



FAIR LABOR
ASSOCIATION®

INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Under Armour
COUNTRY: Nicaragua
ASSESSMENT DATE: 11/20/2017
ASSESSOR: Francisco Chicas

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.

Findings and Action Plans

FINDING NO.1

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. Orientation training to new workers does not include Personnel Development, Termination & Retrenchment, and the Grievance System. ER.15

2. The factory does not conduct performance reviews for all workers. Performance reviews are only conducted in cases of promotion opportunities among candidates for promotion. ER.29

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.15.1 and ER.29.1)

FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. Factory has not made sufficient communication and training efforts to ensure that workers understand the procedure for providing annual vacation. From interviews with workers, assessors noted that most of them were unable to explain how the annual vacation scheme works and how rest vacation days are provided. ER.1, ER.15, ER.16, C.17

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15.2 and ER.16.1; Compensation Benchmarks C.17.1 and C.17.1.3)

FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

1. The factory does not conduct ongoing training for workers and supervisors on Termination & Retrenchment. ER.1, ER.17

Local Law or Code Requirement

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

FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. Gathered information from interviews with union leaders, workers and managers showed that the management has interfered in the last election process in October 2017; specifically, human resources management suggested a specific election process for the union. This action goes against the basic freedom of association principles that worker organizations should operate independently from employers. ER.26, FOA.1, FOA.11
2. Human resources enrolls new workers in the union during the orientation training. ER.26, FOA.1
3. The factory has not provided sufficient communication and training to workers on the right to Freedom of Association. During interviews with workers, assessors noted that workers were lacking information on their right to join or not join a union of their own choice. ER.1, ER.15, ER.16

Local Law or Code Requirement

International Labor Organization (ILO) Convention 87, on Freedom of Association and Promotion of the Right to Organize (ratified by the Nicaraguan Government on October 31, 1967), Article 2; FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15.2, ER.16.1 and ER.26; Freedom of Association and Collective Bargaining Benchmarks FOA.1, FOA.10 and FOA.12)

FINDING NO.5

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. Disciplinary procedures do not include a third party witness of the workers' own choosing during the imposition of disciplinary actions; workers can only opt for having a representative of the union. ER.27
2. The factory has not provided workers with communication and training on the appeal process for disciplinary actions. ER.1, ER.15, ER.16

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15.2, ER.16.1 and ER.27.4)

FINDING NO.6

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Grievance System

Finding Explanation

1. The factory has not sufficiently communicated to and trained workers on the grievance system. From interviews with workers assessors found that workers are unaware of the existence of the confidential phone line, and around 50% of the interviewed workers were unaware of the suggestion boxes. ER.1, ER.15, ER.16

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15.2 and ER.16.1)

FINDING NO.7

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. The factory has not updated its Environmental License to include the Injection Department (Building 22). This building started operations two months before the assessment date. The factory has obtained the custom permit for the building, which needs to be provided to the environmental authority to obtain the license. HSE.1, HSE.4
2. The factory does not have an appropriate designated area for storing hazardous waste. Hazardous waste is stored in an open area, and exposed to the weather. The factory does not segregate hazardous waste and non-hazardous solid waste, as fluorescent lamps are stored in the same area with regular solid waste. HSE.1, HSE.9

Local Law or Code Requirement

General Law of Environmental and Natural Resources, Articles 25 and 26; Environment Technical Norm on Handling, Treating and Final Disposal of Non-hazardous Solid Waste, Article 8.1.6; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.4, and HSE.9)

Recommendations for Immediate Action

1. Update the Environmental Licensee to include the Injection Department that has recently started operations in a new building.
2. Designate an appropriate area for storing hazardous waste. This area should be protected from sun and rain.
3. Ensure that solid waste is segregated from hazardous waste.

FINDING NO.8

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. There are no procedures related to working at heights. ER.1, ER.31, HSE.1

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1 and 31.1; Health, Safety, and Environment Benchmark HSE.1)

FINDING NO.9

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. There are no emergency alarms at any of the production plants and administrative office: buildings 11A, 11B, 11C and Building. HSE.1, HSE.5
2. No emergency evacuation drill has been conducted for the Injection Department (Building 22); this building started operations two months ago. HSE.1, HSE.5
3. All eight emergency exits in the Injection Department (Building 22) are missing emergency lights and emergency exit signs. HSE.1, HSE.5

Local Law or Code Requirement

General Law on Hygiene and Safety at the Workplace, Articles 139 and 196; Ministerial Norm on Hygiene and Work Safety related to the Prevention and Extinction of Fire at the Workplace, Article 81; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1 and HSE.5.1)

Recommendations for Immediate Action

1. Ensure that functioning alarm system is available at all buildings operated by the factory.
2. Conduct regular emergency evacuation drills for the Injection Department (Building 22).
3. Install emergency lights and emergency exit signs at all eight emergency exits in the Injection Department (Building 22).

FINDING NO.10

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Six splitting machines do not have missing safety instructions. HSE.1, HSE.14.3
2. Around 40 sewing machines (model Golden CSA) in use at the Training Department do not have acrylic guards to protect workers against potential broken needles, as required by the machines' technical data sheet. HSE.1, HSE.14
3. Two electrical panels at the Injection Department (Building 22) do not have warning signs. HSE.1
4. The workers responsible for holding first aid kit key at Injection Department (Building 22) were not present during the observation tour; therefore, the first aid kit could not be opened. These two workers were enjoying their rest day, and management had not designated any other workers to hold the first aid kit key. HSE.1, HSE.18

Local Law or Code Requirement

General Law on Hygiene and Safety at the Workplace, Articles 131 and 141; Ministerial Norm on Basic Hygiene and Work Safety Provisions Applicable to Signalization, Article 4.1; Ministerial Regulation on Occupational Health and Safety in the Garment Sector in Nicaragua, Article 134; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.14.3, HSE.18.3)

Recommendations for Immediate Action

1. Install safety instructions at the splitting machines.
2. Install acrylic guard on all sewing machines model Golden CSA ,as required by the machines' technical data sheet.
3. Post warning signs on all of the electrical panels at the Injection Department (Building 22).
4. Ensure that the staff responsible for holding first aid kit key at the Injection Department (Building 22) are readily available to open the first aid kit at all times.

FINDING NO.11

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. There are no policy and procedures related to ergonomics. ER.1, HSE.1
2. The factory has not conducted an ergonomic assessment; as a result, no proactive steps to reduce ergonomic risk/injuries have been carried out (such as ergonomic breaks). The majority of production workers perform their tasks in permanent

standing positions, which constitutes a significant exposure to ergonomic risks. HSE.1, HSE.17

3. The 536 workers who perform their tasks in permanent standing positions are not provided with anti-fatigue mats. HSE.1, HSE.17

Local Law or Code Requirement

General Law on Health and Safety at the Workplace, Articles 292, 295, 296 and 297; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1 and HSE.17.1)

Recommendations for Immediate Action

1. Provide workers performing their tasks in permanent standing position with anti-fatigue mats.

FINDING NO.12

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Cleaning and adhesive chemicals are in used at the Pre-Sewing Department (Building 11-A); however, this work area does not have eyewash stations. HSE.1, HSE.6

2. The eyewash station at the Sewing Department (Buildings 11B and 11C) and the two eyewash stations at the Injection Department (Building 22) are not functional, as they are not connected to a source of water. HSE.1, HSE.6, HSE.14

3. The material safety data sheets (MSDS) for the chemicals in use at the Pre-Sewing Department (Building 11A) and Sewing Department (Buildings 11B and 11C) are not readily available at the production areas, instead they are kept at the Health and Safety Manager's office. HSE.10

4. Workers handling cleaning and adhesive chemicals at Pre-Sewing Department (Building 11A) and Sewing Department (Buildings 11B and 11C) have not been provided with the relevant personal protective equipment (PPE) required by the MSDS: gloves, masks, and glasses. HSE.1, HSE.7

5. One chemical container at the mounting area of the Sewing Department (Buildings 11B and 11C) does not have a label. One water container in this area also did not have a label. One chemical container at the mechanics workshop in the Sewing Department (Buildings 11B and 11C) did not have a label. HSE.1, HSE.9

6. Glue containers used at the pre-manufacturing area of the Sewing Department do not have labels. There is no eyewash station near this work area. HSE.1, HSE.9

7. The release agent container at Injection Department (Building 22) does not have a label. The MSDS for this chemical is not available at the production area where the product is in use. HSE.1, HSE.9, HSE.10

Local Law or Code Requirement

Ministerial Regulation on Occupational Health and Safety in the Garment Sector in Nicaragua, Articles 109 and 151; Regulations to the General Law on Health and Safety at the Workplace, Article 11 section g); Ministerial Norm on Minimum Hygiene and Safety Provisions on Personal Protective Equipment, Article 4 section d); FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.6.1, HSE.7, HSE.9.1, HSE.10.1 and HSE.14.1)

Recommendations for Immediate Action

1. Ensure that all production areas where chemicals are in use are equipped with eyewash stations.

2. Ensure that all existing eyewash stations in production areas are functional.

3. Keep MSDS of chemicals in use at production areas readily available for workers to consult them.

4. Provide PPE to all workers handling chemicals, following MSDS requirements, and ensure that workers wear the PPE at all times.

5. Label all chemical containers in use at production areas.

FINDING NO.13

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Most of the male and female restrooms at all production areas do not have toilet paper. None of the male restrooms have a means for workers to dry their hands. HSE.1, HSE.19
2. Factory does not conduct health examinations for new workers right after they have been hired, as required by local laws and regulations. Instead, examinations are conducted six months after the workers have been hired. HSE.1
3. About 35 new workers have not been provided with lockers to store their belongings, as required by local regulations. HSE.1

Local Law or Code Requirement

General Law on Health and Safety at the Workplace, Articles 26.a and 26.b; Ministerial Regulation on Occupational Health and Safety in the Garment Sector in Nicaragua, Articles 24, 64, and 69; Ministerial Resolution on Hygiene and Safety at the Workplace, Articles 8.a, 18.a and 18.b; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1 and HSE.19)

Recommendations for Immediate Action

1. Equip male and female restrooms with means for workers to dry their hands.
2. Ensure that toilet paper is available at male and female restrooms at all times.

FINDING NO.14

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

1. The worker integration component is missing for all Employment Functions; workers are not systematically integrated or consulted in the decision-making process of aspects concerning labor conditions. They are not given the chance to provide feedback during the creation or revision of policies and procedures either. ER.1 and ER.25

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3 and ER.25.2)