2010

Fair Labor Association
Independent External Monitoring Report

COMPANY: Ping
COUNTRY: Mexico
FACTORY CODE: 4800501098I
MONITOR: Accordia Global Compliance
AUDIT DATE: August 16, 2010
PRODUCTS: Caps
PROCESSES: Cutting, Sewing, Embroidery, Packaging
NUMBER OF WORKERS: 123

FLA Comment: This report was submitted with a corresponding corrective action plan to the FLA and was reviewed by FLA staff. In an effort to improve the effectiveness of remediation, the FLA has provided feedback and recommendations to the company, however findings: FOA.2, H&S.11, H&S.18, H&S.21 and F.3 have not been agreed upon or recommendations were not incorporated by the company. The report is posted in its current state and is considered finalized. Updates on the progress of the corrective action will be posted when received by the company.

For an explanation on how to read this report, please visit the FLA website here.

FAIR LABOR ASSOCIATION

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Wages, Benefits and Overtime Compensation: General Compliance Wages, Benefits and Overtime Compensation

WBOT.1 Employers shall comply with all local laws, regulations and procedures concerning the payment of wages and benefits, including overtime compensation. In any case where laws and the FLA Code are contradictory, the standard that provides the greatest protection for workers shall apply. Where provisions are lacking, employers shall take measures to reasonably accommodate matters concerning the payments of wages and benefits, including overtime compensation. (S)

Noncompliance

Explanation: Monitor found 2 cases in the payroll period from June 28, 2010 to July 4, 2010 in which the factory deducts 30% for "fondo de ahorro." Deductions for Caja de Ahorro were incorrectly classified as Fondo De Ahorro. The deductions for this plan are done at the request of the employee; the factory is merely acting as an Administrator for this money.

Legal reference: Ley Federal del Trabajo 132-VII (Federal Labor Law 132-VII)

Plan Of Action: Human Resources will be instructed to change the name of the deduction to prevent any additional issues. The deduction is based on employee request as a way that he/she can set aside money for use at a later time. Although generally it is held in trust for the employee until the end of the year, they may request a portion earlier and request additional withholding to make it up.

Corporate office has worked with Mexican factory to ensure changes were made to payroll processing. New forms have been created.

Deadline Date: 02/16/2011

Supplier CAP:

Supplier CAP Date: 06/16/2011

Action Taken:

Plan Complete: Yes

Plan Complete Date:	06/16/2011

Forced Labor: **Freedom in Employment**

F.2 All workers shall have the right to enter into and to terminate their employment freely. (P)

Noncompliance

Explanation:	Review of five personnel files found a resignation letter, signed by the workers, missing an effective date. Legal reference: Ley Federal del Trabajo Art. 358 (Federal Labor Law Art. 358)
Plan Of Action:	Human Resources Department did not review documents for completeness. Human Resources will be retrained to make sure that all documentation is properly signed and dated. A checklist is now being set up to ensure completeness of files. A PING follow up Audit was performed on 11/1/11. Our Auditor did not find evidence that the checklist was in place. Will re-verify in August 2012. Checklist will be in place by 8/31/12.
Deadline Date:	02/16/2011
Supplier CAP Date:	06/16/2011
Action Taken:	The need for signatures on the forms has been emphasized to the HR Department.
Plan Complete:	Yes
Plan Complete Date:	06/16/2011

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Forced Labor: Employment Terms/Voluntary Agreement

F.3 Employment terms shall be those to which the worker has voluntarily agreed, in as far as those terms do not fall below provisions of local laws, freely negotiated and valid collective bargaining agreements, or the FLA Code. (P)

Noncompliance

Explanation: 1. 11 personnel files did not have labor contracts signed by the employer and that none of them included an original copy of the labor contract from the factory.

2. The company provided multiple temporary labor contracts for 30 days at the beginning point of the worker's hire without a reason for doing so that is covered under the law. This was found for 6 employees in the sample. The number of temporary contracts in each personnel file varies according to the approval of each trial period. Monitor found workers' contracts that have been renewed 3-4 times. As part of a “trial period” the factory provides temporary contracts. Facility renews temporary contracts on an "as needed" basis depending on the amount of work they receive. The workers with more seniority do not have temporary contracts.

3. Article 11 of the internal regulation handbook states that employees are obligated to work on Holidays.

Legal references:

Ley Federal del Trabajo, Art. 35, 36, 37 (Federal Labor Law, Art. 35, 36, 37)

Ley Federal del Trabajo (Federal Labor Law, Art. 73)

Ley Federal del Trabajo, Art. 24 (Federal Labor Law, Art. 24)

Plan Of Action: 1. Staff will undergo additional training to ensure that documentation is properly completed and provided to new employees.

2. Factory will try to better plan workload to minimize temporary contracts and extensions of temporary contracts.

3. Regardless of what our internal handbook states, the law prevails. The need may arise to work on a holiday to complete specific orders, but a separate agreement that is always signed by the employee, with the company acknowledging this in writing. If employees do not agree, then they will not sign the agreement, nor will they be expected to be at the facility that day. However, if they do agree to work, they are expected to show up or be penalized if they do not. Holiday pay is calculated according to regulation.

Deadline Date:	02/16/2011
Supplier CAP:	
Supplier CAP Date:	06/16/2011
Action Taken:	Staff has been retrained to ensure that all documentation for new employees, Temporary contracts and extensions of temporary contracts be signed.
Plan Complete:	Yes
Plan Complete Date:	06/16/2011

Forced Labor: Employment Records

F.9 Employers shall maintain sufficient hiring and employment records to demonstrate and verify compliance with this Code provision. (P)

Noncompliance

Explanation:	Monitor found 1 case in which a labor contract was missing from the employee's file. Legal reference: Ley Federal del Trabajo, Art. 24 (Federal Labor Law, Art. 24)
Plan Of Action:	We believe this is a one-time error in our records, but without the name of the individual, we cannot check further. The company will emphasize the need for accurate documentation through training. A PING internal Audit was performed to validate finding on 11/1/11. Auditor observed the labor contracts in the employee's files were all signed and dated.
Deadline Date:	02/16/2011
Supplier CAP:	

Supplier CAP Date:	06/16/2011
Action Taken:	The company will emphasize the need for accurate documentation through training.
Plan Complete:	Yes
Plan Complete Date:	06/16/2011

Freedom of Association: **Right to Freely Associate**

FOA.2 Workers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. The right to freedom of association begins at the time that a worker seeks employment, and continues through the course of employment, including eventual termination of employment, and is applicable as well to unemployed and retired workers. (S)

Noncompliance

Explanation:	During the audit, it was observed that as part of the hiring process, the workers are required by the person conducting the hiring to affiliate with and to join the union Different staff people from the HR department conduct the hiring. [Employee name] is the HR Coordinator and joined the factory two months before the date of the audit. She has responsibility for the department. Local law states that workers shall have the choice to join a union or not at the time of hire. During the interview process, workers stated that they do not know the Union representative and they never had the opportunity to refuse to join the Union.
Plan Of Action:	Human Resources will be trained on how to communicate information about union affiliation. Employees are given a union contract to sign, which includes the union rep contact information. They are advised that there are no fees that will be deducted from their earnings for this union. Most individuals prefer to sign this contract for that reason.
Deadline Date:	02/16/2011

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Supplier CAP:

Supplier CAP Date: 06/16/2011

Action Taken: Human Resources has been trained to ensure proper communication about union affiliation. Employees have been given new documentation with union contact information. Management is aware that any form of inducement or interference in workers decisions to join or not a union and considered to be in violation of freedom of association and such practices are not in compliance with FLA Code of Conduct.

Plan Complete: Yes

Plan Complete Date: 06/16/2011

Non-Discrimination: Pregnancy and Employment Status

D.8 Employers shall not, on the basis of a woman's pregnancy, make any employment decisions that negatively affect a pregnant woman's employment status, including decisions concerning dismissal, loss of seniority, or deduction of wages. (S)

Noncompliance

Explanation: During the review of employee files, monitor found 3 cases where the job application inquired about the pregnancy status of the worker.

Legal reference: Ley Federal para Prevenir y Eliminar la Discriminacion 4 (Federal Law to Prevent and Eliminate Discrimination 4)

Plan Of Action: Job application forms reviewed were older ones, which are no longer used. New forms will be used that does not ask about pregnancy.

Deadline Date: 02/16/2011

Supplier CAP:

Supplier CAP Date:	06/16/2011
Action Taken:	A new form, which does not inquire about pregnancy, has been put into use. An example is on file.
Plan Complete:	Yes
Plan Complete Date:	06/16/2011

Code Awareness:

GEN.3 Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.

Noncompliance

Explanation:	Monitor found that the confidential communication channel (telephone number) for Ping that is used by the workers to report a noncompliance to the Code was inoperable.
Plan Of Action:	Issued CAPA #2658
Deadline Date:	02/16/2011
Supplier CAP:	Ping provided us with a code of conduct, which does not include the international prefix for calling from Mexico.
Supplier CAP Date:	06/16/2011
Action Taken:	Ping has supplied a new copy of the code of conduct with the proper phone number.

Plan Complete:	Yes
Plan Complete Date:	06/16/2011

Health and Safety: Permits and Certificates

H&S.8 The employer shall at all times be in possession of all legally required and valid permits and certificates related to health and safety issues, such as those related to the purchase and storage of chemicals, fire safety inspections, inspection of machinery, and (chemical) waste disposal. (P)

Noncompliance

Explanation:	1. Hazardous waste (used oil and spot remover empty containers) was observed disposed of with the regular waste. The Company does not use an authorized dealer for collection of hazardous waste. 2. Two of three pressure vessels (compressors) were found not registered by the authority. Legal references: Ley General del Equilibrio Ecologico y la Proteccion del Ambiente (General Law of Ecological Balance and Protection to the Environment) Reglamento Federal de Seguridad, Higiene y Medio Ambiente en el Trabajo, Art. 29 (Federal Rules for Health and Safety and Environment in the workplace, Art. 29).
Plan Of Action:	1. Services of an authorized waste collector have been obtained for proper disposal requirements. 2. An agent for registration and inspection has been consulted and a bid received for fees to certify the pressure vessel.
Deadline Date:	02/16/2011
Supplier CAP:	

Supplier CAP Date: 06/16/2011

Action Taken:

Plan Complete: Yes

Plan Complete Date: 06/16/2011

Health and Safety: Evacuation Requirements and Procedure

H&S.9 All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, the installation and maintenance of an employee alarm and emergency lighting systems, ensuring aisles/exits are not blocked and that workers are not blocked within their workstations, employee education, evacuation procedures, etc.) shall be complied with. Workers shall be trained in evacuation procedures. Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually. (S)

Noncompliance

Explanation: The last evacuation drill was performed on October 6, 2006.

Legal references: Reglamento Federal de Seguridad, Higiene y Medio Ambiente en el Trabajo, Art. 28-VI (Federal Rules for Health and Safety and Environment in the workplace, Art. 28-VI)

Plan Of Action: Conduct fire evacuation training.

Deadline Date: 02/16/2011

Supplier CAP: Internal fire evacuations were conducted but not properly documented.

Supplier CAP Date: 06/16/2011

Action Taken:	Fire drills were conducted but not properly documented. The next drill is scheduled for July 20, 2011. Documentation will be provided. A new evacuation plan has been created and posted in multiple locations throughout the facility.
Plan Complete:	Yes
Plan Complete Date:	06/16/2011

Health and Safety: Safety Equipment and First Aid Training

H&S.10 All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be available in sufficient numbers throughout the factory, maintained and stocked as prescribed and easily accessible to workers. A sufficient number of workers shall be trained in first aid and fire fighting techniques. (S)

Noncompliance

Explanation:	1. In the production area, monitor observed a first aid box missing the necessary supplies. The first aid kit in the HR office contained expired medicine. 2. No evidence was found that confirms facility has created or implemented a first aid brigade. Legal references: Ley Federal del Trabajo 132-XVII (Federal Labor Law 132-XVII) Reglamento Federal de Seguridad, Higiene y Medio Ambiente en el Trabajo 17 (Federal Rules of Health and Safety and Environment in the Workplace 17)
Plan Of Action:	1. The medical kits are now being inspected and replenished on a weekly basis. They are located in the Embroidery Offices and Administrative Office. All personnel have been advised of their locations. 2. All injuries are sent to the clinic a couple blocks away. A first aid brigade has been created. Training was provided through the Red Cross.

Deadline Date:	02/16/2011
Supplier CAP:	
Supplier CAP Date:	06/16/2011
Action Taken:	All medical kits are replenished weekly with the necessary supplies. Safety and First Aid Brigade are in place.
Plan Complete:	Yes
Plan Complete Date:	06/16/2011

Health and Safety: Personal Protective Equipment

H&S.11 Workers shall be provided with effective and all necessary personal protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to health and safety hazards, including medical waste. (S)

Noncompliance

Explanation:	Monitor observed some workers not using hearing protection (ear plugs) or eye protection in places such as embroidering area, where this protection equipment is required. Legal reference: Reglamento Federal de Seguridad, Higiene y Medio Ambiente en el Trabajo 101 (Federal Rules of Health and Safety and Environment in the Workplace 101)
Plan Of Action:	Historically the evaluations done on an eight hour weighted average was less than the threshold levels. Signs remained posted in an area noting that hearing protection was required, when, in fact, protection was not required. Spot checks will be performed to confirm noise levels.

Deadline Date:	01/14/2011
Supplier CAP:	
Supplier CAP Date:	07/06/2011
Action Taken:	The signs have been removed as hearing protection is not required due to recent tests. Spot checks not reported as of 6/26/12. Will update when performed and documented by 8/31/12.
Plan Complete:	Yes
Plan Complete Date:	07/06/2011

Health and Safety: Material Safety Data Sheets/Worker Access and Awareness

H&S.14 Material Safety Data Sheets (MSDS) for all chemicals used in the factory must be available at the usage and storage sites of the chemicals, in the local language and the language(s) spoken by workers, if different from the local language. Workers shall have free access to MSDS. (P)

Noncompliance

Explanation:	Monitor found no MSDS for the spot remover in the working areas. Legal reference: Reglamento Federal de Seguridad, Higiene y Medio Ambiente en el Trabajo 63 (Federal Rules of Health and Safety and Environment in the Workplace 63)
Plan Of Action:	MSDS sheets for all chemicals currently in use have been obtained and a manual set up. Records are kept in the HR Dept. as well as in area of use of products. Spot remover is no longer used and a new cleaning process of soap and water set up. Copies are attached.
Deadline Date:	01/14/2011

Supplier CAP:

Supplier CAP Date: 07/06/2011

Action Taken: Spot remover is no longer used. MSDS records are kept in the HR department.

Plan Complete: Yes

Plan Complete Date: 07/06/2011

Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance

H&S.17 All necessary ventilation, plumbing, electrical, noise and lighting services shall be installed and maintained to conform to applicable laws and in such a manner as to prevent or minimize hazardous conditions to workers in the facility. (S)

Noncompliance

Explanation: During the document review monitor noted that no noise analysis has been performed.

Legal references: Conditions de Seguridad e Higiene en los Centros de Trabajo Donde se Genere Ruido NOM-011-STPS-2001 (Health and Safety Conditions in the workplace where noise is generated NOM-011-STPS-2001)

Plan Of Action: The need for a noise analysis is based on the auditor's opinion, not a test that was done. Spot checks will be performed to confirm results. Noise testing will be done by 8/31/12.

Deadline Date: 01/14/2011

Supplier CAP:

Supplier CAP Date:	07/06/2011
Action Taken:	Our factory manager has conducted a noise analysis to ensure the safety of our employees. It has been determined that conditions are within proper levels. Spot checks not reported as of 6/26/12. Will update when performed and documented by 8/31/12.
Plan Complete:	Yes
Plan Complete Date:	07/06/2011

Health and Safety: Machinery Maintenance and Worker Training

H&S.18 All production machinery, equipment and tools shall be regularly maintained and properly guarded. Workers shall receive training in the proper use and safe operation of machinery, equipment and tools they use. Employers shall ensure safety instructions are either displayed/posted near all machinery or are readily accessible to the workers. (S)

Noncompliance

Explanation:	In the production lines monitor observed 6 cylinder machines without pulley guards installed. Legal reference: NOM-004-STPS-1999. 8.1.
Plan Of Action:	Factory is to install guards as needed. PING provided photos to show necessary guards as required. PING provided photos of similar machines that were properly guarded. Insure that Mexican guarding requirements are maintained. Maintenance has reviewed and corrected those machines that were missing proper guards. All machines now have the proper guards in place.
Deadline Date:	01/14/2011
Supplier CAP:	

Supplier CAP Date: 07/06/2011

Action Taken:

Plan Complete: Yes

Plan Complete Date: 07/06/2011

Health and Safety: Medical Facilities

H&S.21 Medical facilities shall be established and maintained in factories as required by applicable laws. Medical staff shall be fully licensed and recognized under applicable local rules and regulations. An appropriate number of medical staff shall be on duty during all working hours, including any type of overtime, as required under local law. An appropriate stock of medical supplies shall be maintained at all times. Medicines of which the expiration date has passed must be replaced immediately and disposed of in a safe manner. (P)

Noncompliance

Explanation: Monitor confirmed that no Internal Medical Service has been implemented within the facility.

Legal reference: Ley Federal del Trabajo, Art. 504 (Federal Labor Law, Art. 504)

Plan Of Action: First Aid kit supplies were expired. Update First Aid kits as needed. Replenishment is to be done on a scheduled basis. We believe that we meet the requirements and no action is required.

Deadline Date: 01/14/2011

Supplier CAP:

Supplier CAP Date: 07/06/2011

Action Taken: Medical supplies in the First Aid kits have been replaced. Replenishment is now done on a weekly basis. A medical clinic is just a couple of blocks away from the factory. The clinic's hours coincide with our factory hours. All injuries are taken to the clinic for treatment.

Legal reference: Ley Federal del Trabajo, Art. 504 (Federal Labor Law, Art. 504) allows facilities to have agreements with medical facilities offsite to meet the medical response requirements.

Plan Complete: Yes

Plan Complete Date: 07/06/2011

Health and Safety: Toilets

H&S.23 Employers shall establish the number of toilets required under applicable laws within reasonable distance of the workplace. (S)

Noncompliance

Explanation: During the factory tour, monitor observed the restrooms in an unsanitary condition and lacking toilet tissue and paper towels.

Legal reference: Reglamento Federal de Seguridad, Higiene y Medio Ambiente en el Trabajo 108 (Federal Rules of Health, Safety and Environment in the Workplace 108)

Plan Of Action: 2667 A regular cleaning schedule was not be maintained for all the bathrooms, including supply replenishment Cleaning schedule including stocking of supplies will be put in place and assigned to an employee.

Deadline Date: 01/14/2011

Supplier CAP:

Supplier CAP Date: 07/06/2011

Action Taken:	A regular cleaning schedule has been set up to include supply replenishment. Hand dryers are being installed to eliminate waste and clutter.
Plan Complete:	Yes
Plan Complete Date:	07/06/2011

Health and Safety: Food Preparation

H&S.25 All food made available to workers shall be prepared, stored, and served in a safe and sanitary manner in accordance with all applicable laws. All workers handling food shall be provided with the tools and equipment necessary to do so in a safe and sanitary manner. (S)

Noncompliance

Explanation: 1. In the production area, monitor observed food being stored in the working areas.

2. During the factory tour, monitor observed the microwave ovens were kept in unsanitary conditions, and require maintenance.

Legal references:

NOM-093-SSA1-1994, 5.2.9

Reglamento Federal de Seguridad, Higiene y Medio Ambiente en el Trabajo 104 (Federal Rules of Health, Safety and Environment in the Workplace 104)

Plan Of Action:	Employees are not following guidelines for food storage, nor cleaning microwaves after making spills after use. Employee training on break room use will be conducted and signs posted.
Deadline Date:	01/14/2011
Supplier CAP:	

Supplier CAP Date: 07/06/2011

Action Taken: Employees have been retrained to not store food containers on the production floor. Signs have been posted reminding employees to clean up spills that they make.

Plan Complete: Yes

Plan Complete Date: 07/06/2011

Health and Safety: Drinking Water

H&S.26 Safe and clean drinking water shall be freely available at all times, within reasonable distance of the workplace. Drinking water shall be of a reasonable temperature and the means to drink water (cups, etc.) must be safe and sanitary and available in an appropriate number. (S)

Noncompliance

Explanation: The factory does not provide disposable cups to the workers for drinking water.

Legal reference: Reglamento Federal de Seguridad, Higiene y Medio Ambiente en el Trabajo 104 (Federal Rules of Health, Safety and Environment in the Workplace 104)

Plan Of Action: Install cup dispenser and stock with cups as needed. Cup dispensers have been reinstalled and supplies replenished. Employees are advised to dispose of trash properly.

Deadline Date: 01/14/2011

Supplier CAP:

Supplier CAP Date: 07/06/2011

Action Taken:

Plan Complete:	Yes
Plan Complete Date:	07/06/2011