



COMPANIES: Cutter & Buck  
Under Armour, Inc.  
vineyard vines LLC

COUNTRY: Peru

ASSESSMENT DATE: 09/14/16

ASSESSOR: FLA China

PRODUCTS: Apparel

NUMBER OF WORKERS: 800

## FLA Comments

The FLA assessment was conducted in September 2016, and a follow-up audit was conducted in August 2017, an audit that was part of Under Armour's annual social compliance auditing cycle. The decision to exit was due to consolidation of suppliers and also because Under Armour did not have significant volume with the facility. As part of Under Armour's efforts to exit responsibly and to reduce the risk of retrenchment, the facility was informed of our decision to exit well in advance. The facility was notified in April 2017 of our exit, and we subsequently had a meeting to finalize and review the ramp down plan in May 2017 – the plan gave the facility a runway of almost 1.5 years. Actual production ran through November 2018.

## 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.

## 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	Violations
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## Findings and Action Plans

### FINDING NO.1

#### IMMEDIATE ACTION REQUIRED

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

##### Finding Explanation

1. The factory uses an employment application form during the Recruitment process for all positions that asks for the applicant's age, gender, and marital status. Although there is no evidence that such information is requested for discriminatory purposes, this practice poses a risk of discrimination.
2. The factory does not employ the legally required minimum number of disabled workers. Currently, there are 4 workers with a disability working in the factory; legally, there should be 29.
3. The factory regularly employs about 97% of its workers through multiple short-term contracts; all production workers renew their employments contracts every 3 months. This practice complies with local law and the prevailing practices in the country; however, it is not compliant with the FLA Workplace Code.

##### Local Law or Code Requirement

General Law of People with Disabilities, Article 49, Section 1; FLA Workplace Code (Employment Relationship Benchmarks ER.3, ER.8, ER.9.1, and ER.9.2; Non-Discrimination Benchmarks ND.1 and ND.2.1)

##### Recommendations for Immediate Action

1. Remove questions about age, gender, and marital status from the employment application form to ensure Recruitment & Hiring decisions are based solely on an applicant's qualifications.

2. Revise the current Recruitment & Hiring procedures to ensure that information related to workers' age, gender, and marital status is collected only after workers have been hired.
3. As soon as possible, comply with the legal requirement to employ a minimum number of disabled workers, if possible. Engage with brands and civil society organizations to develop a sustainable solution to this issue.
4. Cease the practice of employing workers through multiple short-term contracts and make all necessary efforts to shift employment contracts from temporary to permanent contracts. Engage with local and international Civil Society Organizations (CSOs) to develop long term solutions at the national level.

## COMPANY ACTION PLANS

### 1. Immediate Action Required

The factory must identify the manager and/or team who will be responsible for ensuring that the factory:

1. Removes questions about age, gender, and marital status from the employment application form to ensure Recruitment & Hiring decisions are based solely on an applicant's qualifications.
2. Complies with the legal requirement to employ a minimum number of disabled workers, by hiring at least 25 workers with disabilities;
3. Undertakes a documented review of the short-term contracts to ensure that it is using the correct/legally required (approved by the Ministry of Labor and/or meeting all legal formal and practical/factual requirements) permanent as opposed to repeated use of short-term/fixed contracts and accurate contract to employ each of its workers. The factory's use of such contracts (non-traditional exports—Ley de Exportaciones no Tradicionales (DL 22342) must be in compliance with the Employment Relationship element of the Fair Labor Association's Workplace Code of Conduct (the "FLA Code")-please see the FLA Code and specific related compliance benchmarks, regarding short-term/temporary contracts as analyzed in Stability and Security in Employment and Decent Work-both sent to you together with this MAP). Accordingly, for the core number of workers that are consistently needed during the work year (as opposed to those need to address seasonal spikes in business/production volume), the factory should implement a plan to increase the length of those workers' contracts in groups and over time). Additionally, please identify the ways in which the factory acknowledges workers' time with the factory/seniority in any way (increased pay, benefits, etc.)
4. Identify specific strategies, trainings, and implement remediation actions with the goal of gradually reducing the percentage of short term contracts in the factory. Seek and implement ways to realize higher levels of employment stability and security by increasingly converting temporary contracts to permanent ones. Also, identify strategies to remediate shortcomings to workers' benefits by the use of repetitive/short-term employment contracts.
5. Engage with the governmental and other stakeholders to seek greater flexibility in making objectively based reductions in force in return for use of longer duration contracts.

Action plan status: Scheduled

### 2. Sustainable Improvement Required:

The factory management must identify to us the manager/team who/that will ensure to:

1. Review job advertisements and or other related recruitment and hiring documentation/information to remove from them age, gender and marital status questions/conditions before the applicant/candidate has been asked to complete them, invited to respond to them and hired;
2. Review and revise the current Recruitment and Hiring policy and procedures to ensure that information related to workers' age, gender, and marital status is collected only after workers have been hired, have signed an employment contract and is obtained to meet specific legal needs for such information;
3. Develop a process to review and ensure compliance with all local and applicable legal obligations as an employer. For example: Develop a process and/or mechanism that would alert management if Industria del Pacifico is not meeting or not in compliance with hiring (and actively, with documentation, seeking to hire) the minimum number of workers with disabilities, etc.
4. Assign someone responsible for a regular and document review of all applicable legal obligations;
5. Engage with local and international Civil Society Organizations (CSOs) and knowledgeable local sources to discuss and help develop long term solutions to: a) the multiple short-term contracts issue at the national level and b) identifying, training/building skills of, and hiring, disable workers.
6. Participate in the ongoing national debate in Peru regarding the future of Decree 22342 and suggest a preference of permanent contracts and employment security and stability.

Action plan status: Scheduled

## FINDING NO.2

## SUSTAINABLE IMPROVEMENT REQUIRED

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

### Finding Explanation

1. The factory does not conduct performance reviews for production workers.
2. Workers are not provided written documentation regarding promotion, demotion, or job reassignment.

### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.29.1 and ER.30.1.2)

## COMPANY ACTION PLANS

1. Sustainable Improvement Required:

The factory must identify the top manager and/or team who/that will:

1. Develop/enhance Personnel Development policy and procedures that include the completion of documented performance reviews for all workers (direct/indirect) that: a) outline review steps and process, b) demonstrate linkages to job grading, c) prohibit discrimination, d) are provided in writing and seek feedback and agreement/disagreement from employees in writing, e) and that follow all local legal requirements.
2. Facilitate communication with and active participation from workers on the development of the policies and procedures, continuous training to broaden worker skills, and develop a mechanism for workers to express their views and opinions on Personnel Development.
3. Facilitate ongoing evaluations and revisions of policies and procedures.
4. Provide continuous training for all workers, supervisors, and managerial staff on the new policies and procedures.
5. Include information on the new Personnel Development policies and procedures during worker orientation or induction process.
6. Designate staff or someone responsible for policy/procedure enforcement and/or implementation.

Action plan status: Scheduled

## FINDING NO.3

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Compensation

### Finding Explanation

1. The factory has not designated an appropriate room for lactating women to pump and store breast milk as required by law. At the time of the assessment there were two lactating women working in the factory.
2. Workers in Plant 3 do not have access to the same benefits as workers in Plants 1 and 2. There is no external service provider allowed to sell food to these workers and there is no canteen or refrigerator available for them to store their food in either. Workers in Plants 1 and 2 can purchase food and have access to a refrigerator.

### Local Law or Code Requirement

Peruvian Constitution, Article 26; Peruvian Law that Establishes the Implementation of Lactating Rooms in the Public and Private Sector (Law 29896), Article 1; FLA Workplace Code (Employment Relationship Benchmark ER.14; Non-Discrimination Benchmarks ND.1 and ND.8.1)

### Recommendations for Immediate Action

1. Designate an appropriate room for lactating women to pump and store breast milk. Inform workers of this benefit.

## COMPANY ACTION PLANS

1. Immediate Action Required

The factory must identify the manager and/or team who will be responsible for ensuring:

1. Designating an appropriate room, with relevant appliances, and consistent with applicable rules/regulations, for lactating women to pump and store breast milk, in privacy, and under required hygienic and other required conditions;
2. Advice lactating workers, through documented trainings for female workers, in the employee handbook, using the PA system; bulletin board postings in highly visible and prominent areas, about the lactating room location and times, conditions, and rules for its use.
3. Consistent with workplace conditions in Plant 1 and 2, A) seek and/or allow an authorized/credentialed 3rd party service provider to sell food to workers in Plant 3; B) Build a canteen in or near the premises so that workers at Plant 3 can have access to have their meals during break times; C) Install or ensure a refrigerator is also made available to them so that they can hygienically

store their food; and D) consider installing, and ensure workers have access to, an Industrial Heating equipment to re-heat safely food they buy or bring from home.

Action plan status: Scheduled

## FINDING NO.4

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Hours of Work

##### Finding Explanation

1. From a sample review of 83 time records and pay slips from April 18-24, 2016, assessors noted 72 cases in which production employees from the packing section in Plant 2 worked in excess of 60 hours of work per week. For example, one employee worked 39 hours of overtime and another employee worked 32 overtime hours, adding up to a total of 87 and 82 hours of work per week, respectively.

2. Through a sample review of 83 time records and pay slips from April 18-24, 2016, and worker interviews, assessors found that 62 employees from Plant 2 worked continuously over the course of two working days, entering the factory early in the morning on April 20 and leaving the factory in the afternoon of April 21, 2016.

3. From a sample review of 83 time records and pay slips from April 18--29, 2016, assessors found that during the from April 18--29, 2016, there were 34 instances of employees working on both Saturdays and Sundays (their designated weekly rest days) and not receiving an additional rest day in the following seven day period, as per FLA Workplace Code Benchmarks.

##### Local Law or Code Requirement

Peruvian Law of Working Time, Hours of Work and Overtime, (Supreme Decree 007-2002-TR), Article 1; FLA Workplace Code (Hours of Work Benchmarks HOW.1.1, HOW.1.3, HOW.2, HOW.3, and HOW.8.3)

##### Recommendations for Immediate Action

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

2. Create work schedules that ensure workers have reasonable and sufficient rest breaks.

3. Provide workers with 24 consecutive hours of rest in every seven-day period. Retroactively provide compensatory rest days to those 34 employees who did not enjoy a rest day during the week of April 18-24, 2016. Review records from the past 12 months to identify any other instances in which workers did not receive at least one rest day in a seven-day period, and retroactively provide these workers with compensatory rest days.

### COMPANY ACTION PLANS

#### 1. Immediate Action Required

The factory must identify the manager and/or team who will be responsible for ensuring that:

1. Workers do not work more than 60 hours per week, consistent with the FLA's Benchmarks;
2. Create and implement work schedules to ensure workers have reasonable and sufficient rest breaks during the day, consistent with applicable regulations;
3. Take necessary corrective action concerning past, incorrect calculations, payments and practices, including retroactively compensating workers that worked on a rest day with appropriate compensation consistent with local regulations. The supplemental payment must be clearly and specifically itemized in each affected worker's pay slip and personnel file.
4. Going forward, provide workers with 24 consecutive hours of rest in every seven-day period;
5. Conduct a documented review of payroll records from the past 12 months to identify any other instances in which workers did not receive at least one rest day in a seven-day period, and retroactively provide those workers with earned compensatory rest days, as applicable.

Action plan status: Scheduled

#### 2. The factory must identify the person that will ensure that:

1. The factory shall comply with all applicable laws, regulations and procedures governing the payment of premium rates for work on holidays, rest days, and overtime, including paying the legally defined premium rates for overtime ("OT") and work on holidays or rest days;
2. Update/enhance compensation/benefits policy and procedure in line with local law requirements; including specific references about OT payment and their appropriate rate, and rest day compensation.
3. Train supervisors and other managerial positions about the revised policy and procedures.
4. Communicate through different means to workers in their local language and/or dialects about the revised policy and

procedures.

Please send to us supporting documentation for each of the action items identified above.

Action plan status: Scheduled

## FINDING NO.5

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Industrial Relations

##### Finding Explanation

1. There is a Collective Bargain Agreement (CBA) in place; however, the factory does not provide a copy of the CBA to the workers, as required under the FLA Workplace Code.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.16.2)

#### COMPANY ACTION PLANS

##### 1. Immediate Action Required

The factory must identify the manager and/or team who will be responsible for ensuring that:

1. All workers are provided with a copy of the Collective Bargaining Agreement (CBA) ;
2. Post copies of the CBA in highly visible and readily accessible locations throughout the workplace and
3. Memorialize date/time and method in which workers receive CBA copies and send to us related supporting documentation for our review.

Action plan status: Scheduled

## FINDING NO.6

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Workplace Conduct & Discipline

##### Finding Explanation

1. The body search procedure for male workers in Plant 1 requires that workers pull their pants down before leaving the factory after each working day.

##### Local Law or Code Requirement

Peruvian Constitution, Article 23, Section 3; FLA Workplace Code (Employment Relationship Benchmark ER.27.2.1; Harassment or Abuse Benchmarks H/A.1 and H/A.10)

##### Recommendations for Immediate Action

1. Cease the current practice of conducting daily and intrusive body searches on male workers.

#### COMPANY ACTION PLANS

##### 1. Immediate Action Required

The factory must identify the manager and/or team who will be responsible for ensuring that, going forward, workers are not subject to intrusive/invasive body searches, including pulling their pants down, at any time, including when leaving the factory each day.

Action plan status: Scheduled

##### 2. Sustainable Improvement Required:

The factory must identify the person that will ensure that:

1. Ensuring any security provisions are expressly permitted under local laws and consistent with local legal privacy laws and preservation of worker dignity;
2. Develop non-intrusive/non-invasive pat down written procedures; including prohibitions against asking or requiring workers to pull down their pants at any time including when workers are leaving the premises;
3. Regular and documented factory security guards' training on the factory's pat down procedures; including a prohibition against asking or requiring workers to pull down pants at any time including when workers are leaving the premises;
4. Seek and document security guards understanding and acknowledge of factory's expectations and practices;
5. Post near the gates posters depicting/illustrating proper, consistent with factory procedures, pat down techniques and specific prohibitions;
5. Train workers, supervisors and other managerial positions about proper pat down procedures and practices.
6. Communicate through different means to workers in their local language and/or dialects about proper pat down procedures; and
7. Create a mechanism for workers to submit complaints/grievances; including a hot line, enabling text messaging, confidential channels, and access to supervisors and managers that will receive and follow through intrusive/invasive pat down complaints/grievances.

Action plan status: Scheduled

## FINDING NO.7

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Grievance System

##### Finding Explanation

1. The factory does not keep records of grievances and suggestions submitted by workers. There is no documentation of how the factory follows up on and resolves grievances.
2. Assessors noted three suggestion boxes located in the aisles of different production areas. This placement is within the sight of other workers, which does not provide confidentiality to workers who want to use this grievance system. Also, the process for using the suggestion boxes requires workers to identify their production line, further undermining confidentiality.
3. Suggestion boxes are not equipped with pencil and paper for workers to write their suggestions and grievances, making the grievance mechanism ineffective.
4. Assessors found that the factory has not established clear grievance mechanisms for workers in Plant 3. There is only one suggestion box and there is no one responsible for opening it and following up on grievances. Workers do not know who to talk to if they have a work-related issue, and there is no formal channel for workers to reach out to Human Resources management.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.2.1, ER.2.1.1, and ER.25; Non-Discrimination Benchmark ND.1)

### COMPANY ACTION PLANS

1. Immediate Action Required:
  1. Maintain/document grievance, complaints and suggestion records submitted by workers;
  2. Relocate suggestion boxes away from supervisors' sight, so that workers are comfortable when using that communication channel. Going forward, do not require workers to indicate the production line they are in or ensure they volunteer that information;
  3. Equip suggestion boxes with a pen/pencil and sufficient paper for workers to write their suggestions and grievances;
  4. Ensure all workers; including those in Plant 3, have access to, just as workers in Plan 1 and 2, have access to an effective grievance mechanism as described below.

Action plan status: Scheduled

#### 2. FLA CODE AND BENCHMARK COMPLIANT PROCEDURES AND NEW AND/OR EFFECTIVE GRIEVANCE SUBMISSION METHODS (INCLUDING TEXT MESSAGING)

The factory must identify the person who will develop and effectively implement comprehensive written grievance: 1) policies and 2) procedures. The grievance procedures must include: 1) a means by which its workers can directly and confidentially report grievances to top management/human resource personnel (for example, by sending text messages to a dedicated H.R. Supervisor's telephone number; an email message to a dedicated H.R. Department email address; making telephone calls to a dedicated H.R. Department hotline or telephone number) without the knowledge of or involvement by supervisors and free from reprisal, retribution and retaliation, and 2) a grievance register (see attached example), in substance reflecting the date and nature of the grievance and the action taken, among other things.

Please also confirm that top management will regularly and confidentially meet with employees without supervisors being involved or present. The factory should conduct documented training related to new procedures, policies with non-retaliation provisions, documented training about the new mechanisms, summary posters about the new mechanisms, and with materials, in Spanish and any other applicable dialects and languages, with its managers, Human Resources personnel and workers about each of the policies and procedures. The factory should document actions it subsequently takes in accordance with, and pursuant to these policies and procedures in any affected managers' and workers' on site personnel files.

Measurement, regular review and analysis of, by confidential worker surveys, the EFFECTIVENESS of grievance procedures.

Please send to us supporting documentation for each of the action items identified above; including training materials, attendance sheets, photos, etc.

Action plan status: Scheduled

## FINDING NO.8

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. The factory does not have documentation of any evacuation drill conducted during the night shift (the cutting and embroidery departments are the only departments that operate at night, therefore the assessors could not verify that an evacuation drill took place.
2. The emergency alarm on the third floor of Plant 1 does not work. An emergency alarm installed at an emergency exit in this same area also does not work; the alarm sound for this emergency alarm is the same as the sound for the unauthorized access alarm, which might mislead workers in case of an emergency.
3. Emergency alarm buttons are placed inside a box protected with a glass cover. In case of emergency, workers have to break the glass cover using a hammer, which exposes them to the risk of injury and might also take longer to activate the alarm.
4. None of the evacuation maps posted in the factory are accurate, as they do not reflect the actual layout of the different work areas, including evacuation routes and emergency exits.
5. At the time of the assessment, the earthquake safety area on the first floor of Plant 1 was blocked by piles of finished goods.

##### Local Law or Code Requirement

Regulations on Health and Safety at the Workplace, Articles 17 (Section i) and 45; FLA Workplace Code (Employment Relationship Benchmark ER.2.1; Health, Safety & Environment Benchmarks HSE.1, HSE.5.1, HSE.5.3, and HSE.6.1)

##### Recommendations for Immediate Action

1. Conduct an evacuation drill with workers from the night shift and maintain the appropriate documentation.
2. Ensure that all emergency alarms in Plant 1 are working properly at all times. Also, clearly define the purpose of the alarms and communicate this purpose to the workers.
3. Remove the glass covers from all boxes used to isolate the alarm buttons.
4. Revise all evacuation maps to ensure they are in line with the actual layout of the different work areas and accurately indicate the actual location of evacuation routes and emergency exits.
5. Ensure that earthquake safety areas are unobstructed at all times.

### COMPANY ACTION PLANS

1. Immediate Action Required:
  1. Conduct a documented fire and emergency evacuation drill with workers from the night shift and maintain the appropriate/relevant documentation;
  2. Ensure that all emergency alarms in Plant 1 are regularly tested/maintained by a credentialed/experienced 3rd party service provider;
  3. Remove/replace glass covers from all alarm boxes being use to isolate the alarm buttons. Replace with a local law compliant protection devices;
  4. Review/revise all evacuation maps to ensure they are consistent with the actual/current factory layout and accurately indicate the actual location of evacuation routes, first aid locations, and emergency exits;

5. Ensure that earthquake safety areas are unobstructed at all times.

Action plan status: Scheduled

2. Sustainable Improvement Required:

A) The factory must identify the personnel from each of their companies who will ensure that: 1) no exits are ever locked and 2) that no aisles, evacuation passages, exit doors, emergency exits, fire hydrants, fire extinguishers, evacuation passages, fire-fighting and emergency equipment, electricity connection boxes/electrical panels and the areas in front of all such exits, aisles, boxes panels and equipment are blocked (even partially); including by implementing written policies, and procedures featuring specific systems and controls (such as frequent daily documented inspections, with identified personnel (workers (confidentially elected by workers, and also members of the factory's Fire and Health and Safety Committees) and managers on each shift and in each work area who are assigned this responsibility). Additionally, the factory must identify the person who personally will make "yellow boxes" (made of taped or painted lines) or other markings to prominently identify/mark the areas in front of emergency exits and fire-fighting/fire extinguishers/equipment, emergency exits and control panels that are to be kept clear at all times. Finally, this person also must clearly mark all aisles, emergency evacuation passages/lanes and walkways with: 1) painted yellow directional arrows and lines or taped photo-luminescent lines on the floor to indicate the areas that are to be kept clear and 2) arrows on the walls that point toward the nearest exit.

B) FIRE SAFETY: JOINT WORKER AND MANAGEMENT OWNERSHIP OF, AND RESPONSIBILITY FOR, SAFETY. The factory must identify the person who will be responsible for implementing systems and controls (such as frequent daily documented inspections, with identified personnel (workers (confidentially elected by workers, and also members of the factory's: a) Fire and b) Health and Safety Committees) and managers on each shift and in each work area who are assigned this responsibility) who will: 1) periodically separate all a) combustible and b) flammable materials from sources (and potential sources) of heat and electricity and 2) ensure the handling of such materials demonstrates the existence of the required Fire Safety Competencies (see attached FLA Materials) follows established policies, procedures and Codes of Conduct. The factory must ensure that the following occurs and is documented: 1) workers are confidentially elected by their co-workers and join as full members of the factory's Fire Safety Committee and its Health and Safety Committee; 2) workers must jointly own and share responsibility for safety; 3) these personnel, and in groups and over time, all personnel, should receive, along with managers, documented (sign-in sheets, retain documents of training materials, photograph or video of training, engage local Fire Department and/or certified expert in safety) training on fire safety; 4) daily documented, unannounced and randomly time inspections should be conducted by workers; 5) written inspection reports should be completed by these workers, logged in chart for trends/data/root cause analyses and 6) formally addressed as written agenda items in Weekly or Monthly documented (meeting minutes and attendance registers kept) Fire and Safety Committee Meetings. PLEASE ALSO REVIEW AND IMPLEMENT THE FOUNDATIONAL FIRE SAFETY COMPETENCIES (Copy attached).

Action plan status: Scheduled

## FINDING NO.9

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. Three oil containers at the mechanics' workstations in Plant 1 are not labeled.

2. Workers in the stain-removal area in Plant 2 do not use all required Personal Protective Equipment (PPE). The Material Safety Data Sheet (MSDS) for one cleaning chemical in use requires that workers wear gloves, boots, and an apron, but the factory has not provided such equipment. As a result, no training on the use of PPE has been provided to these workers either.

##### Local Law or Code Requirement

Peruvian Law on Health and Safety at the Workplace (Law 29783), Article 60; Regulations on Health and Safety at the Workplace, Articles 40 (Section f), 43, 44, and 50; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.7, HSE.8, and HSE.9.1)

##### Recommendations for Immediate Action

1. Label all chemical containers used at the mechanics' workstations.

2. Provide workers in the stain-removal area with the PPE required by the applicable MSDS; specifically, gloves, boots, and aprons are to be provided to the workers, free of charge. Once the PPE has been provided, train workers on PPE usage.

### COMPANY ACTION PLANS

1. Immediate Action Required:

The factory must identify the manager and/or team who will be responsible for ensuring that:

1. All chemical containers used at the mechanics' workstations are labeled consistent with MSDS requirements, and applicable local

regulations;

2. Provide workers in the stain-removal area, Plant 1, with the appropriate/required Personal Protective Equipment (PPE), based on MSDS requirements; more specifically: gloves, boots, and aprons are to be provided free of charge.

Action plan status: Scheduled

2. Sustainable Improvement Required:

The factory must identify the person who will: 1) ensure, by implementing a documented personal protective equipment ("PPE") use incentive/award/reward system, that its workers: a) are provided the appropriate PPE; e.g. anti-dust respirator, etc. and b) properly wear/use the PPE including earplugs and facemasks required by their specific workplace conditions; 2) conduct documented training session forcefully emphasizing risks and harms of failing to wear/properly use, PPE and 3) post posters, written in the language(s) understood by its workers and managers, in each workplace showing the necessary and proper use of PPE for each worker (also please refer to local regulations, if applicable).

The factory must send to us photographs to us showing that/documented evidence that workers are provided/use the anti-dust respirators.

Action plan status: Scheduled

## FINDING NO.10

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. The safety instructions for the use of heat transfer machines in Plant 1 are in English, which is not the language spoken by workers (Spanish).

2. During the physical inspection of Plant 3, assessors observed that two forklifts were missing fire extinguishers. A third forklift was missing backup lights. No maintenance records for any of the three forklifts were available.

3. The factory has not provided workers in the raw material and shipment warehouses with training on forklift operation and work at heights.

4. At the time of the assessment, the factory had not yet updated its Identification of Dangers and Evaluation of Risks (IPER), a legally required risk assessment. The last IPER was conducted in February 2015, but according to local law it has to be conducted on a yearly basis. Also, the factory has not identified all occupational risks in the warehouse, especially the risk of falling for workers who store fabric rolls. During the observation tour, assessors noted a risky operation in which workers were storing fabric rolls at heights; however, the IPER did not cover this operation as part of the risk assessment. Hence, the factory has not implemented measures to reduce or control risks to workers.

5. There is only one female worker in Plant 3 (a cleaning worker) and she uses the same restroom that the male workers use even though there is a female restroom available for the administrative employees. Management never communicated to this worker that an alternate restroom was available.

6. At the time of the assessment, boxes containing finished goods in the warehouse of Plant 2 were stacked high enough to touch the ceiling lamps, which is an unsafe storing practice. The glass in the lamps could break and pose a serious risk of injury.

7. There are no shower curtains on the showers for male workers in Plant 1, and there are windows in the shower area for female workers in Plant 2 that allow people to see in.

8. From a review of the Health & Safety Committee minutes, assessors noted that this committee is not accomplishing its legally required functions. The Committee does not conduct periodic factory inspections or root cause analyses on accidents and near-accidents and does not actively participate in the implementation of the risk management system.

9. The factory has not conducted an ergonomic risk assessment, as legally required; as a result, no proactive steps to reduce repetitive-motion stress injuries have been taken (i.e. training on ergonomics (including training workers on proper lifting techniques), ergonomic breaks, or adjusting individual workstations to fit workers).

10. The factory has not hired an occupational doctor, as legally required.

##### Local Law or Code Requirement

Peruvian Constitution, Article 23, Section 3; Peruvian Law on Health and Safety at the Workplace (Law 29783), Articles 36, 49 (Sections f and g), 50 (Sections a, b, and c), and 57; Regulations on Health and Safety at the Workplace, Articles 17 (Section d), 20, 40 (Sections a, b,

c , and f), 43, 44, and 47; Peruvian Constitution, Article 2, Section 7; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2.1 and ER.2.1.1; Health, Safety & Environment Benchmarks HSE.1, HSE.14.1, HSE.14.2, HSE.14.3, HSE.17.1, HSE.17.2, HSE.18.1, HSE.18.2.1, and HSE.20)

### Recommendations for Immediate Action

1. Ensure that the safety instructions for the heat transfer machines are available in Spanish.
2. Conduct periodic maintenance work on the forklifts and keep all relevant maintenance records. Install fire extinguishers and backup lights on all forklifts.
3. Provide the relevant training to workers who operate forklifts and perform work at heights and inform them of unsafe practices that might cause accidents.
4. Cease the current practice of manually storing fabric rolls at heights in the warehouses, as it exposes workers to a high risk of falling. Conduct a complete risk assessment in these work areas, specifically covering any fall risks.
5. Ensure that the female worker in Plant 3 has access to the restroom designated for female administrative employees.
6. Inform workers of safe storage practices and ensure that workers do not unsafely stack boxes.
7. Install shower curtains and cover windows in shower areas to ensure that workers have privacy and can shower comfortably.

## COMPANY ACTION PLANS

### 1. Immediate Action Required:

The factory must identify the manager and/or team who/that will be responsible for:

1. Ensure that the heat transfer safety instructions are made available in Spanish;
2. Conduct documented/periodic maintenance work on the forklifts and keep all relevant maintenance records. Immediately, install fire extinguishers and backup lights on all forklifts;
3. Provide the relevant/required training to workers who: a) operate forklifts; and b) perform work at heights, and inform them of unsafe practices that might cause incidents/accidents;
4. Immediately cease the current practice of manually storing fabric rolls at heights in the warehouses, as it exposes workers to a high risk of falling. Conduct a complete risk assessment in these work areas, specifically covering any fall risks;
5. Given the current lay out conditions, ensure that the female workers in Plant 3 have access to the restroom designated for female administrative employees or build additional restrooms for female factory workers in the next 60 days.;
6. Conduct documented training, with photographic posters posted thereafter showing, workers about safe storage practices; including height limits when stacking boxes. Conduct documented training about safe practices based on a documented risk assessment in the area;
7. Install shower curtains and cover windows in shower areas to ensure that workers have privacy and can shower comfortably.

Action plan status: Scheduled

### 2. Sustainable Improvement Required:

The factory must identify the person that will ensure that:

1. A credentialed/certified Risk Assessment firm is yearly consulted and commissioned to conduct a full Identification of Dangers and Evacuation of Risks (IPER), consistent with local regulations;
2. Based on its report, develop and implement a remediation plan that mitigates all risks identified in the workplace. In cases of changes in practices, conduct a documented worker training in new/updated practices.

Please send to us your plan, risk assessment report, remediation plan and relevant documentation.

Action plan status: Scheduled

## FINDING NO.11

### 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, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct, and Grievance System.
2. The factory does not have written procedures on the following Employment Functions: Personnel Development, Compensation, Hours

of Work, Termination & Retrenchment, Industrial Relations, and Grievance System.

3. The informal documents used to manage Grievance System are incomplete, as they do not cover all of the grievance channels available to workers, including the open door policy, worker surveys, factory social workers, and union. The documents only regulate the suggestion boxes.

4. The factory does not have written procedures for Personnel Development that a) outline the criteria for promotion, demotion, and job reassignment, demonstrate linkages to job grading, and prohibit discrimination or use of demotion or job reassignment as a form of penalty or punishment; b) encourage the ongoing training of all categories of workers with the goal of raising or broadening skills in order to advance in their careers within the factory or beyond, and c) outline the performance review steps and process, demonstrate linkages to job grading, prohibit discrimination, and provide written feedback to workers.

5. The factory does not have procedures on Termination & Retrenchment that: a) include methods of calculating final payouts in accordance with legal requirements; b) require communication and consultation with workers' representatives in cases of retrenchment and before reaching a final decision on a layoff, with the purpose of averting or minimizing its effects; and, c) include a mechanism that allows workers to report any concerns or problems they may experience with regard to legally-owed payments during the retrenchment process.

6. The factory's procedures on Workplace Conduct do not include an appeals process. Also, the factory's Internal Regulations include a sanction for workers who refuse to sign a disciplinary action (Article 264), which is not a reasonable and fair sanction. This policy is not implemented in practice.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1 , ER.19.1, ER.23.1, ER.25, ER.27.1, ER.27.2.1, ER.27.4, ER.28.1, ER.29.1, ER.30.1, ER.30.1.1, ER.32.1, and ER.32.3)

## COMPANY ACTION PLANS

### 1. Immediate Action Required:

The factory must identify the manager and/or team who/that will ensure to:

1. Develop Recruitment, Hiring and Personnel Development, Compensation, Hours of Work, Termination and Retrenchment, Industrial Relations, and Grievance System policies and procedures, consistent with FLA Benchmarks;
2. Personnel Development procedures must: a) outline the criteria for promotion, demotion, and job reassignment, demonstrate linkages to job grading, and prohibit discrimination or use of demotion or job reassignment as a form of penalty or punishment; b) encourage the ongoing training of all categories of workers with the goal of raising or broadening skills in order to advance in their careers within the factory or beyond, and c) outline the performance review steps and process, demonstrate linkages to job grading, prohibit discrimination, and provide written feedback to workers.
3. Termination & Retrenchment procedures include: a) methods of calculating final payouts in accordance with legal requirements; b) require communication and consultation with workers' representatives in cases of retrenchment and before reaching a final decision on a layoff, with the purpose of averting or minimizing its effects; and, c) include a mechanism that allows workers to report any concerns or problems they may experience with regard to legally-owed payments during the retrenchment process.
4. The factory must identify the person who will develop and effectively implement written disciplinary: 1) policies and 2) procedures. The new written procedures must provide for both: a) having a third-party witness present if, and when, sanctions are imposed, and b) and an Appeals process (FLA Employment Relationship ER.27.4). The factory should conduct documented training, and with materials, in Spanish and any other applicable dialects and languages, with its managers, Human Resources personnel and workers about each of the policies and procedures. The factory should document actions it subsequently takes in accordance with, and pursuant to these policies and procedures in any affected managers' and workers' on site personnel files. It is also recommended that Industria Textil del Pacifico reviews/revises its Employee Handbook to reflect the updated, not only disciplinary policy and procedures, but all the newly created management system based on FLA's Benchmarks.

Please send us: a) the updated section of the Employee Handbook that reflects this addition and b) documented worker and management training supporting evidence.

Action plan status: Scheduled

## FINDING NO.12

## 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, and

2. The factory does not provide orientation training to new workers on Personnel Development.

3. The factory has a policy on sexual harassment and it has been communicated to the workers through posted copies and during orientation training; however, there is no ongoing training on the prevention of sexual harassment in the workplace, as legally required. During worker interviews, assessors noted that workers lack sufficient knowledge of the factory's sexual harassment policy.

#### Local Law or Code Requirement

Peruvian Constitution, Article 26, Section 1; Peruvian Law on Prevention and Punishment of Sexual Harassment (Law 27942), Article 7, Section A; FLA Workplace Code (Non-Discrimination Benchmarks ND.1; Harassment or Abuse Benchmarks H/A.1 and H/A.9.4; Employment Relationship Benchmarks ER.1.2, ER.15.1, ER.15.2, ER.17.1, and ER.17.3)

## COMPANY ACTION PLANS

### 1. Sustainable Improvement Required:

The factory management must identify to us the manager(s) that will:

1. Create and implement an ongoing comprehensive training program based on the key Employment Functions (as identified in the finding above). Provide ongoing training on all policies and procedures for Recruitment, Hiring and Personnel Development, Compensation, Hours of Work, Industrial Relations, and Termination/Retrenchment (see refer to the FLA Benchmarks).
2. Establish mandatory training for all employees within the factory, including administrative staff, supervisors, and managers. More specifically, ensure HR personnel and administrative staff are trained on the factory's workplace conduct and discipline.
3. Ensure all supervisors and managers are trained on the workplace standards, national laws and regulations, FLA code and benchmarks, particularly, on termination and retrenchment, industrial relations and grievance system
4. Designate properly credentialed/experienced/knowledgeable compliance staff (or engage 3rd party expert/firm) responsible for the implementation of the training program.
5. Enhance new worker orientation briefings by including more information about Cutter & Buck, Vineyard Vines, Under Armour, FLA Workplace Codes and Benchmarks and more specific information about factory's Personnel Development, an overview of employee handbook and other factory policies.
6. Ensure workers are provided with written documentation that substantiates all the issues covered during orientation briefings.

Please submit to us supportive documentation, e.g. training plan/program, briefings PPTs, etc.

Action plan status: Scheduled

## FINDING NO.13

## SUSTAINABLE IMPROVEMENT REQUIRED

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

#### Finding Explanation

1. As the factory is missing policies on Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct, and Grievance System, no communication is provided to the workers on these Employment Functions. The factory is also missing policies on Compensation, so they only communicate the existing Compensation rules and mechanisms to workers.
2. As the factory is missing procedures on Personnel Development, Hours of Work, Termination & Retrenchment, Industrial Relations, and Grievance System, no communication is provided to workers on these Employment Functions. The factory is also missing procedures on Compensation, so they only communicate the existing Compensation rules and mechanisms to workers.
3. As previously noted, workers in Plant 3 have not been sufficiently informed of the grievance channels available to them.
4. The Worker Involvement 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 involved 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.25.2, ER.29.1.1, and ER.30.2)

## COMPANY ACTION PLANS

### 1. Sustainable Improvement Required:

The Factory must identify the manager and team who will ensure to conduct documented educational and orientation meetings for all employees:

- 1) The meeting topics and subjects covered must include: recruitment, hiring and personnel development, hours of work, termination and retrenchment, workplace conduct, grievance system, explanations of the employers' rules, compensation package and policies for human resources, industrial relations, including respect of the right to freedom of association, health and safety, laws regarding workers' rights, working hours, and distribution of the FLA Code through appropriate means, including posters in local language(s) throughout the workplace's common areas;
- 2) Management must update training on a regular (meaning at least every 3 months or more frequently, if, and as, needed) basis. Workers are to be provided with written documentation summarizing and reviewing all the information covered in the orientation briefing;

Please submit to us relevant training/orientation documentation; including PPTs, attendance sheets, etc.

Action plan status: Scheduled

## FINDING NO.14

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Review Process (Macro)

##### Finding Explanation

1. As the factory does not have written policies there is also no review process for the following Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct, and Grievance System.

2. As the factory does not have written procedures there is also no review process for the following Employment Functions: Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, and Grievance System.

3. The factory does not ensure that its Workplace Conduct & Discipline procedures are reviewed and updated in alignment with the FLA Workplace Code and Benchmarks.

##### Local Law or Code Requirement

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

### COMPANY ACTION PLANS

#### 1. Immediate Action Required:

The factory must identify the management person/team who/that:

- 1) will implement a formal (according to a written plan and schedule) regular and documented review process of policies, procedures and their implementation in a consultative (documented review of related documents, functional issues with current processes and proposed changes, with identified workers (names, id numbers, signatures/dates on an attendance sheet/in meeting minutes) manner and amend when warranted;
- 2) will enter into a formal written engagement with local legal counsel to periodically (no less that quarterly and promptly, as warranted, by the issuance of new, changes in, important laws, rules, regulations, decrees, etc.) brief the factory/guide them in implementing necessary functional/operational changes and revisions of related policies and/or procedures and according to changes in local law, regulations/FLA code and in response to internal/external audit results.

Action plan status: Scheduled