

Legislation Summary Mexico



Expectations towards suppliers as defined in the Guiding Principles and local legislation.

1. Business Ethics.

Guiding Principles: Companies are expected to uphold the highest standards of integrity and to operate honestly and equitably throughout the supply chain in accordance with local laws.

TOPIC IN GUIDING PRINCIPLES	LEGISLATION	BRIEF ANALYSIS
Responsible Sourcing of Materials.	<p>Ley General del Equilibrio Ecológico y la Protección al Ambiente, January, 1988. <i>Last update 2018</i></p> <ul style="list-style-type: none"> • Scope of the law: <ul style="list-style-type: none"> ○ Offers an overall regulation on natural resources, its main objective is to define the general framework for the sustainable use and preservation of land, water and other natural resources. It defines responsibilities at a Federal, State and Municipal level for environmental matters. ○ SEMARNAT and Secretaría de Economía must identify and promote the consumption of supplies, goods and services with the less environmental impact throughout environmental audits, certifications and development of productive processes and technological improvements according to parameters and norms established for these entities. <ul style="list-style-type: none"> • Key points for suppliers: <ul style="list-style-type: none"> ○ Companies could identify applicable regulations (on environmental perspective) to their own suppliers, in order to review their compliance. <p>Link to Mexican text</p>	<p>In Mexico there are no specific laws regarding sustainable sourcing of materials as established by the Guidance Principles and the Practical Guidance. They expect for suppliers to conduct due diligence to understand the source of the raw materials used in their products, to not knowingly contribute to human rights abuses, bribery or other negative impacts and to use validated conflict free smelters and refiners for procurement of tin, tungsten, tantalum and gold contained in the products they produce. Nevertheless, the previously mentioned law defines the legal framework when considering environmental matters in the country and how natural resources should be used in a sustainable way. Regarding conflict-free raw materials there are no specific regulations.</p>
Anti-Corruption	<p>Ley General de Responsabilidades Administrativas, July, 2016. <i>Last update April, 2019.</i></p> <ul style="list-style-type: none"> • Scope of the law: <ul style="list-style-type: none"> ○ This law is a component of the Nacional Anticorruption System. It defines the responsibilities for government 	<p>This law is complementary to the Guiding Principles and the Practical Guidance since it defines components for an Integrity Policy which supports the Anti-corruption principle. Such components have the objective of avoid</p>

Legislation Summary Mexico



Expectations towards suppliers as defined in the Guiding Principles and local legislation.

	<p>personnel as well as for private entities in order to prevent corrupt practices and establishes sanctions in case of corrupt practices.</p> <ul style="list-style-type: none"> • Key points for suppliers: <ul style="list-style-type: none"> ○ Suppliers must establish an internal integrity policy considering responsibilities, procedures (manual), adequate whistleblowing mechanisms; employee training, among others. ○ Although Article 4 specifies that it is applicable specifically for government personnel, the law embodies a framework for companies regarding anti-corruption law and adoption of ethical behavior in business. <p>Link to Mexican text</p> <p>Código Penal Federal, August, 1931. <i>Last Update April, 2019.</i></p> <ul style="list-style-type: none"> • Scope of the law: <ul style="list-style-type: none"> ○ Defines criminal acts related to several issues, including corruption and fraud. • Key points for suppliers: <ul style="list-style-type: none"> ○ Suppliers must review this law and formulate policies to minimize risks and avoid criminal acts, such as fraud. <p>Link to Mexican text</p> <p>Código Fiscal de la Federación, August, 1981. <i>Last update April, 2019.</i></p> <ul style="list-style-type: none"> • Scope of the law: <ul style="list-style-type: none"> ○ Minimal penal sanctions are raised for those who expend or receive false CDFIs (invoices) for inexistent operations or simulated juridical acts charging them of Fiscal Fraud. • Key points for suppliers: <ul style="list-style-type: none"> ○ Providers must review and formulate policies to minimize risks and avoid criminal actions related with billing <p>Link to Mexican text</p>	<p>corrupt practices inside the firm. It can be expected that through an Integrity Policy with the components defined by the law, suppliers are able to fully comply with the Practical Guidance points on anti-corruption.</p> <p>The <i>Código Penal</i> should be reviewed by suppliers to avoid any criminal act.</p> <p>The <i>Código Fiscal Federal</i> classifies as a fiscal fraud crime the total or partial omission of contributions or profits which can harm the federal Coffers. This fiscal obligations limits corrupt and dishonest practices in their inside operations, and is in line with the Practical Guidance.</p>
--	--	---

Legislation Summary Mexico



Expectations towards suppliers as defined in the Guiding Principles and local legislation.

<p>Privacy</p>	<p>Ley Federal de Protección de Datos Personales en Posesión de los Particulares, June, 2010.</p> <ul style="list-style-type: none"> • Scope of the law: <ul style="list-style-type: none"> ○ The objective is to protect personal data in possession of both, public and private entities in order to regulate and control its treatment and guarantee people’s privacy. • Key points for suppliers: <ul style="list-style-type: none"> ○ Suppliers should be aware of the guidelines defined in the law in order to protect their employees’ and clients’ personal data. For example: usage of personal data will be subject to holder’s consent. <p>Link to Mexican text</p> <p>Reglamento de la Ley Federal de Protección de Datos Personales en Posesión de los Particulares, December, 2011.</p> <ul style="list-style-type: none"> • Scope of the law: <ul style="list-style-type: none"> ○ Specifies and complements the law mentioned above, as well as mechanisms to protect the right to access, ratify, cancel and oppose the use of personal data by private entities. • Key points for suppliers: <ul style="list-style-type: none"> ○ Suppliers must identify if their policies protect the use of personal data as stated by the law. <p>Link to Mexican text</p>	<p>These laws provide suppliers with a good understanding on how they should treat personal data. They are well related with what is in the Guiding Principle and Practical Guidance.</p> <p>Both the Practical Guidance and the laws define general measures such as appropriate measures to respect privacy and to protect personal data against loss and unauthorized access or use. Companies should work on defining specific actions and measures to treat such information.</p> <p>Consult Annex for more information.</p>
<p>Financial Responsibility/Accurate Records.</p>	<p>Código de Comercio, Chapter III. December, 1889. <i>Last update March, 2018.</i></p> <ul style="list-style-type: none"> • Scope of the law: <ul style="list-style-type: none"> ○ Regulate obligations for merchants and their transactions. ○ Chapter III describes the accountability that companies should have. • Key points for suppliers: 	<p>These laws support the Guiding Principle as they require companies to record transactions and have an adequate accounting system. The law only refers to their financial account, while the Practical Guidance has more specific requests on other aspects such as quality reports, time records, expense reports,</p>

Legislation Summary Mexico



Expectations towards suppliers as defined in the Guiding Principles and local legislation.

	<ul style="list-style-type: none"> ○ Management should be responsible maintaining an adequate and verifiable accounting system. ○ At least, once a month, companies must publish their financial statements. ○ A monetary sanction could apply in case that companies do not register their transactions. ○ <p>Link to Mexican text</p> <p>Ley General de Sociedades Mercantiles, August, 1934. <i>Last update June, 2018</i></p> <ul style="list-style-type: none"> • Alcance de la ley: <ul style="list-style-type: none"> ○ Regulates obligations for companies, avoiding that it may act in actions beyond their main objective. • Key points for suppliers: <ul style="list-style-type: none"> ○ Suppliers should stick to what is defined in their objective, if not, some sanctions may occur. ○ Management should be responsible maintaining an adequate accounting system. <p>Link to Mexican text</p>	<p>and submissions to customers or regulatory authorities.</p>
<p>Disclosure of information.</p>	<p>Ley de Mercado de Valores, December, 2005. <i>Last update March, 2018</i></p> <ul style="list-style-type: none"> • Scope of the law: <ul style="list-style-type: none"> ○ Defines the main obligations of companies that are in the national financial system (publicly traded companies, companies that emit debt into the financial system or participate in the Stock market). These companies should disclose financial and corporate governance information. • Key points for suppliers 	<p>These laws have similar requirements as the Guiding Principle since they state the obligation of companies to provide financial information. However, this affects only certain companies active in the national financial system.</p> <p>Currently, the law does not establish an obligation to disclose non-financial information for other companies. Only companies that are listed on stock must disclose financial information. And those who are part of the <i>IPC</i></p>

Legislation Summary Mexico



Expectations towards suppliers as defined in the Guiding Principles and local legislation.

	<ul style="list-style-type: none"> ○ If applicable, companies must disclose their financial reports according to the regulation. <p>Link to Mexican text</p> <p>Disposiciones de carácter general aplicables a las emisoras de valores y otros participantes del mercado de valores, March, 2003.</p> <ul style="list-style-type: none"> • Scope of the regulation <ul style="list-style-type: none"> ○ Is more specific on the obligation to disclose on financial, economic, account and management performance • Key points for suppliers: <ul style="list-style-type: none"> ○ Suppliers that are part of the financial system must comply with disclosure deadlines depending on the information. <p>Link to Mexican text</p> <p>Ley del Sistema Nacional de Información Estadística y Geográfica, April, 2008. Last update July, 2014.</p> <ul style="list-style-type: none"> • Scope of the Law: <ul style="list-style-type: none"> ○ Its objective is to create and delimit functions of <i>INEGI, Sistema Nacional de Información Estadística y Geográfica</i>, as well as rights, obligations and administrative sanctions and legal measures for entities that provide information.. • Key points for suppliers: <ul style="list-style-type: none"> ○ When required by INEGI, information suppliers (which consider moral and personal entities established in Mexican territory) must provide the information considered to be of “National Interest” as detailed at this law’s 77th article. ○ The information provided will only be used for public and statistical purposes and it has an obligatory, truthful and confidential characteristic. <p>Link to Mexican text</p>	<p><i>Sustentable</i> have to publish non-financial information.</p> <p>The Practical Guidance is more exhaustive because it considers non-financial information, such as labor force, health and safety practices, environmental practices and business activities.</p> <p>Into the National Interest Information category are included, among others, data related to population, employment, health, education, financial information, science and technology, biodiversity, water, soil, dangerous residuals, solid residuals, etc. The obligatory provision of this kind of information upholds the disclosure of information is in accordance with the Practical Guidance.</p>
--	---	--

Legislation Summary Mexico



Expectations towards suppliers as defined in the Guiding Principles and local legislation.

<p>Fair Competition/Anti-Trust</p>	<p>Ley Federal de Competencia Económica, May, 2014.</p> <ul style="list-style-type: none"> • Scope of the law: <ul style="list-style-type: none"> ○ Prohibits any anti-competitive practice and aims to protect and guarantee free competition and the benefits derived from it. It prevents, investigates and penalizes monopolistic practices. • Key points for suppliers: <ul style="list-style-type: none"> ○ If any supplier or supplier’s client commits to any act against fair competition or that affect the free competition such as counterfeit, bribery, false information or any other related act, the authority will investigate the case and act accordingly. <p>Link to Mexican text</p> <p>Decree for Automotive Competitiveness and Development of the Internal Automobile Market Terminal and the promotion of the development of the domestic market of light automotive vehicles (<i>Decreto para la Competitividad Automotriz y Desarrollo del Mercado Interno de Automóviles Terminal y el impulso del desarrollo del mercado interno de vehículos automotores ligeros</i>), June, 2004</p> <ul style="list-style-type: none"> • Scope of the law: <ul style="list-style-type: none"> ○ Seeks to generate, through a series of benefits, a competitive and efficient automotive industry in Mexico which can boost the internal market and, at the same time, integrate to the global economy industry • Key points for suppliers: <ul style="list-style-type: none"> ○ The law establishes the general framework to increase the competitiveness of the automotive sector. In order to get the benefits, set by the Secretaría de Economía, companies must deliver an investment and exportations plan according to the terms detailed in the decree. <p>Link to Mexican text</p>	<p>This law covers the Principle of Fair Competition and Anti-Trust of the Guiding Principles. It sets guidelines for companies to follow in order to achieve fair business conduct.</p> <p>The decree establishes a fair competition environment for the automotive industry by adapting it to the highest standards of international business. Therefore the degree has similar requirements as the Practical Guidance and the Guiding Principles.</p>
------------------------------------	--	--

Legislation Summary Mexico



Expectations towards suppliers as defined in the Guiding Principles and local legislation.

Conflicts of Interest	<p>Ley Federal de Competencia Económica, May, 2014.</p> <ul style="list-style-type: none"> • Scope of the law: • Defines the State’s range of action for maintaining a free and fair competitive economic environment preventing, detecting and penalizing acts that are against a fair market environment. <p>Key points for suppliers:</p> <ul style="list-style-type: none"> ○ The law considers monopolistic practices the establishment of exclusive advantages for one or more economic agents, as well as deliberate and unlikely market restrictions, as established by the Practical Guidance. <p>Link to Mexican text</p>	Prevention and detection of monopolistic practices in Mexico according to the law mentioned before, is aligned with the issue of Conflicts of Interest described in the Practical Guidance.
Counterfeit Parts	<p>Ley de la Propiedad Industrial, June, 1991. <i>Last update May, 2018.</i></p> <ul style="list-style-type: none"> • Scope of the law: <ul style="list-style-type: none"> ○ One of the main objectives of this law is to protect industrial property through regulations, invention patents and design and brand registration. • Key points for suppliers: <ul style="list-style-type: none"> ○ Suppliers could receive inspections from the authority to Conduct investigations of alleged administrative infractions, require information and data, order and execute provisional measures to prevent or stop violation of industrial property rights. ○ Certain articles in this law establish different crimes in regards of counterfeiting and sanctions that apply for such events <p>Link to Mexican text</p>	<p>The Law and the Guiding Principle both protect the intellectual property. Nevertheless, the law has more specific requirements, because it sanctions any practice that sells or distribute forged goods.</p> <p>The Practical Guidance is more detailed on the requirement of introducing effective process to avoid counterfeit. Suppliers must review and identify their vulnerable areas in which counterfeit may appear, in order to avoid them and avoid any sanctions defined in the law.</p>
Intellectual Property	<p>Ley de la Propiedad Industrial, June, 1991. <i>Last update May,2018.</i></p> <ul style="list-style-type: none"> • Scope of the law: 	The law is additional to the guiding principle, since it promotes and protects intellectual property rights, inventions, new technologies,

Legislation Summary Mexico



Expectations towards suppliers as defined in the Guiding Principles and local legislation.

	<ul style="list-style-type: none"> ○ One of the main objectives of this law is to protect the industrial property through regulations, invention patents and design and brand registration. ● Key points for suppliers: <ul style="list-style-type: none"> ○ Suppliers must define a process to proceed to Intellectual property rights registration for any new invention developed. ○ Suppliers must respect intellectual property and understand applicable sanctions in order to avoid them. <p>Link to Mexican text</p>	<p>designs, etc. with different guidelines and practices.</p> <p>Consult Annex for more information</p>
<p>Export controls and Economic Sanctions</p>	<p>Ley de Comercio Exterior, July, 1993. <i>Last update December, 2006</i></p> <ul style="list-style-type: none"> ● Scope of the law: <ul style="list-style-type: none"> ○ This law is in charge of promoting foreign trade, Mexico's economic growth, competitiveness and national production stability as well as defining regulations and restrictions applied for trading. ○ It also coordinates every negotiation, process and assesses Mexican exporters. ○ The law provides a general framework for the Mexican State in terms of foreign business relationships. It details special taxes, tariff and import limits. ● Key points for suppliers: <ul style="list-style-type: none"> ○ This law applies to every process of trading of raw material, resource, product, etc., that crosses the Mexican border.(including car trade from Mexico). ○ Defines the general framework for defining rules of origin, which are relevant to the automotive industry. <p>Link to Mexican text</p> <p>Ley Aduanera, December, 1993. <i>Last update June, 2018</i></p> <ul style="list-style-type: none"> ● Scope of the law: <ul style="list-style-type: none"> ○ This law, composed by 203 articles, regulates the entrance and exit of merchandise. It applies to every act, person, 	<p>The Practical Guidance includes the requirement that suppliers must identify the specific requirements on “goods, software, services, technologies”. In contrast, the <i>Ley de Comercio Exterior</i> establishes a more general framework regarding export control and economic sanctions.</p> <p>The <i>Ley de Comercio Exterior</i> sets a framework and obligations of companies involved in foreign trade. Suppliers must understand the international agreements and treaties in which Mexico participates and adequate their activities to it.</p>

Legislation Summary Mexico



Expectations towards suppliers as defined in the Guiding Principles and local legislation.

	<p>company, etc. that introduces or extracts products whether they are owners, holders, recipients, senders, etc.</p> <ul style="list-style-type: none"> • Key points for suppliers: <ul style="list-style-type: none"> ○ The authority requires companies to have an adequate procedure on keeping a registry of exports/imports ○ Due to the recent negotiations and new dispositions of the United States-Mexico-Canada Agreement (USMCA), automotive sector must adopt the most recent guidelines in order to be able to participate in the market of car exportations along North America. Among the most recent requirements, it stands out the increase of the regional value content from 62.5% to 72%; the work costs that must be covered at least in a 40% of the total in areas with high salaries (at least 16 USD per hour); and the aluminum and principal components of the vehicle purchases which need to be able to prove its genuine procedure in a 70 and 100% accordingly. <p>Link to Mexican text</p>	<p>The “Ley general de Aduanas” defines an overall procedure for export controls. The Practical Guidance is more specific in such controls. It mentions that Companies are expected to establish appropriate policies and procedures to ensure compliance with applicable export controls and economic sanctions laws and regulations of all relevant countries.</p>
<p>Protection of Identity and Non-Retaliation</p>	<p>Ley Federal del Trabajo, April, 1970. <i>Last update July, 2019</i></p> <ul style="list-style-type: none"> • Scope of the law: <ul style="list-style-type: none"> ○ Provides a general framework for labor relations. • Key points for suppliers: <ul style="list-style-type: none"> ○ The law established the legal causes for cancelling a contract by an employer. It also protects employees from harassment in all its forms, and illegal causes for contracts’ terminations. It provides the possibility that complaints could be elaborated anonymously and retaliation is prohibited. ○ The establishment of the <i>Junta de Conciliación y Arbitraje</i> sets the field for the legitimate resolution of complaints from any of the parts without affecting the contracts during the resolution process. <p>Link to Mexican text</p>	<p>The Guiding Principles and Practical Guidance are more specific regarding the protection of identity in whistleblower mechanisms. These guidelines are more specific, as the Mexican law says it protects employees from harassment but does not specify its non-retaliation in case of whistleblower. Companies shall develop and implement grievance mechanisms</p>

Legislation Summary Mexico



Expectations towards suppliers as defined in the Guiding Principles and local legislation.

2. Working Conditions and Human Rights

Guiding Principles: Companies should respect the human rights of workers, and treat all people with dignity as recognized by the international community.

TOPIC IN GUIDING PRINCIPLES	LEGISLATION	BRIEF ANALYSIS
Child Labor and Young Workers	<p>Ley General de los Derechos de Niñas, Niños y Adolescentes (Article 47), December, 2014</p> <ul style="list-style-type: none"> • Scope of the article: <ul style="list-style-type: none"> ○ Children under 15 should not work; minors who comply with the legal working age (15-18 years old) should not work in any environment that may harm their health, education or undermine their mental or physical development. • Key points for suppliers: <ul style="list-style-type: none"> ○ Suppliers should not hire minors under the legal working age. Children under 18 should have prior authorization from their parents or guardians. ○ Suppliers must assure that minor workers are not involved in any activity that can negatively affect their development or put them at any risk. <p>Link to Mexican text</p> <p>Ley Federal del Trabajo (Articles 173 – 180), April, 1970. Last update July, 2019</p> <ul style="list-style-type: none"> • Scope of the articles: <ul style="list-style-type: none"> ○ These articles detail those activities prohibited for minors and establish allowed working hours for them. 	<p>The law defines the minimum age and conditions in which minors could work. The Guiding Principle and the Practical Guidance are in accordance with what is stipulated in the law, since it also mentions that working conditions should not undermine minors' development.</p> <p>Local regulations and international regulatory frameworks in the matter should be respected.</p> <p><i>Ley Federal del Trabajo</i>, and the Practical Guidance agree on the integration of students to the work field as long as their job activities do not impact their studies. Also, the most recent reforms to the law detail the work</p>

Legislation Summary Mexico



Expectations towards suppliers as defined in the Guiding Principles and local legislation.

	<ul style="list-style-type: none"> ○ Children under 18 authorized to work should have enough time to accomplish their basic scholar programs. ● Key points for suppliers: <ul style="list-style-type: none"> ○ Suppliers must comply with the legislation when hiring minors (between 15-18 years old or above 16 but with uncompleted basic education) and provide the adequate working conditions. ○ The Law specifies certain productive activities and working conditions in which minors cannot be employed. Activities related to suppliers or automotive companies might be included (it is recommended to review this law's 176th article for more information). <p>Link to Mexican text</p>	<p>conditions and productive areas in which the minors' participation is forbidden.</p>
<p>Wages and Benefits</p>	<p>Ley Federal del Trabajo, April, 1970. Last update July, 2019</p> <ul style="list-style-type: none"> ● Scope of the law: <ul style="list-style-type: none"> ○ Chapters V-VIII establish the conditions that should be followed when defining the remuneration that employers are entitled to. The law considers the mechanisms regarding salary, benefits, profit sharing. ● Key points for suppliers: <ul style="list-style-type: none"> ○ All companies must offer a wage to their employees which must at least cover the minimum required by law. ○ In July 2019, the Secretaría del Trabajo y Previsión Social (STPS) and the Instituto Mexicano del Seguro Social (IMSS) signed an agreement to assure the employers' obligations compliance to this law through on-site inspections. <p>Link to Mexican text</p>	<p>Both the Ley Federal del Trabajo and the Guiding Principles define that workers should receive a minimum wage (which is published in the Diario Oficial de la Federación), extra-hour remunerations and other benefits. Mexican law is more explicit and detailed in terms of salary and benefits that a worker can receive, for example paternity/maternity leave is also considered in Mexican legislation (Ley del Instituto Mexicano del Seguro Social); vacations, profit sharing, healthcare and other benefits.</p>

Legislation Summary Mexico



Expectations towards suppliers as defined in the Guiding Principles and local legislation.

	<p>Ley del Seguro Social, December, 1995. <i>Last update June, 2019</i></p> <ul style="list-style-type: none"> • Scope of the law: <ul style="list-style-type: none"> ○ Chapter VII of the law establishes social benefits that workers affiliated to the IMSS can have in order to increase their quality of life. • Key points for suppliers: <ul style="list-style-type: none"> ○ Social benefits are covered by IMSS as long as the affiliation regime is on rule. Benefits may include: maternity, day care, work risks, medical attention for sickness, among others workers affiliated to the IMSS regime could access this benefits without retaliation. ○ Maternity leave considers 42 days before the baby's estimated birth date and 42 days after. <p>Link to Mexican text</p>	
Working Hours	<p>Ley Federal del Trabajo (Chapter 2), April, 1970. Last Update July, 2019</p> <ul style="list-style-type: none"> • Scope of the law: <ul style="list-style-type: none"> ○ Stipulates the legal limits allowed to set working hours. Also, it defines the compensations workers will receive for additional hours and the conditions to extend the working day. • Key points for suppliers <ul style="list-style-type: none"> ○ Suppliers must specify in the contract the corresponding working day and conditions such as maternity and paternity permissions, over time wages, holidays established by law and other benefits. <p>Link to Mexican text</p>	The law specifies the hours a Mexican employee (both for full time job and temporary employees) could work and extra-hour specifications. Therefore, the law is in accordance with the Guiding Principles and Practical Guidance.

Legislation Summary Mexico



Expectations towards suppliers as defined in the Guiding Principles and local legislation.

<p>Forced Labor</p>	<p>Ley General para prevenir, sancionar y erradicar los delitos en materia de trata de personas y para la protección y asistencia a las víctimas de estos delitos, June 2012 <i>last update January 2018</i></p> <ul style="list-style-type: none"> • Scope of the law: <ul style="list-style-type: none"> ○ The law establishes de general framework to prevent, investigate and sanction crimes such as forced labor. • Key points for suppliers: <ul style="list-style-type: none"> ○ Forced labor is prohibited. It includes using any force or threat for executing a job. <p>Link to Mexican text</p>	<p>The law prohibits any action on human trafficking and other crimes related, such as forced labor. Generally speaking, it is in accordance with the Guiding Principles and Practical Guidance. As the law defines, any working relationship has to be voluntary, and employees have to receive compensation and remuneration for their work. The law also establishes that companies must provide the information in a language that they understand, and according to their age, information about their rights, guaranteeing their psychological integrity and the protection of their identity and privacy.</p>
<p>Freedom of Association.</p>	<p>Ley Federal del Trabajo. Chapter II, Chapter 7, Sindicatos, federaciones y confederaciones, April, 1970. <i>Last Update July, 2019</i></p> <ul style="list-style-type: none"> • Scope of the law: <ul style="list-style-type: none"> ○ In the chapter are defined the necessary conditions to create and maintain a worker’s trade union and the conditions for the relations between trade unions, employees and employers. Particularly, article 358 specifies the guarantees for regarding freedom of association. • Key points for suppliers: <ul style="list-style-type: none"> ○ Employees are free to join employees’ unions. Employees who join a labor union must respect what is described by the <i>Ley Federal de Trabajo</i> and in the same way employers must respect their free association. ○ Due to the USMCA, some modifications were established: In order to accomplish requirements and compromises of the agreement, the recent reform to 	<p>The <i>Ley Federal del Trabajo</i> supports the Guiding Principle since it defines the conditions for free association and protects employees’ right to do so. It establishes how to join or develop a union.</p> <p>On the other hand, the Guiding Principles state that there should not be fear of harassment or intimidation. Even though it is not specific for Labor unions, harassment is prohibited under the law.</p> <p>The law’s actualization considers the elimination of Conciliation and Arbitration Boards (Juntas de Conciliación y Arbitraje) in order to create Labor Courts, as well as the right of free, secret and direct vote to elect leaders, avoiding public voting process.</p>

Legislation Summary Mexico



Expectations towards suppliers as defined in the Guiding Principles and local legislation.

	<p>the law says that conflicts between employer and employees have to be resolved in Labor Courts carried by the <i>Poder Judicial de la Federación</i> in order to make the conflict resolution process more fair and effective.</p> <ul style="list-style-type: none"> ○ It sets the creation of a Centro Federal de Conciliación y Reistro Laboral and 32 local centers for first-hand conflict resolution. An autonomous entity will have a complete register of every collective contract, internal rules of procedure and syndical organization. <p>Link to Mexican text</p>	
--	---	--

<p>Health and Safety</p>	<p>Reglamento Federal de Seguridad y Salud en el Trabajo. November 2014.</p> <ul style="list-style-type: none"> • Scope of the regulation: <ul style="list-style-type: none"> ○ This Regulation aims to ensure health and safety in the workplace. • Key points for suppliers: <ul style="list-style-type: none"> ○ Elaborate a Risk analysis on health and safety threats. ○ Create a “Comisión de Higiene” / (Health comission) to oversee health and safety issues in the work environment. ○ Consider other applicable norms by the Labor Ministry (over 40 norms can be found regarding Health and Safety issues). <p>Link to Mexican text</p> <p>NOM-035-STPS-2018: Factores de riesgo psicosocial en el trabajo-Identificación, análisis y prevención, October, 2018.</p> <ul style="list-style-type: none"> • Scope of the law: <ul style="list-style-type: none"> ○ The norm establishes the necessary elements to identify, analyze and prevent psychosocial risk factors, and to 	<p>The law considers all aspects stated in the Practical Guidance, such as providing health and safety information and equipment; it also considers defining a safety management system.</p> <p>The law, as well as the Practical Guidance, states that in the case that technologies, equipment, procedures, or mechanisms of foreign origin are proposed, they must be accompanied in the language of origin and a translation prepared by an expert translator.</p> <p>In addition, each State has a Civil Protection regulation which suppliers must review, since in some States the requirements are more thorough than in others.</p>
--------------------------	--	--

Legislation Summary Mexico



Expectations towards suppliers as defined in the Guiding Principles and local legislation.

	<p>promote a satisfactory organizational environment in working places</p> <ul style="list-style-type: none"> • Key points for suppliers: <ul style="list-style-type: none"> ○ Normativity establishes the prevention of psychosocial risk factors and work violence as an obligation for the employers, as well as maintaining a favorable organizational environment. <p>Link to Mexican text</p>	<p>NOM -035-STPS-2018 represents an advance in the prevention of labor risks and the creation of welfare conditions for workers. It is the biggest effort of Mexican authorities in psychosocial risks related to work. Since its publication this regulation applies to all labor centers nationwide. It established specific criteria according to the number of employees in each site. This norm is relevant, since it considers non-physical health and safety risks, as stated in the Guiding Principles.</p>
Harassment	<p>Ley Federal del Trabajo. (Articles 994- VI,133- XII) April 1970 <i>last update June 2018</i></p> <ul style="list-style-type: none"> • Scope of the articles: <ul style="list-style-type: none"> ○ This law prohibits any kind of harassment in the workplace. An economic fine could be placed in case of harassment. • Key points for suppliers: <ul style="list-style-type: none"> ○ Implement internal policies and procedures to avoid and correct any form of harassment. <p>Link to Mexican text</p>	<p><i>Ley Federal del Trabajo</i> prohibits harassment in all its forms, such as discrimination among workers due to ethnic or national origin, gender, age, disability, social condition, health conditions, religion, migratory status, opinions, sexual preferences, marital status or any other violation of human dignity, and it mentions the possible sanctions. The Guiding Principles and Practical Guidance promote the use of corrective actions, such as disciplinary policies and procedures, while the law defines only monetary sanctions.</p>

Legislation Summary Mexico



Expectations towards suppliers as defined in the Guiding Principles and local legislation.

<p>Non-Discrimination</p>	<p>Ley Federal para Prevenir y Eliminar la Discriminación. June, 2018</p> <ul style="list-style-type: none"> • Scope of the law: <ul style="list-style-type: none"> ○ The objective of this Law is to prevent and eliminate all forms of discrimination such as ethnic or national origin, skin color, culture, sex, gender, age, disabilities, social, economic, health or legal status, religion, physical appearance, etc., against any person. It defines the general framework, such as definitions, compliance procedures before the CONAPRED (governmental agency to avoid discrimination). • Key points for suppliers: <ul style="list-style-type: none"> ○ Suppliers must avoid discrimination during the whole cycle of employment (hiring, career development, work environment). ○ No person in the company should incur in any act of discrimination towards an employee. <p>Link to Mexican text</p> <p>Ley Federal del Trabajo (Articles 3 and 132), May, 2019.</p> <ul style="list-style-type: none"> • Scope of the law: <ul style="list-style-type: none"> ○ Modifications to the <i>Ley Federal del Trabajo</i> demand respect to freedom and dignity of workers, reinforces the equality between men and women and establishes the obligation to assure healthy working conditions. • Key points for suppliers: <ul style="list-style-type: none"> ○ The law defines that it is a social interest to guarantee a working environment free of discrimination and violence. ○ The law considers the creation of a protocol to prevent and attend discrimination for gender issues, violence, harassment or sexual aggressions. 	<p>The regulations as well as the Guiding Principles and Practical Guidance, stipulate the principle of non-discrimination. National regulation also defines actions companies can do for inclusiveness and sanctions that could occur in case of discrimination. Nevertheless, the Practical Guidance specifies that non-discrimination includes medical testing or physical examination of any worker or potential worker</p> <p>Mexico is a secular country, therefore there is no regulation on religious issues.</p>
---------------------------	--	---

Legislation Summary Mexico



Expectations towards suppliers as defined in the Guiding Principles and local legislation.

	<p>Link to Mexican text</p> <p>Lineamientos que regulan la aplicación de las medidas administrativas y de reparación del daño en casos de discriminación. June 2014</p> <ul style="list-style-type: none"> • Scope of the law: <ul style="list-style-type: none"> ○ These guidelines protect those affected by discrimination, defines the process for reporting and sanctioning a discriminatory action. • Key points for suppliers: <ul style="list-style-type: none"> ○ Every company should treat people equally, there should be no distinctions based on gender, race, social status, etc. ○ Suppliers must put in place policies and process to ensure an equal treatment for their employees. <p>Link to Mexican text</p>	
--	---	--

1. Environment

Guiding Principles: Companies are expected to support a proactive approach to environmental responsibility by protecting the environment, conserving natural resources and reducing the environmental footprint of their production, products and services throughout their life-cycle.

TOPIC IN GUIDING PRINCIPLES	LEGISLATION	BRIEF ANALYSIS
Energy Consumption and Greenhouse Gas Emissions	<p>Ley de Transición Energética, December 2015.</p> <ul style="list-style-type: none"> • Scope of the law: <ul style="list-style-type: none"> ○ The purpose of this Law is to regulate the sustainable use of energy, as well as to establish specifications in terms of Clean Energy and the reduction of polluting emissions. • Key points for suppliers: 	<p>The <i>Ley de Tansición Enegetica</i> relates to the Guiding principle as it provides a framework for sustainable and renewable use of energy. With regards to the Guiding Principles, the regulation does not specify how a company should define an energy management</p>

Legislation Summary Mexico



Expectations towards suppliers as defined in the Guiding Principles and local legislation.

	<ul style="list-style-type: none"> ○ All companies will need to implement high efficiency technology equipment to reduce their consumption along with their emissions. ○ They shall seek to buy part of their energy consumptions from a renewable source. ○ Both items consider a timeline aligned to Mexico's commitment to increase renewable energy in its energy matrix (35% in 2024). <p>Link to Mexican text</p> <p>Ley General de Cambio Climático, June 2012.</p> <ul style="list-style-type: none"> ● Scope of the law: <ul style="list-style-type: none"> ○ Regulates the emissions of greenhouse gases and compounds to achieve the stabilization of their concentrations in the atmosphere. Considers actions for mitigation and adaptation to climate change. ● Key points for suppliers: <ul style="list-style-type: none"> ○ Implement actions to reduce their CO₂ emissions and contribute to the mitigation of climate change ○ Report if they use an ozone depleting substance and implement a strategy to substitute its use. ○ Suppliers must review if, according to their industry, there is an emission reduction target. <p>Link to Mexican text</p>	<p>strategy, for which other systems (such as ISO) could be complementary.</p> <p>On the other hand, the Ley General de Cambio Climático sets actions companies should have for their emission management systems. In accordance with the Guiding Principles and Practical Guidance, the law defines similar requirements</p>
<p>Water Quality and Consumption.</p>	<p>Ley de Aguas Nacionales December 1992, <i>last update March 2016</i></p> <ul style="list-style-type: none"> ● Scope of the law: <ul style="list-style-type: none"> ○ General framework for water management in Mexico ● Key points for suppliers: <ul style="list-style-type: none"> ○ Comply with environmental regulation ○ Establish an adequate project in order to provide water security 	<p>The <i>Normas Oficiales Mexicanas</i> presented in the left column provide detailed information on discharge of waters. These regulations are similar to the Guiding Principles since they define pollutants allowed when discharging waters</p>

Legislation Summary Mexico



Expectations towards suppliers as defined in the Guiding Principles and local legislation.

	<ul style="list-style-type: none"> ○ Efficient use of water. ○ Avoid water pollution <p>Link to Mexican text</p> <p>NOM-001-SEMARNAT. October 1996 <i>last update</i> April 2003), NOM-002-SEMARNAT June 1998) NOM-003-SEMARNAT September 1998)</p> <ul style="list-style-type: none"> • Scope of the regulations: <ul style="list-style-type: none"> ○ Establishes the maximum permissible limits of pollutants in wastewater discharges to protect the quality of the water. • Key points for suppliers: <ul style="list-style-type: none"> ○ Companies must measure different pollutants in wastewaters in order to comply with allowable limits. ○ They should enhance their processes with cleaning techniques to reduce pollutants in water discharges. <p>Links to Mexican texts: NOM-001 NOM-002 NOM-003</p>	<p>Practical Guidance is more focused on consumption and an efficient use of water, it establishes that companies are expected to develop a water assessment setting up objectives for reduction and methods for an efficient use.</p> <p>Suppliers must have permits from the government that specify the amount of water they can use.</p>
Air Quality	<p>Reglamento de la ley General del Equilibrio Ecológico y la Protección al Ambiente en Materia de Prevención y Control de la Contaminación de la Atmósfera, November 1998, <i>last update</i> October 2014.</p> <ul style="list-style-type: none"> • Scope of the law: <ul style="list-style-type: none"> ○ Formulates the environmental criteria that must be taken into account on prevention and control of atmospheric pollution. • Key points for suppliers: <ul style="list-style-type: none"> ○ Control and monitor all activities that generate pollution in order to comply with the law ○ Measure emissions and have an inventory. ○ Install systems and equipment to control/reduce emissions 	<p>The law is in accordance with what is established in the Guiding Principles and Practical Guidance as they expect companies to monitor and correctly manage emissions they generate.</p>

Legislation Summary Mexico



Expectations towards suppliers as defined in the Guiding Principles and local legislation.

	<p>Link to Mexican text</p> <p>From NOM-020-SSA1 to NOM-025-SSA1 (All published on 1993)</p> <ul style="list-style-type: none"> • Scope of the regulations: <ul style="list-style-type: none"> ○ These set of regulations establish the concentration limits of pollutants such as O₃, CO, SO₂, NO₂. • Key points for suppliers: <ul style="list-style-type: none"> ○ Suppliers must regulate the quantity of pollutants emitted to the environment. ○ Suppliers must comply with regulations and prevention measures defined. <p>Links to Mexican texts: NOM-020-SSA1: NOM-021-SSA1: NOM-022-SSA1: NOM-023-SSA1: NOM-024-SSA1: NOM-025-SSA1:</p>	
<p>Natural Resources Management and Waste Reduction</p>	<p>Ley General del Equilibrio Ecológico y la Protección al Ambiente, January 1988, <i>Last update January 2015.</i></p> <ul style="list-style-type: none"> • Scope of the law: <ul style="list-style-type: none"> ○ It refers to the preservation and restoration of the ecological balance, as well as the protection of the environment. • Key points for suppliers: <ul style="list-style-type: none"> ○ The industrial activities of suppliers must comply with the environmental legislation in order to preserve the natural resources and reduce their waste production. <p>Link to Mexican text</p> <p>Ley Federal de Responsabilidad Ambiental, June 2013.</p> <ul style="list-style-type: none"> • Scope of the law: 	<p>The Law provides a general framework for sustainable use of natural resources. It is in accordance with the General Principles and Practical Guidance since it includes, in general terms, aspects such as waste and sustainable management of resources.</p> <p>Regarding the Law on Environmental Responsibility (Responsabilidad Ambiental), it set higher standards than the Guiding Principles as companies could be held responsible for mismanagement and impacts on the environment.</p> <p>Waste management regulation is consistent with the Guiding Principle and Practical</p>

Legislation Summary Mexico



Expectations towards suppliers as defined in the Guiding Principles and local legislation.

	<ul style="list-style-type: none"> ○ The Law regulates the environmental responsibility that comes from damage caused to the environment, as well as repairs and compensation of damages. • Key points for suppliers: <ul style="list-style-type: none"> ○ In case suppliers' activities cause damage to the environment, they will be held responsible and will be obliged to repair and/or compensate for the damage. <p>Link to Mexican text</p> <p>Ley General para la Prevención y Gestión Integral de los Residuos y su Reglamento: 2003, last update January 2018.</p> <ul style="list-style-type: none"> • Scope of the law: <ul style="list-style-type: none"> ○ The law aims to guarantee the right of everyone to a healthy environment and promote sustainable development through prevention of generation, recovery and integral management of hazardous waste, urban solid waste, and special management waste. • Key points for suppliers: <ul style="list-style-type: none"> ○ Promote the use of technologies to reduce inputs that generate waste. ○ Review and comply with specific norms regarding waste management plans. <p>Link to Mexican text</p> <p>NOM-161-SEMARNAT-2011. February 2013.</p> <ul style="list-style-type: none"> • Scope of the regulation: <ul style="list-style-type: none"> ○ Establishes the criteria to determine the special management waste that will be subject to a waste management plan. • Key points for suppliers: 	<p>Guidance. Companies are expected to set targets for waste reduction and establish a waste management hierarchy that considers in priority order: prevention, reduction, reuse, recovery, recycling, removal and finally disposal of wastes.</p>
--	--	--

Legislation Summary Mexico



Expectations towards suppliers as defined in the Guiding Principles and local legislation.

	<ul style="list-style-type: none">○ Identify if any activity generates special management waste and apply the measures that the Mexican legislation establishes. <p><u>Link to Mexican text</u></p> <p>Reglamento de la LGEEPA En Materia De Autorregulación Y Auditorías Ambientales <i>October 2014</i></p> <ul style="list-style-type: none">• Scope of the law:<ul style="list-style-type: none">○ Companies can request an environmental audit in order to identify their level of pollution and risk. It helps defining the level of compliance and good practices in environmental protection.• Key points for suppliers:<ul style="list-style-type: none">○ Suppliers receive a formal check on their level of compliance on environmental regulation.○ If companies do not pass the environmental audit, then they should work on an action plan to close identified gaps. <p><u>Link to Mexican text</u></p> <p>Reglamento de la LGEEPA En Materia De Registro de Emisiones y Transferencia de Contaminantes. <i>November, 2014</i></p> <ul style="list-style-type: none">• Scope of the law:<ul style="list-style-type: none">○ Specifies guidelines for moral and personal entities responsible to report. They must hand in information related to emissions, pollutant transference and certain substances of Federal competence liable to be reported, as described by the LGEEPA.• Key points for suppliers:<ul style="list-style-type: none">○ The information provided by companies and suppliers is obligatory (when required) and includes: atmospheric pollutant emissions; technical characteristics of machines, equipment or activity that generates the emissions; consumption, and	
--	---	--

Legislation Summary Mexico



Expectations towards suppliers as defined in the Guiding Principles and local legislation.

	<p>substance transferences into the water; generation and transference of hazardous waste; emissions and transferences produced by incidents, and prevention and management protocol for pollutants.</p> <p>Link to Mexican text</p>	
<p>Responsible Chemical Management</p>	<p>Reglamento para el Transporte Terrestre de Materiales y Residuos Peligrosos: April 1993 <i>last update</i> November 2006.</p> <ul style="list-style-type: none"> • Scope of the law: <ul style="list-style-type: none"> ○ The purpose of the law is to regulate transportation of dangerous materials and hazardous waste. • Key points for suppliers: <ul style="list-style-type: none"> ○ Suppliers must classify their dangerous waste in order for carriers to manage their transportation. ○ Use an authorized supplier for hazardous waste and dangerous material transportation. ○ Have the adequate documentation of all dangerous material or hazardous waste transportation. <p>Link to Mexican text</p> <p>Reglamento Federal de Seguridad, Higiene y Medio Ambiente de Trabajo: published on January 28, 1997.</p> <ul style="list-style-type: none"> • Scope of the law: <ul style="list-style-type: none"> ○ Its purpose is to establish the necessary measures for the prevention of accidents and diseases, aimed at ensuring safety, hygiene and environmental conditions for workers. • Key point for suppliers: <ul style="list-style-type: none"> ○ Suppliers are required to adopt the relevant safety and hygiene measures to prevent accidents with chemicals, such as having adequate facilities in order to prevent accidents. ○ Employees that manage chemical substances must have an adequate training to do so. 	<p>The laws mentioned apply to what the Guiding Principles dictate in this aspect. The law requires companies to identify, minimize and manage correctly each waste they produce and adopt measures for a responsible chemical management.</p> <p>However, the Guiding Principles and Practical Guidance are more specific on data collection. Companies are expected to measure data completeness against bill of materials (BOMs), identify data shortages, and take corrective measures to assure data is traceable to the material manufacturers.</p>

Legislation Summary Mexico



Expectations towards suppliers as defined in the Guiding Principles and local legislation.

	<p>Link to Mexican text</p> <p>Ley General para la Prevención y Gestión Integral de los Residuos: October 2003, <i>last update 2018</i></p> <ul style="list-style-type: none">• Scope of the law:<ul style="list-style-type: none">○ The Law aims to guarantee the right of everyone to a healthy environment and promote sustainable development through the prevention of the generation, recovery and integral management of hazardous waste, urban solid waste, and special management waste.• Key points for suppliers:<ul style="list-style-type: none">○ For a correct chemical management, suppliers must formulate a classification of their own waste in order to manage them with the specifications that the Mexican legislation stipulates.○ Suppliers must apply actions for waste recovery and management under environmental efficiency criteria to prevent and control their pollutants that affect the environment and human health.○ Have the correct measures for safety administration and handling of dangerous chemicals. <p>Link to Mexican text</p>	
--	--	--

Legislation Summary Mexico



Expectations towards suppliers as defined in the Guiding Principles and local legislation.

Glossary

- IMSS = Instituto Mexicano del Seguro Social.
- INEGI = Instituto Nacional de Información Estadística y Geográfica.
- Ley = Law
- LGEEPA = Ley General de Equilibrio Ecológico y la Protección al Ambiente.
- Mexican Constitution = Our Constitution is our main regulation. It compiles main individual guarantees, rights and obligations for Mexicans. From this law, other laws define specific issues.
- NOM= Norma Oficial Mexicana → Regulates different issues in a more specific way. The compliance with this standard is mandatory.
- PROFECO = Procuraduría Federal del Consumidor.
- SEMARNAT = Secretaría de Medio Ambiente y Recursos Naturales.
- SSA = Secretaría de Salud.
- STPS = Secretaría del Trabajo y Previsión Social.

Legislation Summary Mexico



Expectations towards suppliers as defined in the Guiding Principles and local legislation.

Annex

Privacy

In the European Union (EU) a new General Data Protection Regulation (GDPR) has been in force since May 25. GDPR will apply to the processing of personal data by controllers and processors in the EU, regardless of whether the processing takes place in the EU or not.

Key points can be consulted here: <https://www.eugdpr.org/key-changes.html>

Intellectual Property

Main changes in the Intellectual Property include:

- Non -traditional trademarks: sound, olfactory and holographic trademarks could be registered
- Declaration of effective use of trademark before 3 years.
- Renovation and novelty criteria changed for industrial figures and designs trademarks

More information can be found in the following websites:

Summary: <https://www2.deloitte.com/mx/es/pages/dnoticias/articles/ley-de-propiedad-industrial.html>

Modification in the Law: <https://www.gob.mx/impi/articulos/reformas-a-la-ley-de-la-propiedad-industrial-lpi-166182?idiom=es>

Legislation Summary Mexico



Expectations towards suppliers as defined in the Guiding Principles and local legislation.

Disclaimer

Deloitte se refiere a Deloitte Touche Tohmatsu Limited, sociedad privada de responsabilidad limitada en el Reino Unido, y a su red de firmas miembro, cada una de ellas como una entidad legal única e independiente. Conozca en www.deloitte.com/mx/conozcanos la descripción detallada de la estructura legal de Deloitte Touche Tohmatsu Limited y sus firmas miembro.

Deloitte presta servicios profesionales de auditoría y assurance, consultoría, asesoría financiera, asesoría en riesgos, impuestos y servicios legales, relacionados con nuestros clientes públicos y privados de diversas industrias. Con una red global de firmas miembro en más de 150 países, Deloitte brinda capacidades de clase mundial y servicio de alta calidad a sus clientes, aportando la experiencia necesaria para hacer frente a los retos más complejos de los negocios. Los más de 286,000 profesionales de Deloitte están comprometidos a lograr impactos significativos

Tal y como se usa en este documento, "Deloitte" significa Galaz, Yamazaki, Ruiz Urquiza, S.C., Deloitte Auditoría, S.C., Deloitte Impuestos y Servicios Legales, S.C., Deloitte Asesoría en Riesgos S.C., Deloitte Asesoría Financiera, S.C. las cuales tienen el derecho legal exclusivo de involucrarse en, y limitan sus negocios a, la prestación de servicios de auditoría, consultoría fiscal, asesoría legal, en riesgos y financiera respectivamente, así como otros servicios profesionales en México, bajo el nombre de "Deloitte".

Esta comunicación contiene información general solamente, y ninguno de Deloitte Touche Tohmatsu Limited, sus firmas miembro, o sus entidades relacionadas (colectivamente, la "Red Deloitte") está, mediante esta comunicación, prestando asesoramiento o servicios profesionales. Antes de tomar una decisión o tomar cualquier medida que pueda afectar sus finanzas o su negocio, debe consultar a un asesor profesional calificado. Ninguna entidad en la Red de Deloitte será responsable de ninguna pérdida sufrida por persona alguna que confíe en esta comunicación.

© 2019 Deloitte Asesoría en Riesgos, S.C.