



2010

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: VF Corporation
COUNTRY: Mexico
FACTORY CODE: 3400501240I
MONITOR: Accordia Global Compliance
Group
AUDIT DATE: October 26, 2010
PRODUCTS: T-shirts
PROCESSES: Dying, Cutting, Sewing and
Printing
NUMBER OF WORKERS: 851



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Forced Labor: Freedom in Employment

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

Noncompliance

Explanation: In one employee file out of 30, a resignation letter was found that was signed by the employee without an effective date. The auditor reviewed the employee file of the worker and noted one previous hiring on July 26, 2004, with a resignation letter signed by the worker on February 25, 2006. The factory rehired the worker on August 6, 2009. Ms. Meisy Solano, Human Resources Manager explained that it could be a mistake made by the Human Resources Department. Ms. Solano has been in this position for three months and will review this case and all personnel files. The worker does not recall this specific case.

Legal Reference: Federal Labor Law 3

Plan Of Action: We will ensure all HR documents are completed and signed with an effective date including resignation letters. If the issue persists in follow-up we will ask the factory management to review- retroactively- all HR related documentation; including resignation letters and worker contracts that would include effective dates. We will also require the review of the factory's policies to ensure that there are no gaps in its implementation. Furthermore, we will create a requirement that someone be accountable or responsible for assuring that the resignation letter be signed with the effective date.

Deadline Date: 12/20/2010

Supplier CAP: We established a procedure for the people who leave the company so that they sign all the papers on the effective date.

Supplier CAP Date: 12/20/2010

Action Taken: The new HR Manager is in charge of checking that the employee files are up-to-date and contain all the required documents.

Plan Complete: Yes



Plan Complete Date: 04/01/2011

Forced Labor: Employment Terms/Voluntary Agreement

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

Noncompliance

Explanation: 1) It was found through document review of worker contracts that the factory practices include preparation of 3 individual and temporary work contracts between the company and the worker prior to entering into the permanent work contract required under the law. The three temporary labor contracts are contrary to the law, which states that temporary contracts are typically applicable to professional, or artisan work where workers are paid upon completion of a job (i.e. carpenter or painter). Even though the factory tried to implement a temporary contract there was no date of hire in these contracts. Ms. Meisy Solano, Human Resources Manager, confirmed the unwritten procedure. She explains that the reason of the procedure is to verify the ability of the new workers. She agreed that the Mexican Labor Law does not allow for the temporary contracts.

Legal References: Federal Labor Law 35, 36 & 37

2) An original copy of the labor contract is not provided to the employees at the time of hire.

Legal Reference: Federal Labor Law 24

Plan Of Action: Provide an original copy of the labor contract to the workers. Factory should cease the practice of temporary contracts and utilize only one contract upon hire of employees. All dates should reflect the accurate date of hiring. If the issue persists at follow-up we will ask the factory management to retroactively review any temporary contracts and issue permanent ones. Also, we will include a requirement that someone is accountable or responsible for ensuring that new workers receive a copy of the contract and also leave documentary evidence of such action.

Deadline Date: 12/20/2010



Supplier CAP: We established a procedure for hiring personnel according to the LFT Mexican laws, giving a personal copy of the contract to every new employee.

Supplier CAP Date: 12/20/2010

Action Taken: All employees now have permanent contracts. Just temporary workers will get temporary contracts. Mexican Labor Law Article 25, ii, allows this.

Plan Complete: Yes

Plan Complete Date: 04/01/2011

Forced Labor: Employment Terms/Prohibitions

F.4 There can be no employment terms (including in contracts or any other instruments or in any formal or informal recruitment arrangements) which: specify that employees can be confined or be subjected to restrictions on freedom of movement; allow employers to hold wages already earned; provide for penalties resulting in paying back wages already earned; or in any way punish workers for terminating employment. (P)

Noncompliance

Explanation: The labor contract establishes in clause 4 that the workers have an obligation to work overtime if they receive an order from the employer. However, during the worker interviews it was noted that the overtime is always voluntary. Ms. Meisy Solano, Human Resources Manager informed the monitor that the supervisors always notify the workers of the possibility of working overtime and the employees voluntarily sign that they agree to work overtime. Ms. Solano stated that they will change clause 4 of the labor contract to reflect the practice.

Legal Reference: Federal Labor Law 59

Plan Of Action: Remove or update clause 4 as it is currently worded and ensure all overtime is on a voluntary basis.

Deadline Date: 12/20/2010



Supplier CAP: We have modified the relevant sentences in the contract.

Supplier CAP Date: 12/20/2010

Action Taken: The contract has been updated.

Plan Complete: Yes

Plan Complete Date: 04/01/2011

Code Awareness:

GEN.2 Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.

Noncompliance

Explanation: 1) The monitor did not find any posting of the VF Corporation Code of Conduct or the Fair Labor Association's COC.

2) The monitor did not find evidence that the factory trains workers on the VF Corporation or FLA Code of Conduct at any point during hiring or during a worker's employment.

Plan Of Action: Post the VF Code of Conduct in a conspicuous area of the factory that is easily viewed by workers. Ensure workers receive training upon hire on the VF Code of Conduct; periodic trainings should be conducted as refreshers. If the issue persists at follow-up we will include how often the training will take place.

Deadline Date: 12/20/2010

Supplier CAP: We posted the Code of Conduct in Spanish in visible places. The staff obtains the Code of Conduct information through the induction process, and the new employee signs the COC as well. The signed COC is kept in the file of the employee.



Supplier CAP 12/20/2010

Date:

Action Taken: VF Code of Conduct is now included in the new hire orientation.

Plan Complete: Yes

Plan Complete Date: 04/01/2011

Code Awareness:

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

Noncompliance

Explanation: The monitor did not find evidence of a confidential communication channel for the workers to report non-compliances of the VF Corporation Code of Conduct.

Plan Of Action: The facility is encouraged to establish both effective and confidential communication channels as follows:

- 1) Create an open door policy so that an employee can pursue concerns at a higher level without being subjected to retaliation.
- 2) Establish a suggestion box mechanism to enable employees to communicate concerns in a confidential manner. Provide a process for tracking suggestions and publicly posting the results.

Deadline Date: 04/01/2011

Action Taken: Posted the 800 number to VF Mexico, so employees can call if needed.

Plan Complete: Yes

Plan 04/01/2011
Complete
Date:

Health and Safety: General Compliance Health and Safety

H&S.1 Employers shall comply with all local laws, regulations and procedures concerning health and safety. (S)

Noncompliance

Explanation: The biological-infectious waste generated by the internal medical service is not disposed of by an authorized company as per local law, but is thrown out with the regular waste. Ms. Meisy Solano, Human Resources Manager, stated that they will find an authorized company to dispose of the biological-infectious wastes appropriately.

Legal Reference: NOM-087-ECOL-SSA1-2002. 6.4.2

Plan Of Action: Ensure bio-medical waste is disposed of by an authorized company and not mixed with the regular waste.

Deadline Date: 12/20/2010

Supplier CAP: We hired a special company to collect the bio-medical waste each month.

Supplier CAP Date: 12/20/2010

Action Taken: The biological waste is segregated and is being picked up on a monthly basis.

Plan Complete: Yes

Plan 04/01/2011
Complete
Date:

Health and Safety: Personal Protective Equipment

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

Noncompliance

Explanation: The monitor observed 2 of the 15 workers not using rubber boots in the dye area. The company provides a pair of rubber boots to each worker every 6 months. Those workers were not using the rubber boots because they were cleaning the boots. Ms. Meisy Solano, Human Resources Manager, commented that will look into the possibility of providing the workers an extra pair of rubber boots.

Legal Reference: NOM-017-STPS-2008

Plan Of Action: Ensure all workers are wearing the appropriate PPE (personal protective equipment) including boots at all times. If the issue persists at follow up we will require that training opportunities be offered on an ongoing basis.

Deadline Date: 12/20/2010

Supplier CAP: We created a procedure in order to monitor the use of PPE at all times, and we are also making sure all employees in the plant are using the appropriate PPE.

Supplier CAP Date: 12/20/2010

Action Taken: The employer provides all PPE. We will encourage all employees to wear and use all the required PPE. Employees who do not comply will be issued a warning.

Plan Complete: Yes

Plan Complete Date: 04/01/2011

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

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

Noncompliance

Explanation: Material Safety Data Sheets (MSDS) were missing for the chemical Heptol in the chemical warehouse, Muriatic Acid in the mechanical room and in the sewing area and Acetone in the printing area. It was verified that there is a master document in the production office with all MSDS of the chemicals used in the factory. Ms. Meisy Solano, Human Resources Manager, stated that she will also post the MSDS's of the chemicals used in the production areas.

Legal Reference: Federal Rules of Safety, Health and Environment in the Workplace 63

Plan Of Action: Update MSDS records for all chemicals currently used in the factory.

Deadline Date: 12/20/2010

Supplier CAP: We made a catalog of the chemicals, to make sure the people have it, also we created a visible place for each chemical according to the place where they are being used. We made a catalog of the chemicals for the staff, and also we created a visible spot for each MSDS according to the place where the chemicals are being used.

Supplier CAP Date: 12/20/2010

Action Taken: The Compliance Manager is in charge of keeping all the MSDS in order. All MSDS are now available for review in all areas where the chemicals are used.

Plan Complete: Yes

Plan Complete Date: 04/01/2011

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

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

Noncompliance

Explanation: The monitor noted that the air extractors from the 4 spot remover stations located next to the sewing area were not functioning, and as a result chemical fumes were present in the air. The air extractors have not been functioning for the past 30 days due to construction of the administrative offices inside the building.

Legal Reference: Federal Rules of Safety, Health and Environment in the Workplace 65

Plan Of Action: Ensure all air extractors are operational.

Deadline Date: 12/20/2010

Supplier CAP: The extractors were connected a month ago.

Supplier CAP Date: 12/20/2010

Action Taken: They are now working. The issue was due to construction in the area. Operators have control of the ventilation activation.

Plan Complete: Yes

Plan Complete Date: 04/01/2011

Health and Safety: Sanitation in Factory Facilities

H&S.22 All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with all applicable laws, including relevant sanitation, medical and safety and health regulations. (S)

Noncompliance

Explanation: The monitor observed that one of the toilets in the men's bathroom (in the dye area) was missing a door. These bathrooms have a total of three toilets and are used by 60 workers per shift.

Legal Reference: Federal Rules of Safety, Health and Environment in the Workplace 108

Plan Of Action: Replace the door for one of stalls for the men's bathroom in the dye area.

Deadline Date: 12/20/2010

Supplier CAP: The door of the bathroom stall has been replaced.

Supplier CAP Date: 12/20/2010

Action Taken: Door was repaired. Note: The total number of toilets in that area is 4, not 3.

Plan Complete: Yes

Plan Complete Date: 04/01/2011
