



COMPANY: River cross
COUNTRY: Mexico
ASSESSMENT DATE: 10/15/13
MONITOR: FLA Assessor Team (Americas)
PRODUCTS: Apparel
PROCESSES: Cut, Sew, Embroidery, Packing, Assembly, Warehouse
NUMBER OF WORKERS: 220
NUMBER OF WORKERS INTERVIEWED:
ASSESSMENT NUMBER: AA0000000324

FLA Comments

This report was submitted to the FLA and the FLA affiliated company by the assessor. Despite deadline reminders and extensions for submission of a corrective action plan, the FLA has not received a plan to address the risks and noncompliances raised in the report. Therefore, the report is posted in its current state and will be updated once a corrective action plan has been submitted to and reviewed by FLA.

What's Included in this Report

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Understanding this Assessment Report

This is a report of a workplace assessment conducted by Fair Labor Association assessors following FLA's Sustainable Compliance methodology (SCI), which evaluates a facility's performance in upholding fair labor standards through effective management practices throughout the entire employment life cycle.

This report identifies violations and risks of noncompliance with the Fair Labor Association Workplace Code of Conduct in its assessment of the employment functions, and includes a description of the root causes of violations, recommendations for sustainable and immediate improvement, and the corrective action plan for each risk or violation as submitted by the company. This document is not a static report; rather, it reflects the most recent progress updates on remediation in the "Progress Update" section for each finding.

Glossary

De minimis: A de minimis factory is a factory (1) with which the Company contracts for production for six months or less in any 24-month period; or (2) in which the Company accounts for 10% or less of the annual production of such facility. The FLA Charter states that in no event shall de minimis facilities constitute more than 15% of the total of all facilities of a Company, and the list of facilities designated as de minimis by a Company is subject to the approval of the FLA. Please note that collegiate-producing factories cannot count as de minimis.

Facility performance: how a facility rates in terms of a particular employment or management function, with 100% being the best possible score.

Fair labor standards: the minimum requirement for how workers should be treated in a workplace, as outlined in the [FLA Workplace Code of Conduct](#).

Employment life cycle: all aspects of an employee's relationship with the employer, from date of hire to termination or end of employment.

Code violation: failure to meet standards outlined in the FLA Workplace Code of Conduct in the workplace implementation of employment or management functions.

Employment Functions: The different components of the relationship between management and employees in a factory. An employment function is a process regulating an aspect of the employment relationship, such as the recruitment of workers. All employment functions together constitute the employment relationship between an employer and an employee.

1. Recruitment, Hiring & Personnel Development (e.g., performance reviews)
2. Compensation (e.g., wages, health care)
3. Hours of Work (e.g., overtime, documentation of working hours)
4. Industrial Relations (e.g., collective bargaining agreements)
5. Grievance System (e.g., worker communication with management)
6. Workplace Conduct & Discipline (e.g., discrimination, harassment)
7. Termination & Worker Retrenchment (e.g., downsizing, resignation)
8. Health & Safety (e.g., exposure to chemicals)
9. Environmental Protection (e.g., energy saving)

Management functions: violations or risks related to an employment function could be caused by the absence – or a problem in the operation – of any one of the management functions or in more than one.

1. Policy
2. Procedure
3. Responsibility & Accountability
4. Review Process
5. Training
6. Implementation
7. Communication & Worker Involvement
8. Support & Resources (only for the in-depth level)

Finding: indicators of potential gaps between desired and actual performance of the workplace on different employment functions.

Finding type

- **Immediate action required:** discoveries or findings at the workplace that need immediate action because they not only constitute an imminent danger, risk the workers' basic rights, threaten their safety and well-being or pose a clear hazard to

the environment, but also are clear non-compliances with the FLA Workplace Code of Conduct and local laws. Examples include a finding by the assessor that crucial fire safety elements are not in place or that there is underpayment of wages and/or worker entitlements or that there is direct discharge of waste water, etc.

- *Sustainable improvement required*: findings that require sustainable and systematic actions. The factory will be asked to tackle the underlying root causes and to do so in a long-term and systematic manner to bridge the gap between actual and desired performance. Examples include a finding by the assessor that there is lack of termination policies and procedures in the workplace, lack of grievance system, etc.
- *Notable feature*: indicates a remarkable feature or best practice at a workplace. Examples might include workers' wages and benefits that are significantly above the industry average, or community benefits such as free daycare.

Local law or Code Requirement: applicable regulations and standards in a workplace, which serve as the basis for an assessment, as per local law or FLA Workplace Code of Conduct. When these two do not concur, the stricter of the two standards applies.

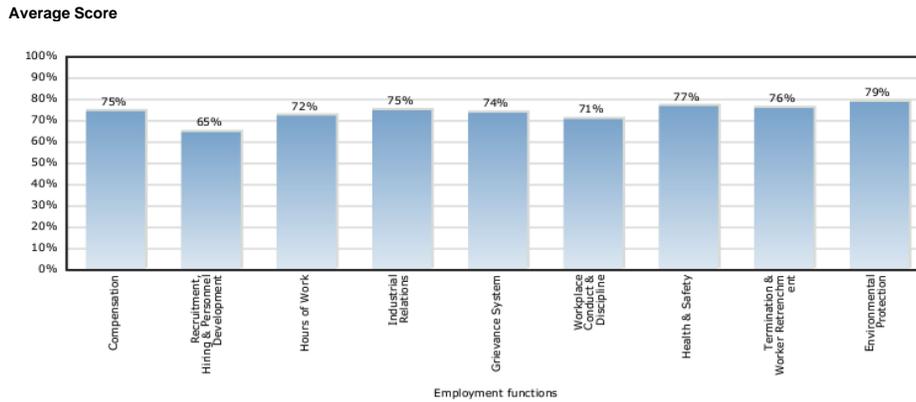
Root causes: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that the worker did not use the hearing protection equipment because such equipment was not provided by management. However, upon a more thorough evaluation of available information, the assessor might find that the worker was indeed supplied with hearing protection equipment and with written information about the importance of wearing hearing protection, but was not trained on how to use the equipment and that use of the equipment was not enforced in a consistent manner by management.

Company action plan: a detailed set of activities outlined by the sourcing company and/or direct employer to address FLA findings.

Factory Profile

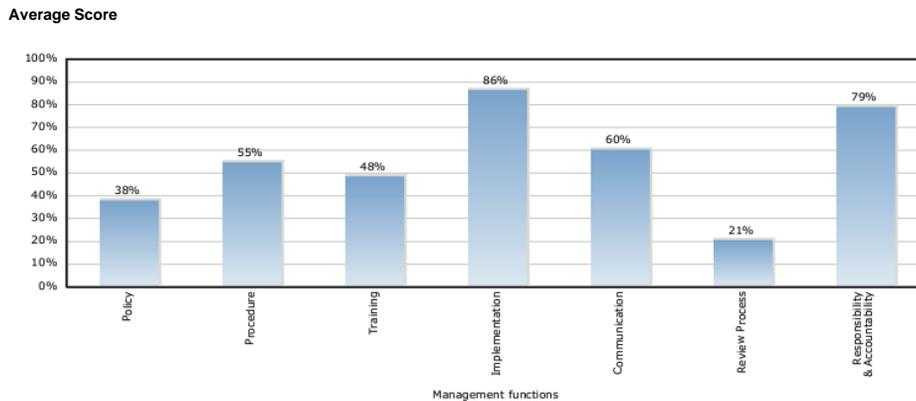
Score by Employment Function

Scores indicate a factory's performance related to a specific employment function based on an FLA assessment. A score of 100 percent indicates flawless operation of an employment function. A score of less than 100 percent indicates need for improvement.



Score by Management Function

Scores indicate a factory's performance related to a specific management function based on an assessment conducted for FLA by independent, accredited assessors. A score of 100 percent indicates flawless operation of a management function. A score of less than 100 percent indicates need for improvement.



Score Summary

Scores indicate the strength of management functions as they relate to different elements of the employment relationship (employment functions). For example (reading left to right), a score of 100 percent in the cell on the top left corner would indicate the existence of appropriate policies related to recruitment, hiring and personnel development.

Management Functions	Recruitment, Hiring & Personnel Development	Compensation	Hours of Work	Industrial Relations	Grievance System	Workplace Conduct & Discipline	Termination & Worker Retrenchment	Health & Safety	Environmental Protection	Aggregate Score
Policy	39.36%	80%	80%	75%	80%	32.14%	80%	80%	75%	69.06%
Procedure	13.3%	66.67%	75%	0%	50%	66.67%	50%	58.21%	66.67%	49.61%
Responsibility & Accountability	66.75%	66.75%	77.83%	44.33%	66.75%	66.75%	66.75%	66.67%	55.67%	64.25%
Review Process	0%	0%	0%	0%	0%	0%	50%	75%	33.33%	17.59%
Training	38.46%	47.62%	33.33%	30%	41.67%	60%	50%	81.3%	50%	48.04%
Implementation	82.2%	87.5%	82.35%	88.46%	90%	100%	100%	83.99%	92.97%	89.72%
Communication	50%	75%	30%	0%	50%	75%	75%	80%	50%	53.89%
Aggregate Score	41.44%	60.51%	54.07%	33.97%	54.06%	57.22%	67.39%	75.02%	60.52%	

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.

FLA Code Element	Number of Violations	Violations
Compensation	2	General Compliance Compensation Workers Awareness and Understanding of Compensation
Employment Relationship	12	General/Human Resource Management Systems Terms and Conditions/New Employee Orientation Terms and Conditions/Communication Terms and Conditions/Supervisor Training Administration of Hours/Time Recording System Industrial Relations Work Rules and Discipline Skills Development/Training Skills Development/Management of Performance Reviews Skills Development/Promotion, Demotion and Job Reassignment
Health, Safety and Environment	6	Health, Safety, and Environmental Management System/Policies and Procedures Termination and Retrenchment/General Policies and Procedures General Compliance Health, Safety, and Environment Material Safety Data Sheets/Workers Access and Awareness Workers Refusal to Use Unguarded or Unsafe Machinery Ergonomics Evacuation Requirements and Procedure Safety Equipment and First Aid Training
Non-Discrimination	1	Protection and Accommodation of Pregnant Workers and New Mothers

Findings and Action Plans

FINDING NO.1

RECRUITMENT, HIRING AND PERSONNEL DEVELOPMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. There are no: a) written policies on recruitment, hiring, and probation, including written terms and conditions of employment and b) job descriptions.
2. There are no written policies and procedures that encourage ongoing training for workers, with the goal of raising or

broadening their skills, in order to advance their careers within the factory and beyond.

3. There are no written policies and procedures on conducting performance reviews, which: a) include the steps and process and b) ensure they are linked to job grading and promotion opportunities.
4. There are no written policies and procedures with regards to promotion, demotion, and job reassignment.
5. There no supervisor training on recruitment, hiring, and probation policies and procedures.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER. 17.1, ER.28.1, ER.29.1, and ER.30.1)

Root Causes

The workplace has little to no management systems. For years, management has been working without written policies and procedures and not seen the need to formalize their practices.

FINDING NO.2

COMPENSATION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Payroll review, along with management and worker interviews, found that, in some cases, workers do not rest for all the vacation days that they are entitled to; instead, workers are compensated for their work during the vacation days, which is prohibited by local labor law.
2. Factory management has not made reasonable or sufficient efforts (communication and training activities) to ensure that the general workforce understands wage and benefits packages, including wage structure, applicable rules for all legal benefits, and supplemental bonuses.
3. Factory does not have policy and procedures on compensation and benefits.

Local Law or Code Requirement

Mexican Federal Labor Law, Article 79; FLA Workplace Code (Employment Relationship Benchmarks ER.1.1 and ER.22.1; Compensation Benchmarks C.1 and C.17)

Root Causes

1. As a way to increase their income, it is a common practice in the Mexican apparel industry for workers to seek work, instead of resting during their vacation days.
2. The current training plan implemented by factory management is based on local legal requirements and does not include compensation and the other related Employment Functions under the FLA's newly developed SCI methodology.
3. Due to the existence of a factory trade union, management considers it unnecessary to conduct permanent and periodic communication efforts; consequently, management generally relies on union representatives to liaise between management and workers.
4. Having policies and procedures on compensation and benefits is a relatively new FLA requirement under the Employment Relationship benchmarks; therefore, the factory has not yet aligned its management system.

Recommendations for Immediate Action

Factory management is to ensure that workers rest for all the vacation days they are entitled to.

FINDING NO.3

COMPENSATION

FINDING TYPE: Uncorroborated Risk of Non Compliance

Finding Explanation

Based on worker interviews, their salary is not enough to cover all basic needs and provide a discretionary income.

Local Law or Code Requirement

FLA Workplace Code (Compensation Benchmark C.1.3)

Root Causes

1. Currently, the Mexican apparel industry does not provide workers wages that allow for the fulfillment of their basic needs and a discretionary income.
2. Management lacks awareness of FLA Workplace Code and Benchmarks.
3. The issue has not been brought to the attention of the factory management during previous external audits.
4. There is no wage structure in the factory that would enable workers to progressively earn a wage level that meets basic

needs.

FINDING NO.4

HOURS OF WORK

FINDING TYPE: Immediate Action Required

Finding Explanation

1. There are instances of employees working on Sundays (the designated rest day) and not receiving an additional rest day in the 7-day period immediately following. For example, 117 cases of this noncompliance were reported during the first 2 weeks of October 2013.
2. Factory does not keep accurate hours of work records that show the daily start and end time for each worker. Given how the payroll system functions, this specific information can be reviewed for the previous week only..
3. Factory does not have policy and procedures for managing all working hours, including overtime, in normal and exceptional circumstances.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.2.1, ER.23.1, and ER.23.2; Hours of Work Benchmark HOW.2)

Root Causes

1. Factory lacks awareness of the FLA benchmarks related to hours of work.
2. These issues have not been brought to the attention of the factory management during previous external audits.
3. The way the factory's time tracking system has been designed does not allow for the accurate review of the start and end time for the week preceding the one for which the payroll is generated.
4. Having policy and procedures on hours of work is a relatively new FLA requirement under the Employment Relationship benchmarks; the factory has not yet aligned its management system accordingly.

Recommendations for Immediate Action

1. Factory is to ensure that all employees who work on Sunday are provided with an additional rest day in the 7-day period immediately following.
2. Factory management is to retroactively provide a rest day to all workers who have worked on Sundays during 2013 without receiving an additional rest day in the 7-day period immediately following.

FINDING NO.5

TERMINATION AND RETRENCHMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Management does not have written policy and procedures regarding termination and worker retrenchment.
2. There is no procedure for determining termination payouts, including regarding the methods for the correct assessment of payouts for all modes of termination/retrenchment, taking into account legal requirements.
3. No confidential channel has been established for workers to express the concerns or issues they might be experiencing around their legally owed payments during a retrenchment process.

Local Law or Code Requirement

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

Root Causes

1. There are little to no management systems in the workplace. For years, management has been working without written policies and procedures and has not seen the need to formalize their practices.
2. The revised FLA Workplace Code and Benchmarks now include policy and procedure development requirements, which are relatively new for companies and their supplier base.

FINDING NO.6

INDUSTRIAL RELATIONS

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Factory has not created and implemented industrial relations policy and relevant procedures.
2. Workers have not been provided a copy of the Collective Bargaining Agreement (CBA).
3. The 2012 CBA includes exclusion (3rd) and inclusion (8th) clauses, which enable management to: a) exclusively hire its production workers based on a list of candidates provided by union leaders and b) terminate workers if they decide to leave the union. On April 2001, the Mexican Supreme Court ruled that the use of the exclusion clause is a violation of the Constitution, because it infringed upon workers' associational rights.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.16.2, and ER.26; Freedom of Association Benchmark FOA.20.2)

Root Causes

1. Management lacks awareness of: a) FLA Industrial Relations Code and benchmarks and b) the Mexican Supreme Court ruling.
2. Management has not seen the need for developing/implementing Industrial Relation policy and procedures.
3. There is no legal requirement regarding providing workers a copy of the CBA.
4. It is a common practice in Mexico for CBAs to contain inclusion and exclusion clauses. This is a barrier for workers to exercise their associational rights under ILO conventions and FLA benchmarks.

FINDING NO.7

WORKPLACE CONDUCT AND DISCIPLINE

FINDING TYPE: Immediate Action Required

Finding Explanation

1. There is no written policy on workplace conduct and discipline.
2. The disciplinary practices do not include a provision for: a) the presence of a third-party witness during disciplinary action imposition or b) the review of the disciplinary actions by a senior manager.
3. There is no training for supervisors on workplace conduct and disciplinary practices;
4. Some supervisors limit the number of times a worker can go to the toilet. Additionally, some production units require workers to sign their names on a sheet when going to the restroom as a way to control the frequency and the duration of the visits.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.17.1, ER.17.2, ER.27.2.1, and ER.27.4; and Health, Safety and Environmental Benchmark HSE.21)

Root Causes

1. Management lacks awareness of FLA Workplace Code and Benchmarks.
2. The factory's disciplinary practices are not part of the training provided for workers, supervisors, and those in managerial positions.
3. There are little to no management systems in the workplace. For years, management has been working without written policies and procedures and has not seen the need to formalize their practices;
4. Management is trying to minimize duration and frequency of toilet visits based on management's perception of loss of production time.

Recommendations for Immediate Action

Factory management is to eliminate undue restrictions on workers' access to toilets, including the practice of having workers sign the toilet visit sheet.

FINDING NO.8

GRIEVANCE SYSTEM

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. There is no written grievance system in the workplace; union leaders handle most grievances.
2. Factory grievance procedures do not enable workers to look for a senior manager review and consideration if the direct settlement with the immediate supervisor has failed or it is inappropriate.

Local Law or Code Requirement

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

Root Causes

1. Management lacks understanding of how a grievance system functions and how it is implemented.
2. Management lacks awareness of FLA Workplace Code and Benchmarks.
3. Management does not see the need for a formal grievance system, as it relies on union representatives as liaise with the workers.
4. Management does not recognize the benefits of a robust grievance system for the managers as well as the workers.

FINDING NO.9

ENVIRONMENTAL PROTECTION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Factory does not provide orientation training on environmental protection policies and procedures for new employees.
2. There was an excessive accumulation of different types of solid waste in the waste collection area; they were not segregated and protected from the elements.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.15.1; Code Provision VII: Health, Safety and Environment)

Root Causes

1. Management does not consider it necessary to include environmental protection topics in the orientation training, as the factory's environmental impact is not significant.
2. At the time of the assessment, some roads were blocked due to heavy rain in different states of the country; therefore, the company in charge of transporting the factory's solid waste was not able to access the facilities and collect the waste.
3. Factory management does not have a contingency plan in case of situations that prevent its contractor from collecting and transporting the solid waste.

FINDING NO.10

HEALTH AND SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

Several concerns related to fire safety and evacuation procedures were found in Plant B:

1. An alternative emergency exit is missing at the end of the [Brand Name] production lines at plant B.
2. The 2 alarm buttons are not visible, as they have been installed inside electrical panels; furthermore, during the physical inspection, one of these electrical panels was seen blocked by a forklift.
3. Evacuation routes are not marked on the floor and there are no signs indicating that areas around fire extinguishers shall not be blocked. Additionally, the number of each fire extinguisher is not visibly posted on the wall.
4. 1 assembly area outside the building has been inappropriately designated as such, as it is located in a small area between building walls and metal fencing, posing safety risk.
5. 1 member of the Evacuation Brigade at Plant B is working at Plant A; the other member does not have a fixed position as he is performing maintenance tasks for both plants. In addition, some interviewed members of the Evacuation and First Aid Brigades are not quite clear of their functions/responsibilities during an emergency.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety and Environmental Benchmarks HSE.5.1, HSE.5.2 and HSE.6.2)

Root Causes

1. The Health and Safety Commission has not effectively monitored compliance with all requirements on evacuation/emergency procedures.
2. The fire risk assessment does not include recommendations for a comprehensive emergency/evacuation system.
3. As flammable materials are not used in many production units, factory management thinks that the fire risks are low.
4. Modifications on the Plant B structure have been conducted without the participation of the relevant Health and Safety staff.
5. It is a factory practice to charge a forklift from the electrical panels where the alarm buttons are located.

Recommendations for Immediate Action

1. Factory management is to designate an alternative emergency exit at the end of the [Brand Name] production lines at Plant B;
2. Relocate the 2 alarm buttons to visible and easy-to-reach locations; ensure that they are unblocked and free of obstacles at all times;
3. Mark evacuation routes on the floor for an easy evacuation process;
4. Assign a new assembly area for workers at Plant B, one that is in a safe location.
5. Install signs indicating that areas around fire extinguishers shall not be blocked, and ensure that the number for each fire extinguisher is visibly posted on the wall.

FINDING NO.11

HEALTH AND SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

- Some concerns related to chemical management were found at Plant B:
1. Material Safety Data Sheets (MSDS) for chemicals used in the [Brand Name] unit were missing in the storage room.
 2. MSDS for the degreasing cleaner used in the Forum unit was missing in the work area. In addition, some workers keep bottles of water to drink in the same area where this chemical is used.
 3. MSDS for the sodium hydroxide used for [Brand Name] products was not available in Spanish, which is the native language of workers. Also, the saline solution of the eyewash bottles had expired in this area.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.9.1 and HSE.10.1)

Root Causes

1. Factory management was not aware of the importance of having MSDS at the production areas where chemicals are used;
2. Lack of monitoring by health and safety staff to ensure that chemicals are safely managed;
3. Workers prefer to keep their own bottles of water in the production area, instead of walking to the water stations, when needed; factory management has not identified the risk that this practice implies.

Recommendations for Immediate Action

1. Assign a specific area for employees handling chemicals at the Forum unit to store their bottles of water; this area is to be at a reasonable distance from the production area;
2. Replace the expired saline solution bottles with new ones.

FINDING NO.12

HEALTH AND SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Factory has not made an inventory of all of the pressure vessels, as required by the local law.

Local Law or Code Requirement

Mexican Official Norm PROY-NOM-020-STPS-2002, Articles 5.1, 5.2, and 5.3; FLA Workplace Code (Health, Safety and Environment Benchmark HSE.1)

Root Causes

1. Factory was not aware of the law amendment that requires an inventory of pressure vessels. As the law amendment that requires this inventory is relatively new, factory management has not yet aligned its practices accordingly.

FINDING NO.13

HEALTH AND SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. A sewing machine guard has been installed with tape in a [Brand Name] production line.
2. Likewise, the rearview mirror on the right side of a forklift in Plant A has been fixed with tape.
3. 1 forklift in Plant A was found with broken wheel bearings; the forklift operator in charge of driving it had already reported this situation, but management has not done the proper maintenance.

Local Law or Code Requirement

Mexican Official Norm NOM-004-STPS-, Articles 7.2.2 and 8.1.1 i) and j); FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1 and HSE.14.1)

Root Causes

1. Absence of a formal procedure for workers to report health and safety concerns to relevant management staff.
2. Mechanics have not been actively involved in preventive maintenance activities.
3. Insufficient monitoring from the Health and Safety Commission to ensure that all machines are properly guarded.

Recommendations for Immediate Action

1. Factory management is to ensure proper installation of all machine guard devices at sewing production lines;
2. Forklifts in Plant A are to be equipped with adequate wheel bearings.

FINDING NO.14

RECRUITMENT, HIRING AND PERSONNEL DEVELOPMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. There is no review process of policies and procedures in the workplace.

Local Law or Code Requirement

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

Root Causes

1. As the factory is lacking policies and procedures in many Employment Functions, a review/update of this process is not conducted either.

FINDING NO.15

COMMUNICATION & WORKER INVOLVEMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. There is no worker integration in the creation of factory's policies and procedures.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.1.3)

Root Causes

1. Management considers worker integration unnecessary, due to the existence of a trade union;
2. As the factory is lacking policies and procedures in many Employment Functions, workers have not been provided with the opportunity to participate in their creation.