL containers containing any fluid / liquid, on the production floor.

18.4 A new set of all MSDS sheets was created and placed in binder in NBI production area

18.5 Risk assessment and hazardous conditions document has been updated to include NBI and FlexStyle operations and work areas.

18.6 New Warning Labels - in Spanish - were created and placed in all machines that needed them

18.7 All compressed air pipes were color marked and labeled.

18.8 The Risk Assessment of hazardous chemicals materials was updated to include all NBI and Flexstyle materials

18.9 Update PPE document to include NBI and FlexStyle production processes and areas.

18.10 Training on all company policies and procedures - which includes policies and procedures for pregnant and nursing employees - has been scheduled. this will be given during November to ALL employees.

18.11 A set of chosen employees has been trained on how to proceed in the event of Chemical spills

### Company Action Plan Update

10. In Progress