



COMPANIES: PVH Corp  
COUNTRY: Mexico  
ASSESSMENT DATE: 05/06/16  
ASSESSOR: FLA China  
PRODUCTS: Apparel  
NUMBER OF WORKERS: 1371

## 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 does not have any job descriptions for production positions, as required by FLA Compliance Benchmarks.
2. The employment application form asks for information related to applicant's gender and marital status, which may lead to discrimination during the recruitment process. Although there is no evidence that such information is requested for discriminatory purposes in practice, factory management should collect this data once the applicant has been hired.
3. Factory does not provide new workers with written information that substantiates all topics covered during the orientation training; new workers only receive a leaflet on Health & Safety.
4. Orientation training for new workers does not include workplace conduct or information on the disciplinary system.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.3.2, ER.15.1, and ER.15.3; Nondiscrimination Benchmark ND.2.1)

##### Recommendations for Immediate Action

1. Discard questions about gender and marital status from the employment application form and ensure recruitment and hiring decisions are based solely on the qualifications of the applicant.
2. Revise the current recruitment and hiring procedures to ensure that information related to worker's gender and marital status is collected only after workers have been hired.

## COMPANY ACTION PLANS

### 1. Action Plan Title

Recruitment, Hiring & Personnel Development 1  
Details

Immediate Action: The factory will develop job descriptions for workers in production positions.

Planned Completion Date

09/26/16

Action plan status: Scheduled

Planned completion date: 07/24/16

### 2. Action Plan Title

Recruitment, Hiring & Personnel Development 2  
Details

Immediate Action: The language requesting information on an applicant's gender and marital status will be removed from the application form. Information will be requested only upon hiring.

Planned Completion Date

07/16/16

Action plan status: Scheduled

Planned completion date: 07/24/16

### 3. Action Plan Title

Recruitment, Hiring & Personnel Development 3  
Details

Immediate Action: A leaflet providing new workers with written information substantiating topics covered during orientation training will be created and distributed to all relevant workers.

Planned Completion Date

07/16/16

Action plan status: Scheduled

Planned completion date: 07/24/16

### 4. Action Plan Title

Recruitment, Hiring & Personnel Development 4  
Details

Immediate Action: The factory will include in the orientation training for new workers information on the "reglamento interior de trabajo" and a copy will be delivered to workers.

Planned Completion Date

08/16/16

Action plan status: Scheduled

Planned completion date: 07/24/16

## FINDING NO.2

### SUSTAINABLE IMPROVEMENT REQUIRED

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

##### Finding Explanation

1. Management does not have a policy for Personnel Development and the written procedures do not include performance reviews for production workers, steps and process linked to job grading and promotional opportunities.
2. There are no policies and procedures on promotion, demotion and job reassignment.
3. No written documentation regarding decisions of promotion, demotion or reassignment is provided to workers.
4. Factory does not provide any orientation training to new workers on Personnel Development.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.15.1, ER.28.1, ER.29.1, ER.29.1.1, and ER.30.1)

## COMPANY ACTION PLANS

### 1. Action Plan Title

Recruitment, Hiring & Personnel Development 1  
Details

Immediate Action: The factory will draft policies and procedures on Personnel Development including performance reviews and

requirements/policies for promotions.

#### Planned Completion Date

09/26/16

Action plan status: Scheduled

Planned completion date: 07/24/16

#### 2. Action Plan Title

Recruitment, Hiring & Personnel Development 2

Details

Immediate Action: The factory will draft a policy and procedures on Personnel Development including promotion, demotion and job reassignment

Planned Completion Date

09/26/16

Action plan status: Scheduled

Planned completion date: 07/24/16

#### 3. Action Plan Title

Recruitment, Hiring & Personnel Development 3

Details

Sustainable Action: The factory will share the policies on personnel promotion, demotion or reassignment with workers once completed. PVH has discussed this issue with the factory and they have agreed to provide written feedback to all relevant workers whenever demotions, promotions or reassignments take place.

Planned Completion Date

09/26/16

Action plan status: Scheduled

Planned completion date: 07/24/16

#### 4. Action Plan Title

Recruitment, Hiring & Personnel Development 4

Details

Sustainable Action: The factory will provide training to workers during new hire orientation on the Personnel Development policy once the policy is created.

Planned Completion Date

09/26/16

Action plan status: Scheduled

Planned completion date: 07/24/16

## FINDING NO.3

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Compensation

##### Finding Explanation

1. The Mexican Federal Labor Law regulates vacation time for employees based on their seniority: after one year of service, workers are entitled to 6 vacation days per year; after two years of service, workers are entitled to 8 vacation days per year; employees with three years of service are entitled to 10 vacation days in a year; finally, workers with four years of service are entitled to 12 vacation days, and after the fourth year of service, one additional vacation day should be provided for every 5-year period. However, it is the factory's regular practice that workers do not enjoy the whole vacation period they are entitled to. According to the law, in no case the vacation period should be less than six consecutive days of rest per year. However, assessors noted that workers only rest 2-3 vacation days per year, receiving compensation for the remainder of vacation days, although the law prohibits the practice of asking or allowing employees to work during vacations even if an additional compensation is provided. Assessors also noted that workers are not fully aware of the number of vacation days they are legally entitled to take.

2. The factory does not sufficiently inform workers on wages & benefits. In addition, the factory management does not conduct training to ensure that workers understand the wage structure and legal provisions applicable to bonuses, overtime—including overtime rates—and other legally required benefits such as vacation, Christmas bonus and profit sharing.

##### Local Law or Code Requirement

Mexico Federal Labor Law, Articles 76, 78, 79, and 81; FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.16.1, and ER.22.1; Hours of Work Benchmarks HOW.11 and HOW.12.2; Compensation Benchmarks C.8, C.17.1, C.17.1.2, C.17.1.3, and C.17.1.4)

### Recommendations for Immediate Action

Ensure that workers rest the total amount of vacation days they are entitled to per year, according to their seniority. Workers should be communicated on the number of vacation days they are entitled to, and the period during which they can take the days off. Management should encourage workers to rest their annual vacation.

## COMPANY ACTION PLANS

### 1. Action Plan Title

#### Compensation 1

#### Details

a) Immediate Action: The factory will provide vacation days that will necessarily be taken as days off in December. Workers that are eligible for more vacation days than the ones provided will be contacted by HR in order to schedule such vacation during the following year.

b) Sustainable Action: New workers will be informed when being hired about their rights to vacation days.

Planned Completion Date

09/16/16

Action plan status: Scheduled

Planned completion date: 07/24/16

### 2. Action Plan Title

#### Compensation 2

#### Details

a) Immediate Action: In September, the factory will provide comprehensive training to workers that will include information on the factory's wage and benefits policies and practices.

b) Sustainable Action: New workers will be informed when being hired about wage structure and legal provisions applicable to bonuses, overtime, Christmas bonus, profit sharing and any other legally required benefit. PVH will reinforce the annual training on compensation, including benefits to be provided to workers during its visit in December. Furthermore, PVH will evaluate the success of the trainings already provided by the factory on these issues.

Planned Completion Date

09/16/16

Action plan status: Scheduled

Planned completion date: 07/24/16

## FINDING NO.4

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Compensation

#### Finding Explanation

1. As per Mexico Federal Labor Law, nursing women are entitled to two daily 30-minute breaks to breast-feed their children during the 6 months after the day of birth. However, the factory does not provide all breast-feeding women the rest periods they are entitled to during the workday. There is a childcare facility available for workers, where 5 babies under the age of 6 months were being cared for at the time of the assessment, but only one mother was enjoying the legally required break to breast-feed her newborn.

2. No communication and training is provided to the female workers on the right to enjoy two daily 30-minute breaks to breast-feed the new born.

#### Local Law or Code Requirement

Mexico Federal Labor Law, Article 170, Section IV; FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15.2, ER.16.1, and ER.22.1; Nondiscrimination Benchmark ND.8.1)

#### Recommendations for Immediate Action

1. Ensure all nursing women enjoy the two daily 30-minute breaks to breast-feed their children, during 6 months after the day of birth, as required by law.

2. Work in close coordination with the childcare staff to provide communication and training to all eligible workers on how to exercise this right, and ensure the legal provisions on nursing mothers are implemented.

## COMPANY ACTION PLANS

### 1. Action Plan Title

## Compensation 1

### Details

a) Immediate Action: The proper procedure regarding breastfeeding breaks and lunch breaks will be put in practice. All female staff will be notified about their rights and proper follow-up will be established.

b) Sustainable Action: The factory will monitor all workers to ensure they take the allowable breaks.

Planned Completion Date

09/26/16

Action plan status: Scheduled

Planned completion date: 07/24/16

## 2. Action Plan Title

### Compensation 2

#### Details

a) Immediate Action: All female staff will be notified about their rights and proper follow-up will be established.

b) Sustainable Action: The factory will monitor all workers to ensure they take the allowable breaks.

Planned Completion Date

09/26/16

Action plan status: Scheduled

Planned completion date: 07/24/16

## FINDING NO.5

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Hours of Work

##### Finding Explanation

1. From a sample review of time records, payslips and punch-in/out cards from April 20 to 26, 2016, assessors noted two cases, in which two production employees exceeded 60 working hours per week. In addition to the 48 regular working hours, the first employee worked 26.3 overtime hours, and the second employee worked 22.36 overtime hours, adding up to a total of 74.3 and 70.36 hours of work per week, respectively.

2. Based on worker interviews, workers operating the laser machines at the Dry Process Department do not always take the designated 30-minute lunch break. These workers have not been communicated of their right to enjoy lunch break, and the factory management does not monitor that all workers at this work area enjoy the lunch break.

3. The factory pays production workers when they work on their designated weekly rest day (Sunday) at the premium rate, but without providing them an alternative consecutive 24 hours of rest within the same 7-day period immediately following as per FLA Benchmarks.

##### Local Law or Code Requirement

Mexico Federal Labor Law, Articles 63 and 66; FLA Workplace Code (Hours of Work Benchmarks HOW.1.3, HOW.2, HOW.3, and HOW.8.3)

##### Recommendations for Immediate Action

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

2. Ensure that all workers at Dry Process Department, specifically those operating the laser machines, enjoy the designated 30-minute break lunch.

3. Provide all workers with a rest day for every 7-day period. If employees work on the designated rest day, they should be provided with an alternative rest day within the immediately following week, in addition to the legally required payment

## COMPANY ACTION PLANS

### 1. Action Plan Title

#### Hours of Work 1

##### Details

Immediate Action: The factory is currently in the preliminary stages of addressing the working hours and overtime issues.

Specifically, the factory is performing daily monitoring of overtime hours and has created a spreadsheet based monitoring mechanism to control working hours. The factory has accepted the working hours limit of 60 hours per week. PVH has instituted a new means of analyzing working hours data and will use this data in guiding the factory to address this issue.

Planned Completion Date

07/16/16

Action plan status: Scheduled

Planned completion date: 07/24/16

## 2. Action Plan Title

Hours of Work 2

Details

a) Immediate Action: The proper procedure regarding lunch breaks for dry process workers will be put into place. All workers will be notified about their rights and proper follow-up will be established.

b) Sustainable Action: The factory will monitor all workers to ensure they take the allowable breaks.

Planned Completion Date

09/26/16

Action plan status: Scheduled

Planned completion date: 07/24/16

## 3. Action Plan Title

Hours of Work 3

Details

Immediate Action: The factory will eliminate work on Sundays. Supervisors will be trained on the new requirement in order to ensure compliance.

Planned Completion Date

07/16/16

Action plan status: Scheduled

Planned completion date: 07/24/16

## FINDING NO.6

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Hours of Work

##### Finding Explanation

According to interviews with workers and off-site interviews with terminated workers, the supervisor of Line 1, Module 2 of the sewing department does not request workers' consent to perform overtime. This supervisor unilaterally writes the names of workers in the voluntary overtime sheet, and then asks for the workers' signature, without asking them if they are available for working overtime or not. 30% of the interviewed workers stated that those who refuse to work overtime might be denied leave as retaliation for rejecting overtime work.

##### Local Law or Code Requirement

Mexico Federal Labor Law Article 68; FLA Workplace Code (Hours of Work HOW. 8.2)

##### Recommendations for Immediate Action

1. Ensure that all overtime is consensual at all times. Ensure that workers' consent to overtime work is documented in written form.
2. Establish a system to monitor and discipline supervisory staff in case of non-compliance with factory's policy and procedures. Regularly train and inform supervisors on the voluntary nature of overtime and disciplinary actions in case of misconduct.

### COMPANY ACTION PLANS

#### 1. Action Plan Title

Hours of Work

Details

Immediate Action: At the end of the day HR personnel will tour the sewing department and speak with workers to verify that working overtime is in fact voluntary. All supervisors will receive training on this subject and the factory will privately speak with the designated supervisor in order to prevent such occurrences or misunderstandings in the future.

Planned Completion Date

08/16/16

Action plan status: Scheduled

Planned completion date: 07/24/16

## FINDING NO.7

### SUSTAINABLE IMPROVEMENT REQUIRED

## FINDING TYPE: Termination & Retrenchment

### Finding Explanation

1. The factory's procedures on Termination and Retrenchment do not include: steps to determine termination payouts, including methods for correct calculation of payouts for all modes of Termination & Retrenchment that takes into account applicable national legal requirements.
2. There is no procedure for communication and consultation with workers' representatives in cases of retrenchment, before reaching a final decision on layoff with the purpose of averting or minimizing its effects.
3. The procedures do not include a mechanism that allows workers to report any concerns or problems they may experience with regard to legally-owed payments during a retrenchment process.

### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.19.1, ER.19.2, 25.3, and 32.3)

## COMPANY ACTION PLANS

### 1. Action Plan Title

#### Termination & Retrenchment 1

##### Details

a) Immediate Action: The factory will communicate termination and retrenchment rights to all workers. The factory will also communicate with worker representatives regarding cases of retrenchment prior to reaching a final decision on layoffs.

b) Sustainable Action: The factory currently has in place a hotline which may be used by workers to report any concerns or problems regarding legally owed payments during the retrenchment process. The factory will further stress the availability of this channel during trainings. PVH will review the factory's termination and retrenchment procedures and provide any guidance that may be necessary. PVH can update the FLA after the next assessment of this factory in December.

Planned Completion Date

07/16/16

Action plan status: Scheduled

Planned completion date: 07/24/16

### 2. Action Plan Title

#### Termination & Retrenchment 2

##### Details

a) Immediate Action: The factory will communicate termination and retrenchment rights to all workers. The factory will also communicate with worker representatives regarding cases of retrenchment prior to reaching a final decision on layoffs.

b) Sustainable Action: The factory currently has in place a hotline which may be used by workers to report any concerns or problems regarding legally owed payments during the retrenchment process. The factory will further stress the availability of this channel during trainings. PVH will review the factory's termination and retrenchment procedures and provide any guidance that may be necessary. PVH can update the FLA after the next assessment of this factory in December.

Planned Completion Date

07/16/16

Action plan status: Scheduled

Planned completion date: 07/24/16

### 3. Action Plan Title

#### Termination & Retrenchment 3

##### Details

a) Immediate Action: The factory will communicate termination and retrenchment rights to all workers. The factory will also communicate with worker representatives regarding cases of retrenchment prior to reaching a final decision on layoffs.

b) Sustainable Action: The factory currently has in place a hotline which may be used by workers to report any concerns or problems regarding legally owed payments during the retrenchment process. The factory will further stress the availability of this channel during trainings. PVH will review the factory's termination and retrenchment procedures and provide any guidance that may be necessary. PVH can update the FLA after the next assessment of this factory in December.

Planned Completion Date

07/16/16

Action plan status: Scheduled

Planned completion date: 07/24/16

## UNCORROBORATED RISK OF NON-COMPLIANCE

### FINDING TYPE: Termination & Retrenchment

#### Finding Explanation

The workers' personal files reviewed by assessors included only one open-ended permanent employment contract. However, during the interviews, most of workers reported that they have the option of signing new employment contracts with the factory every year, if they want to receive severance payments in advance (12 days of pay annually). For those workers who have signed annual contracts –85% of the interviewed workers–, seniority is not taken into consideration, as the length of service is counted since the date the last employment contract was signed, and not from the first day the employment relationship started. This practice leads to an underpayment of certain legal benefits, specifically, the vacation premium and the “prima de antigüedad” (a legally required termination payout), as higher amounts would have to be paid to the most seniority workers cumulate.

Assessors were not able to cross-check this issue with other sources, as the factory management did not recognize the practice of signing yearly contracts with workers, and no multiple signed contracts or annual severance payments were found on workers' personal files. According to the interviewed workers, the management does not provide them with a copy of the signed contracts.

From the review of termination records, assessors identified one case of a worker whose personal file was classified under the list of “terminated workers during 2015”. The HR Manager expressed that this worker abandoned the factory without previous notice and the severance payment was not available. However, assessors found that this worker was included as an active employee in the payroll and time records from April 2016. The management did not provide an explanation.

In light of the abovementioned pieces of information, assessors concluded that the factory does not maintain accurate/authentic records for workers, and that it might be using double bookkeeping to hide the practice of signing multiple contracts and the attendant underpayment of benefits.

#### Local Law or Code Requirement

Mexico Federal Labor Law, Articles 76, 161 and 162; FLA Workplace Code (Employment Relationship Benchmarks ER.19.1, ER.221, ER.22.2 and ER. 32.2; Hours of Work Benchmark HOW.11; Compensation Benchmark C.1)

## COMPANY ACTION PLANS

### 1. Action Plan Title

Termination & Retrenchment 1

#### Details

Immediate Action: The factory will provide training to workers on the termination system at the factory in order to raise awareness on the consequences of the decision to leave the factory position i.e. impacts on seniority and vacation. The factory will also implement a system to document when workers terminate their employment relationship with the factory and rejoin the factory workforce.

NOTE FROM PVH: As this issue was designated an uncorroborated risk of non-compliance by the FLA, PVH will study the issue to better understand the context/situation and determine an appropriate remediation plan along with the factory.

Planned Completion Date

09/26/16

Action plan status: Scheduled

Planned completion date: 07/24/16

## FINDING NO.9

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Industrial Relations

#### Finding Explanation

1. FLA's special comment on Freedom of Association in Mexico: Factory workers in Mexico face a unique barrier to their rights to freedom of association and collective bargaining through the widespread use by employers of illegitimate Collective Bargain Agreements (CBAs), commonly known as “protection contracts”. Governmental institutions, such as the Conciliation and Arbitration Boards and the Secretariat of Labor, as well as some of the main national union confederations also have responsibility in perpetrating this practice. Designed to protect employers from having to negotiate with legitimate unions representing workers' interests, a “protection contract” is a CBA signed between an employer and an employer-dominated union that does not truly represent workers and their interests. These unions may be the creation of a lawyer, a union federation, or bogus “union leaders,” but in each case the CBAs are drafted and signed

without real and effective consultation with workers or workers' knowledge of the terms of the agreement. In some cases, employers sign protection contracts as a response to the pressure exerted by union confederations and due to the lack of oversight by the local authorities to prevent such practice. In determining the legitimacy of union representation in Mexican factories, FLA assessors look for certain criteria that indicate whether the union is truly representing workers or there is a violation of the freedom of association element of the FLA Workplace Code of Conduct. These criteria can be found in detail here: <http://www.fairlabor.org/report/protection-contracts-mexico>.

2. Factory does not have a policy and procedures on Industrial Relations.

3. As the factory does not have policy and procedures on Industrial Relations, there is no a regular review process.

#### Local Law or Code Requirement

Mexican Supreme Court, Statement 385 dated April 17, 2001; Federal Labor Law, Articles 132 section XXI, and Articles 357 and 358; FLA Workplace Code (Employment Relationship Benchmarks ER.16.2 and ER.26; Freedom of Association Benchmarks FOA.1, FOA.2, FOA.11, FOA.15, FOA.16.1, FOA.20.1, and FOA.20.2)

## COMPANY ACTION PLANS

### 1. Action Plan Title

Industrial Relations 1

Details

a) Immediate Action: The factory will establish an Industrial Relations Policy which will be presented to all workers and posted in an areas accessible to all workers.

b) Sustainable Action: An annual review process on FoA rights will be established. HR will be responsible for monitoring this action. PVH has discussed with the factory the possibility of having a labor expert train workers on Freedom of Association and Workers Rights with respect to contracts by the end of September. With respect to the CBA clauses, the factory has had discussions with the union in order to change the CBA clauses and has also learned more about FoA generally. PVH will be able to assess the improvements made on these issues in December when it performs its assessment.

Planned Completion Date

09/16/16

Action plan status: Scheduled

Planned completion date: 07/24/16

### 2. Action Plan Title

Industrial Relations 2

Details

Sustainable Action: An annual review process on FoA rights will be established. HR will be responsible for monitoring this action.

Planned Completion Date

09/16/16

Action plan status: Scheduled

Planned completion date: 07/24/16

### 3. Action Plan Title

Industrial Relations 3

Details

Immediate Action: The factory has adopted a new CBA (entered into force June 8 2016) which does not include the referenced clauses. Furthermore, two factory representatives are willing to participate in the Auditors Training program in November which will include information on FoA issues and collective bargaining. Additionally, PVH provide guidance to the factory in enacting recommendations from the Mexico Committee and further feedback on factory improvements can be sent to the FLA after the December visit. PVH will continue to provide guidance and support on these issues.

Planned Completion Date

12/16/16

Action plan status: Scheduled

Planned completion date: 07/24/16

## FINDING NO.10

### SUSTAINABLE IMPROVEMENT REQUIRED

**FINDING TYPE:** Workplace Conduct & Discipline

#### Finding Explanation

The factory's disciplinary procedures do not include an appeal process.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.27.4)

### COMPANY ACTION PLANS

1. Action Plan Title  
Workplace Conduct & Discipline  
Details

a) Immediate Action: The factory will include language in the factory's Disciplinary Procedure stating that workers may discuss the situation with management if they believe a decision is unfair and that they may appeal such decision within 10 days after the occurrence.

b) Sustainable Action: The factory will include the topic "Disciplinary Procedures" in the training to be provided by HR. New workers will be informed of this policy when hired.

Planned Completion Date  
09/26/16

Action plan status: Scheduled

Planned completion date: 07/24/16

## FINDING NO.11

### SUSTAINABLE IMPROVEMENT REQUIRED

**FINDING TYPE:** Grievance System

#### Finding Explanation

The factory does not have effective confidential grievance channels, as all the suggestion boxes are located in different locations in production areas in the sight of workers and factory security guards. Additionally, around 60% of interviewed workers expressed lack of trust in the current grievance channels, as the management, in their opinion, does not take suggestions/grievances very seriously, and many of the reported problems are not effectively followed up on and resolved. Management has recently hired a psychologist to be part of the Human Resources staff, and has also provided a phone number for workers to confidentially report grievances; however, almost all interviewed workers were unaware of these additional grievance channels, as the management has not sufficiently communicated to the workforce on Grievance System.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.12, ER.16.1, ER.25.1, ER.25.2, ER.25.3, and ER.25.3.2)

### COMPANY ACTION PLANS

1. Action Plan Title  
Grievance System  
Details

a) Immediate Action: The suggestion boxes will be relocated to private areas, away from supervisors. The factory will include the topic "grievance channels offered by PL" in the training to be provided by HR.

b) Sustainable Action: The factory has recently hired a psychologist to field confidential inquiries and will inform all new hires on the grievance channels available for communication.

Planned Completion Date  
09/16/16

Action plan status: Scheduled

Planned completion date: 07/24/16

## FINDING NO.12

### IMMEDIATE ACTION REQUIRED

**FINDING TYPE:** Health & Safety

#### Finding Explanation

1. Two forklifts at the row material warehouse were not equipped with fire extinguishers, and both of them function using a portable

- gas-tank. (Note: Factory management equipped both forklifts with fire extinguishers the same day that assessors noted the issue.)
2. No assessment on ergonomics has been conducted for identifying and addressing ergonomic risks primarily concerning ironing, dry process –including hand blasting–, and scanning departments, according to the major risks observed by assessors during the physical inspection. As ergonomic risks have not been identified, there are no ergonomic breaks or equipment (e.g. lifting belts) or ergonomic trainings provided.
  3. Four sewing machines and thirteen metal pasting machines (used to attach the metal pieces to the trousers) at the “metals department”, three laser machines at the dry process department, and all laundry machines at the laundry department were missing safety instructions sheets, and they were not accessible for workers at a nearby location.
  4. During the factory walkthrough, assessors noted one emergency exit at the “metal department” obstructed with piled products (trousers).
  5. Many work stations at the sewing production lines of Company A were totally blocked from both sideways by tables (used to put trousers on), posing a risk for safe evacuation.

#### Local Law or Code Requirement

Mexican Official Norm PROY-NOM-006-STPS-2013, Article 5.4 and Article 7.7.5.2 section h); Mexican Official Norm NOM-017-STPS-2008, Article 5.2; Mexican Official Norm NOM-002-STPS-2000, Article 9.1.3 section b) and Reference Guide III, Article 4 section h); Mexican Official Norm NOM-030-STPS-2009, Reference Guide II, Article II.1.1.2 section f); FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.5.1, HSE.6.1, HSE.14.3, and HSE.17.1)

#### Recommendations for Immediate Action

1. Ensure that all forklifts are equipped with fire extinguishers at all times.
2. Post instructions for safety instructions sheets on every single machine at the metal, dry-process and laundry departments, and provide regular communication and training to workers on safe machinery use.
3. Ensure emergency exits are unblocked at all times and regularly communicate to workers about the importance of keeping emergency exits free of obstacles.
4. Rearrange sewing production lines at Company A to ensure that all workstations are unblocked in order to allow a fast evacuation in case of emergency.

## COMPANY ACTION PLANS

### 1. Action Plan Title

Health & Safety 1

Details

a) Immediate Action: The factory has equipped both forklifts with fire extinguishers. The factory will conduct periodic inspections of all forklifts to ensure that they are all equipped with fire extinguishers.

b) Sustainable Action: The H&S committee will monitor, on a monthly basis, this issue to ensure that all necessary areas are equipped with functioning fire extinguishers.

Planned Completion Date

09/26/16

Action plan status: Scheduled

Planned completion date: 07/24/16

### 2. Action Plan Title

Health & Safety 2

Details

a) Immediate Action: Factory will conduct a safety analysis and consider the ergonomic risks of specific activities, such as ironing, dry processes and scanning. Once the factory reviews the results, the necessary PPE will be distributed to the relevant workers.

b) Sustainable Action: The H&S Committee will monitor, on a monthly basis, appropriate PPE and provide regular ergonomic training to workers as necessary.

Planned Completion Date

09/26/16

Action plan status: Scheduled

Planned completion date: 07/24/16

### 3. Action Plan Title

Health & Safety 3

Details

a) Immediate Action: The factory will translate all instruction sheets posted near the machines mentioned. The factory will also train workers on how to use the machines appropriately.

b) Sustainable Action: The factory will confirm that workers are trained on an on-going basis to ensure compliance with this requirement.

Planned Completion Date

08/23/16

Action plan status: Scheduled

Planned completion date: 07/24/16

#### 4. Action Plan Title

Health & Safety 4

Details

a) Immediate Action: The emergency exit at the "metal department" was cleared of the obstruction.

b) Sustainable Action: One person from the H&S department will be assigned to perform daily checks of the exits to ensure they are clear of any obstructions. Additionally, the H&S committee will inform supervisors of the importance of keeping emergency exits unblocked.

Planned Completion Date

08/23/16

Action plan status: Scheduled

Planned completion date: 07/24/16

#### 5. Action Plan Title

Health & Safety 5

Details

a) Immediate Action: The sewing area will be reconfigured to ensure that workers have adequate space to leave their working station quickly and easily in the case of an emergency.

b) Sustainable Action: The H&S Committee will conduct monthly monitoring to ensure access to safe evacuation routes. The factory will document all monitoring efforts.

Planned Completion Date

08/23/16

Action plan status: Scheduled

Planned completion date: 07/24/16

## FINDING NO.13

### IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. Around 80% of interviewed workers stated that the drinking water is often too warm for consumption. This issue was reported at production areas at sewing, cutting, laundry, hand blasting and metal departments. Around 40% of workers from these departments complained during the interviews about a strange odor and taste of the drinking water; two workers explained that in few occasions the drinking water had a slightly dark color, and one worker stated that in one occasion the drinking water contained dirt. Assessors reviewed the legally required drinking water tests, which show that water is appropriate for human consumption; however, these tests are only conducted quarterly, as per law.
2. 20% of interviewed production workers from the laundry and sewing departments stated that drinking water containers are not regularly filled on time and in some cases completely empty throughout the day.
3. Factory management does not ensure that the cutting department is regularly cleaned. The physical inspection found that the upper windows and air extractors were accumulating excessive lint, which reduces the ventilation. Additionally, there were no records of window-cleaning available onsite.
4. During the physical inspection assessors noted that cleaning in the bathrooms at production areas at sewing and laundry departments was insufficient. In addition, some of the toilets, faucets, sinks and hand-driers were either broken or out of service.
5. One cleaning worker was seen cleaning a bathroom without the relevant Personal Protective Equipment PPE (gloves) to prevent contamination or exposure to cleaning chemicals, as legally required.
6. Medical staff is not available at the factory during the night shifts, as legally required.

#### Local Law or Code Requirement

Federal Labor Law, Article 504 sections III and IV; Mexican Official Norm NOM 001-STPS-2008, Articles 5.4 and 7.1.1; Mexican Official Norm NOM-017-STPS-2008, Article 5.7; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.18.1, HSE.18.2.1, HSE.19, HSE.20, and HSE.23.1; Employment Relationship Benchmark ER.23.1.1)

#### Recommendations for Immediate Action

1. Conduct more regular drinking water tests (at least monthly) to ensure that drinking water provided to production workers meets the legal standards for human consumption. Provide a water-cooling system so drinking water is at an appropriate temperature.
2. Establish a monitoring system to regularly check drinking water containers to ensure drinking water is available at all times and

- refilled.
3. Conduct regular cleaning for air extractors and upper windows at the cutting department to improve ventilation.
  4. Ensure that cleaning at all bathrooms (male and female) at production areas is improved, by conducting more regular cleaning, or allocating more personnel in charge of the cleaning.
  5. Regularly monitor bathrooms at production areas to ensure that hand dryers, faucets, sinks and toilets are properly functioning and in good condition, and immediately repair/replace them, when necessary.
  6. Enforce the use of PPE by cleaning staff.
  7. Ensure that medical staff is available at the facilities for workers at night shift.

## COMPANY ACTION PLANS

### 1. Action Plan Title

Health & Safety 1

Details

a) Immediate Action: In an effort to address the issue the factory has replaced the pipes, which were too close to the metal foil and would thus cause the pipes to be heated. The factory will also establish a plan for periodic review of drinking water containers so that workers will have access to drinking water during the working period.

b) Sustainable Action: PVH has requested that the factory ensure the drinking water analysis is conducted weekly until the factory has at least 6 acceptable analyses in a row.

Planned Completion Date

08/23/16

Action plan status: Scheduled

Planned completion date: 07/24/16

### 2. Action Plan Title

Health & Safety 2

Details

a) Immediate Action: In an effort to address the issue the factory has replaced the pipes, which were too close to the metal foil and would thus cause the pipes to be heated. The factory will also establish a plan for periodic review of drinking water containers so that workers will have access to drinking water during the working period.

b) Sustainable Action: PVH has requested that the factory ensure the drinking water analysis is conducted weekly until the factory has at least 6 acceptable analyses in a row.

Planned Completion Date

08/23/16

Action plan status: Scheduled

Planned completion date: 07/24/16

### 3. Action Plan Title

Health & Safety 3

Details

Immediate Action: A periodic cleaning of the windows and air extractors will be implemented. Furthermore, a proper record of the maintenance will be kept.

Planned Completion Date

08/23/16

Action plan status: Scheduled

Planned completion date: 07/24/16

### 4. Action Plan Title

Health & Safety 4

Details

Immediate Action: The factory will create a plan for periodic cleaning and maintenance of the bathrooms in the factory.

Planned Completion Date

08/23/16

Action plan status: Scheduled

Planned completion date: 07/24/16

### 5. Action Plan Title

Health & Safety 5

Details

a) Immediate Action: The H&S Department will verify that cleaning staff utilizes the correct PPE in accordance with MSDS.

b) Sustainable Action: The H&S committee will monitor, on a monthly basis, the use of appropriate PPE equipment by all workers to ensure continued compliance.

#### Planned Completion Date

09/26/16

Action plan status: Scheduled

Planned completion date: 07/24/16

#### 6. Action Plan Title

Health & Safety 6

Details

Immediate Action: A nurse will be hired in order to provide medical services during night shifts.

Planned Completion Date

06/22/16

Action plan status: In progress

Planned completion date: 07/24/16

Progress update: 11/08/16 : Pending PVH Verification.

## FINDING NO.14

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. During the physical inspection at the laundry department assessors noted many bags with chemical powders (softener and oxalic acid), and most of the bags were missing the legally required labels indicating their content.
2. Drinking water bottles in the cutting and laundry departments used by workers were placed next to chemical bottles in use; there are no stations available for workers to put their drinking water bottles.
3. One worker at the chemical warehouse was handling the hazardous chemical sodium bisulfite without using the relevant and available PPE (neoprene rubber gloves) according to the Material Safety Data Sheet (MSDS).

##### Local Law or Code Requirement

Mexican Official Norm NOM-005-STPS-1998, Articles 5.9 and 9.7; Mexican Official Norm NOM-017-STPS-2008, Article 5.7; Mexican Official Norm NOM-114-STPS-1994, Annex Y, Article I sections 1.5 and 6; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.7, and HSE.9.1)

##### Recommendations for Immediate Action

1. Ensure that all bags containing chemicals used at the Laundry Department are labeled.
2. Provide a designated area for workers at the cutting and laundry departments to safely keep their bottles used for drinking water, away from the chemical bottles. Ensure that supervisors regularly monitor that bottles used to drink water are kept away from chemical bottles. Regularly train workers and supervisors on the importance to separate these two bottles in designated areas.
3. Ensure that all workers handling chemicals use the required PPE at the Chemical Warehouse.

### COMPANY ACTION PLANS

#### 1. Action Plan Title

Health & Safety 1

Details

Immediate Action: The factory will label all necessary containers and bags that contain chemicals.

Sustainable Action: The H&S committee will verify monthly if all containers and bags which contain chemicals are properly labeled. All checks will be documented.

Planned Completion Date

07/15/16

Action plan status: Scheduled

Planned completion date: 07/24/16

#### 2. Action Plan Title

Health & Safety 2

Details

Immediate Action: An appropriate area for workers to place their water bottles will be designated.

Planned Completion Date

07/22/16

Action plan status: Scheduled

Planned completion date: 07/24/16

### 3. Action Plan Title

Health & Safety 3

Details

Immediate Action: The H&S Department will verify workers at the chemical warehouse handling hazardous chemicals utilize the correct PPE according to MSDS.

Sustainable Action: The H&S committee will monitor monthly the use of appropriate PPE equipment by all workers to ensure continued compliance.

Planned Completion Date

07/08/16

Action plan status: Scheduled

Planned completion date: 07/24/16

## FINDING NO.15

### SUSTAINABLE IMPROVEMENT REQUIRED

**FINDING TYPE:** Training (Macro)

#### Finding Explanation

The factory does not provide any ongoing training for workers and supervisors on the following Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations –including Freedom of Association–, and Grievance Systems.

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15.2, ER.17.1 and ER.17.3)

### COMPANY ACTION PLANS

#### 1. Action Plan Title

Training (Macro)

Details

Immediate Action: The factory will develop a policy on staff development. The policy will be distributed to all relevant employees and training on the policy (including all items mentioned in FLA finding) will be provided to factory staff. Documentation on the trainings conducted will also be maintained.

Sustainable Action: The factory will establish a system where all training conducted will be documented.

Planned Completion Date

09/16/16

Action plan status: Scheduled

Planned completion date: 07/24/16

## FINDING NO.16

### SUSTAINABLE IMPROVEMENT REQUIRED

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

#### Finding Explanation

1. The factory has not provided communication to workers on the following Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Termination & Retrenchment, Industrial Relations (including Freedom of Association), and Grievance System.

2. The Worker Integration component is missing from all Employment Functions. The factory does not have policies and procedures to receive worker input/feedback on the creation, implementation, and revision of its policies and procedures. Also, workers are neither systematically integrated nor consulted in the decision-making processes.

## Local Law or Code Requirement

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

### COMPANY ACTION PLANS

#### 1. Action Plan Title

Worker Integration & Communication (Macro) 1  
Details

Sustainable Action: The factory will share all factory policies and procedures with workers once they are drafted.

Planned Completion Date

09/26/16

Action plan status: Scheduled

Planned completion date: 07/24/16

#### 2. Action Plan Title

Worker Integration & Communication (Macro) 2  
Details

Sustainable Action: The factory will study ways to integrate workers into the factory's decision-making processes and draft potential options for this plan of action. PVH will review this matter in December at the next assessment to provide guidance and verify actions that the factory has taken.

Planned Completion Date

09/26/16

Action plan status: Scheduled

Planned completion date: 07/24/16

### FINDING NO.17

### NOTABLE FEATURE

#### FINDING TYPE: Compensation

##### Finding Explanation

There is a legally registered childcare facility available for workers' children, provided free of charge to workers, even though it is not mandated by law. The childcare has a capacity for 88 children, and it operates same hours as the regular daily shift (7:30 am - 5:15 pm). Currently, there are 84 children being cared at the childcare, between 43 days to 4 years old.

### FINDING NO.18

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Industrial Relations

##### Finding Explanation

4. Factory is operated by two different legally constituted companies: Company A and Company B; both of them have separately signed Collective Bargaining Agreements (CBAs), without worker involvement. The union that signed the CBAs with the management was created before the factory had started operations. In addition, assessors noted other issues that indicate that this union does not really function as a worker representative structure:a. Despite the existence of a signed CBA, Company A is not a "unionized" facility: workers are not able to affiliate with the union; they do not pay union fees; they do not participate in the yearly salary review required by law; and there are no union leaders at the facilities.b. Workers from Company B are automatically enrolled in the union by management during the hiring process. Nevertheless, only sewing production workers can be union members. Workers from other departments –such as operators from cutting and dry process– are considered "trusted workers" (trabajadores de confianza), and are unable to join the union.c. There are three union leaders at Company B, but they do not consult with the workers, but follow advice from the union's lawyer only.d. A weekly union fee of MXN\$ 5.00 (USD\$ 0.29) is deducted from unionized workers' paychecks, but they cannot make decisions on the collective activities to be carried out with this money. The union leaders organize two celebrations per year (Labor Day and Christmas), but they do not provide union affiliates with a detailed accountability report on how the union fees were used.e. The majority of interviewed workers stated that the union leaders do not effectively represent them or help them to solve issues they have concerning the workplace. In general, workers do not participate in the decision making process on issues concerning to the union and the working conditions.f. Most of the CBA conditions replicate what the Federal Labor Law already regulates, with few additional benefits on top of the minimum legal requirements.g. CBA signed with Company B incorporates inclusion and exclusion clauses

(Clauses 7a and 42a) that require sewing production workers to be union members. For workers who quit or are expelled from the union, management is called to fire such workers. However, in April 2001, the Mexican Supreme Court ruled that the use of an exclusion clause is in violation of the Constitution, because it infringes upon workers' associational rights. The 2012 Labor Law reform also eliminates the possibility of incorporating exclusion clauses in a CBA.h. The factory does not provide a copy of the CBA to workers, as required under FLA benchmarks.i. The factory management does not provide any office space or other facilities for the union/worker representatives.