



2010

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: Under Armour, Inc.
COUNTRY: Mexico
FACTORY CODE: 4300501104I_Mexico
MONITOR: Accordia Global Compliance
Group
AUDIT DATE: August 10 – 11, 2010
PRODUCTS: Sportswear Apparel
PROCESSES: Cutting, Sewing, Screen
Printing, Embroidery, Packaging
NUMBER OF WORKERS: 255



CONTENTS:

Wages, Benefits and Overtime Compensation: Deposit of Legally Mandated Deductions	3
Wages, Benefits and Overtime Compensation: General Compliance Wages, Benefits and Overtime Compensation	4
Forced Labor: Employment Terms/Voluntary Agreement	5
Forced Labor: Employment Records	6
Forced Labor: Freedom of Movement	7
Code Awareness:	8
Health and Safety: Permits and Certificates	9
Health and Safety: Evacuation Requirements and Procedure	10
Health and Safety: Safety Equipment and First Aid Training	11
Health and Safety: Personal Protective Equipment	12
Health and Safety: Chemical Management and Training	14
Health and Safety: Material Safety Data Sheets/Worker Access and Awareness	15
Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance	16
Health and Safety: Machinery Maintenance and Worker Training	17
Health and Safety: Drinking Water	18



Wages, Benefits and Overtime Compensation: Deposit of Legally Mandated Deductions

WBOT.13 All legally mandated deductions for taxes, social insurance, or other purposes shall be deposited each pay period in the legally defined account or transmitted to the legally defined agency. This includes any lawful garnishments for back taxes, etc. The employer shall not hold over any of these funds from one pay period to the other unless the law specifies that deposits are to be made less frequently than pay periods (e.g., monthly deposits, weekly pay). If the law does not specify, then deposits shall be made before the next pay period in all cases. (S)

Noncompliance

Explanation: The facility has not made payment to Social Security (IMSS) for the month of June 2010.

Federal Labor Law 110

Plan Of Action: The factory must confirm that it has now made the payment to Social Security (IMSS) for the month of June 2010, has timely made any applicable subsequent payments, and has supporting documentation on site to establish the same.

Deadline Date: 11/25/2010

Supplier CAP: The factory must confirm that it has now made the payment to Social Security (IMSS) for the month of June 2010, has timely made any applicable subsequent payments, and has supporting documentation on site to establish the same.

Supplier CAP Date: 11/25/2010

Action Taken: Whenever an IMSS payment is delayed, an "agreement" is approved and signed by the IMSS, which is in total compliance with the law. This is the case for the June payment referred to here. [Attached to this report (hard copy) is a copy of such agreement, copies of all payments made since and a copy of the publication in the Diario Oficial validating this resource...]

Plan Complete: Yes

Plan Complete Date: 11/25/2010



Wages, Benefits and Overtime Compensation: General Compliance Wages, Benefits and Overtime Compensation

WBOT.1 Employers shall comply with all local laws, regulations and procedures concerning the payment of wages and benefits, including overtime compensation. In any case where laws and the FLA Code are contradictory, the standard that provides the greatest protection for workers shall apply. Where provisions are lacking, employers shall take measures to reasonably accommodate matters concerning the payments of wages and benefits, including overtime compensation. (S)

Noncompliance

Explanation: Review of payroll indicated that facility is deducting at least 30% of the salary of 2 employees to pay back loans from July 26, 2010 to August 1, 2010. The payback of the loan amount is collected over multiple weeks with no interest charges. For instance, if the loan is for 100, the factory may collect only 25 in each one of four pay periods to pay the loan back. This makes the repayment more affordable for the worker, rather than to repay the whole amount at one time.

Federal Labor Law Article 110

Plan Of Action: The factory must reduce employee repayments of loans from the factory to no more than the maximum amounts and to the frequency permitted under local law.

Deadline Date: 11/25/2010

Supplier CAP: The factory must reduce employee repayments of loans from the factory to no more than the maximum amounts and to the frequency permitted under local law.

Supplier CAP Date: 11/25/2010

Action Taken: We will make sure that no exceptions to the loan policy are made if it means that the quantity to deduct exceeds the 30% that the Federal Labor Law states.

Plan Complete: Yes

Plan Complete Date: 11/25/2010



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: All labor contracts were found not signed by the employer. Also, workers were not given an original copy of the labor contract at any time.

Federal Labor Law Article 24

Plan Of Action: The factory must ensure that all labor contracts are fully executed (signed by both the factory and each worker). Additionally, the factory must give each worker a copy of the fully executed contract and keep a copy, along with a receipt acknowledging it was signed and dated by each worker.

Deadline Date: 11/25/2010

Supplier CAP: The factory must ensure that all labor contracts are fully executed (signed by both the factory and each worker). Additionally, the factory must give each worker a copy of the fully executed contract and keep a copy, along with a receipt acknowledging it was signed and dated by each worker.

Supplier CAP Date: 11/25/2010

Action Taken: We have started to review, sign and handle a copy of the individual contracts and we expect to complete this process by 12/17.

Plan Complete: No

Plan Complete Date:



Forced Labor: Employment Records

F.9 Employers shall maintain sufficient hiring and employment records to demonstrate and verify compliance with this Code provision. (P)

Noncompliance

Explanation: The subcontracted employer did not provide labor contracts to the workers in the embroidering and screen printing processes.

Federal Labor Law, Article 24

Plan Of Action: The factory must provide labor contracts to all workers in the embroidering and screen printing processes. The factory must ensure that all labor contracts are fully executed (signed by both the factory and each worker). Additionally, the factory must give each worker a copy of the fully executed contract and keep a copy, along with a receipt acknowledging it was signed and dated by each worker.

Deadline Date: 11/25/2010

Supplier CAP: The factory must provide labor contracts to all workers in the embroidering and screen printing processes. The factory must ensure that all labor contracts are fully executed (signed by both the factory and each worker). Additionally, the factory must give each worker a copy of the fully executed contract and keep a copy, along with a receipt acknowledging it was signed and dated by each worker.

Supplier CAP Date: 11/25/2010

Action Taken: We have already executed this point.

Plan Complete: Yes

Plan Complete Date: 11/25/2010



Forced Labor: Freedom of Movement

F.10 If factory entrances are locked or guarded to prevent non-employee access to the premises for security reasons, workers shall have free egress at all times. (S/P)

Noncompliance

Explanation: The internal regulations handbook established in article 25 that overtime is mandatory for the workers. Monitor confirmed through worker interviews that overtime hours are worked voluntarily.

Federal Labor Law Article 59

Plan Of Action: The factory should ensure that its internal regulations handbook’s language accurately reflects local law concerning the number of overtime hours that may be worked, the circumstances under which they may be worked, and the required compensation for same.

Deadline Date: 11/25/2010

Supplier CAP: The factory should ensure that its internal regulations handbook’s language accurately reflects local law concerning the number of overtime hours that may be worked, the circumstances under which they may be worked, and the required compensation for same.

Supplier CAP Date: 11/10/2010

Action Taken: We have modified our internal regulations handbook in the way we believe takes care of this point.

Plan Complete: Yes

Plan Complete Date: 11/25/2010

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: There is no direct communication channel between the workers of [Factory name] and Under Armour Inc.

Plan Of Action: Non-IEM auditors leave contact information with [Employee name]. The factory must provide its workers with the contact information of [Employee name] in the event that they wish to communicate to Under Armour.

Deadline Date: 11/25/2010

Supplier CAP: The factory must provide its workers with the contact information of [Employee name] in the event that they wish to communicate to Under Armour.

Supplier CAP Date: 11/10/2010

Action Taken: Please let us know what contact information you would like us to provide the workers, and we will post it on the general board right away.

Plan Complete: No

Plan Complete Date:

Health and Safety: Permits and Certificates

HandS.8 The employer shall at all times be in possession of all legally required and valid permits and certificates related to H&S issues, such as those related to the purchase and storage of chemicals, fire safety inspections, inspection of machinery, and (chemical) waste disposal. (P)

Noncompliance

Explanation: 1. The pressure vessels have not been registered by the authority.

H&S, Environmental Regulation 29

2. Facility does not utilize an authorized collection company for hazardous waste. Hazardous waste such as used oil, spot remover, and empty chemical containers were found in the regular waste bin.

General Law of Ecological Equilibrium and Protection of the Environment

Plan Of Action: The factory must ensure that all of its pressure vessels have been registered with all required authorities. Additionally, the factory must implement systems and controls sufficient to ensure that all hazardous waste is collected/deposited in specially marked/designed containers; it also must use an authorized company to collect its hazardous waste. The factory should indicate: 1) when and where it installed the containers and 2) when it entered into an agreement with an authorized hazardous waste collection company. It should maintain records on site indicating its collection of, and this company's removal of, such waste.

Deadline Date: 11/25/2010

Supplier CAP: The factory must ensure that all of its pressure vessels have been registered with all required authorities. Additionally, the factory must implement systems and controls sufficient to ensure that all hazardous waste is collected/deposited in specially marked/designed containers; it also must use an authorized company to collect its hazardous waste. The factory should indicate: 1) when and where it installed the containers and 2) when it entered into an agreement with an authorized hazardous waste collection company. It should maintain records on site indicating its collection of, and this company's removal of, such waste.

Supplier CAP Date: 11/10/2010



Action Taken: Pressure vessels are registered. Regarding the control of hazardous waste, we have reviewed and updated our containers for machine lubricant and other waste, located in a specific storage area outside the factory. We have a current agreement with a hazardous waste collection company, and are establishing a new agreement with a local hazardous waste collection company.

Plan Complete: Yes

Plan Complete Date: 11/25/2010

Health and Safety: Evacuation Requirements and Procedure

HandS.9 All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, the installation and maintenance of an employee alarm and emergency lighting systems, ensuring aisles/exits are not blocked and that workers are not blocked within their workstations, employee education, evacuation procedures, etc.) shall be complied with. Workers shall be trained in evacuation procedures. Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually. (S)

Noncompliance

Explanation: 1. One non-operable emergency light was found between 4 and 17 production module.

H&S, Environmental Regulation 98

2. The forklift was found to be missing a turret.

NOM-006-STPS-2000. 7.4

Plan Of Action: The factory must repair the emergency light between the 4 and 17 production module. Additionally, the factory must install an additional turret on to its forklift.

Deadline Date: 11/25/2010

Supplier CAP: The factory must repair the emergency light between the 4 and 17 production module. Additionally, the factory must install an additional turret on to its forklift.



Supplier CAP 11/10/2010

Date:

Action Taken: We have repaired the emergency light and added the forklift turret.

Plan Complete: Yes

Plan Complete Date: 11/25/2010

Health and Safety: Safety Equipment and First Aid Training

Hands.10 All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be available in sufficient numbers throughout the factory, maintained and stocked as prescribed and easily accessible to workers. A sufficient number of workers shall be trained in first aid and fire fighting techniques. (S)

Noncompliance

Explanation: Medical supplies (2) were found expired in the internal medical service area.

Federal Labor Law Article 132-XVII

Plan Of Action: The factory must periodically inventory and replace medical supplies (according to documented schedules), so that medical supplies are replaced/replenished well before they expire. Factory should ensure that supplies are fully stocked.

Deadline Date: 11/25/2010

Supplier CAP: The factory must periodically inventory and replace medical supplies (according to documented schedules) so that medical supplies are replaced/replenished well before they expire. Factory should ensure that supplies are fully stocked.

Supplier CAP Date: 11/10/2010

Action Taken: We have established and implemented a procedure to verify periodically the expiration date of any medical supply in the medical service area. We conducted an inventory check on November 19, 2010.

Plan Complete: Yes

Plan Complete Date: 11/25/2010

Health and Safety: Personal Protective Equipment

HandS.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 H&S hazards, including medical waste. (S)

Noncompliance

Explanation: 1. During the factory tour, one employee was observed working without the lumbar support belt in the warehouse area. It was established by the company that this form of PPE is required to protect workers from back injuries while lifting heavy rolls of fabric. By Mexican law, it is an obligation of the employers to provide the necessary PPE to the workers as is indicated in the Federal Rules of Environment, H&S in the Workplace, Article 101. Additionally, NOM-006-STPS-2000, 8.1 established the obligation to provide lumbar support belts to workers.

2. In the reviewing area, one employee was found using spot removal spray without wearing a proper mask.

Federal Rules of Environment, H&S in the Workplace, Article 101

Plan Of Action: The factory should ensure that its workers use the personal protective equipment (PPE) required by their workplace conditions, such as eye protection, hearing protection (earplugs), dust masks (with removable/replaceable filters), mesh gloves, rubber gloves, and boots. Specifically, the factory should ensure that workers: 1) in the warehouse that lift or move materials wear lumbar support belts, and 2) using/working with or near spot removers/sprays wear appropriate masks (depending upon the work performed/chemicals used, masks with removable/replaceable filters may be needed), gloves and/or goggles, as needed. In addition, the factory should conduct documented educational meetings with its workers on the importance and use of PPE. Finally, the factory should post posters in each workplace in the workers' primary language(s) showing the necessary and proper use of PPE for each work area/worker.

Deadline Date: 11/25/2010

Supplier CAP: The factory should ensure that its workers use the personal protective equipment (PPE) required by their workplace conditions, such as eye protection, hearing protection (earplugs), dust masks (with removable/replaceable filters), mesh gloves, rubber gloves, and boots. Specifically, the factory should ensure that workers: 1) in the warehouse that lift or move materials wear lumbar support belts, and 2) using/working with or near spot removers/sprays wear appropriate masks (depending upon the work performed/chemicals used, masks with removable/replaceable filters may be needed), gloves and/or goggles, as needed. In addition, the factory should conduct documented educational meetings with its workers on the importance and use of PPE. Finally, the factory should post posters in each workplace in the workers' primary language(s) showing the necessary and proper use of PPE for each work area/worker.

Supplier CAP Date: 11/10/2010

Action Taken: [Factory name] supplies PPE to all the workers that require it; we need, however, to make sure everybody uses it accordingly at all times. Besides the educational meeting with the workers, we are planning to conduct meetings with supervisors to make sure they embrace the use of proper PPE at their areas. We have for the moment review[ed] all areas and made sure that the needed PPE is available in the proper quantity and form in the different areas that require it; we have also made sure there are enough posters. We are scheduling educational meetings to promote the use of PPE next Monday and Tuesday.

Plan Complete: Yes

Plan 11/25/2010

Complete

Date:

Health and Safety: Chemical Management and Training

HandS.13 All chemicals and hazardous substances shall be properly labeled and stored in accordance with applicable laws. Labels shall be placed in the local language and the language(s) spoken by workers, if different from the local language. Workers shall receive training, appropriate to their job responsibilities, concerning the hazards, risks and the safe use of chemicals and other hazardous substances. (S)

Noncompliance

Explanation: Beverage containers in the screen printing and maintenance areas, which were being used to store chemicals, were found improperly labeled.

H&S, Environmental Regulation 65

Plan Of Action: The factory should ensure that all warnings and/or other required labels are affixed to all chemical containers. This should include containers currently storing chemicals that are not the containers in which the chemicals were originally stored. Specifically in the screen printing and maintenance areas, beverage containers were being used to store chemicals; the containers must be properly labeled or transferred into their original, properly labeled containers. Finally, the factory should ensure that all chemical containers are labeled in the workers' primary language(s).

Deadline 11/25/2010

Date:

Supplier CAP: The factory should ensure that all warnings and/or other required labels are affixed to all chemical containers. This should include containers currently storing chemicals that are not the containers in which the chemicals were originally stored. Specifically in the screen printing and maintenance areas, beverage containers were being used to store chemicals; the containers must be properly labeled or transferred into their original, properly labeled containers. Finally, the factory should ensure that all chemical containers are labeled in the workers' primary language(s).

Supplier CAP 11/10/2010

Date:

Action Taken: We have banned beverage containers from the screen print and maintenance area and are making sure that all containers are properly labeled and used correctly.

Plan Complete: Yes

Plan Complete Date: 11/25/2010

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

HandS.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: No MSDS was found for the chemical thinner in the maintenance, spot removal, and reviewing areas.

H&S, Environmental Regulation 63

Plan Of Action: The factory must prominently post Material Safety Data Sheets (MSDS) and/or affix them to all chemical containers written in the language(s) understood by its workers, in all areas of the factory where chemicals are present/used/handled/stored (they should not just be kept in an office). Specifically, MSDS need to be posted for the chemical thinner in the maintenance, spot removal, and reviewing areas. Additionally, the factory should ensure that MSDS are posted in the workers' primary language(s).

Deadline Date: 11/25/2010

Supplier CAP: The factory must prominently post Material Safety Data Sheets (MSDS) and/or affix them to all chemical containers written in the language(s) understood by its workers, in all areas of the factory where chemicals are present/used/handled/stored (they should not just be kept in an office). Specifically, MSDS need to be posted for the chemical thinner in the maintenance, spot removal, and reviewing areas. Additionally, the factory should ensure that the MSDS are posted in the workers' primary language(s).



Supplier CAP 11/10/2010

Date:

Action Taken: We have MSDS for all the chemicals used in the factory. They are posted in a binder located in the area where the chemical is used. Attached, find a copy of all MSDS available, including chemical thinner, and pictures of the binder. We reviewed all available MSDS to make sure that all the used chemicals were included and all the areas that needed them had them.

Plan Complete: Yes

Plan Complete Date: 11/23/2010

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

Hands.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: Two electric panels were found uncovered, and the panels did not indicate the amount of voltage being transmitted.

H&S, Environmental Regulation 47

Plan Of Action: The factory must ensure that all electrical panel boxes are properly covered, and that they have labels affixed to them that indicate the amount of voltage being transmitted.

Deadline Date: 11/25/2010

Supplier CAP: The factory must ensure that all electrical panel boxes are properly covered, and that they have labels affixed to them that indicate the amount of voltage being transmitted.

Supplier CAP Date: 11/10/2010

Action Taken: We have reviewed all electrical panels and have covered and labeled whatever had this missing.

Plan Complete: Yes

Plan Complete Date: 11/25/2010

Health and Safety: Machinery Maintenance and Worker Training

HandS.18 All production machinery, equipment and tools shall be regularly maintained and properly guarded. Workers shall receive training in the proper use and safe operation of machinery, equipment and tools they use. Employers shall ensure safety instructions are either displayed/posted near all machinery or are readily accessible to the workers. (S)

Noncompliance

Explanation: 80% of the sewing machines in the production area were lacking the necessary pulley guards and needle protectors.

NOM-004-STPS-1999. 8.1

Plan Of Action: The factory must install 1) needle guards/protectors on all of its sewing machines and 2) pulley guards on all of its sewing machines, and ensure workers use them.

Deadline Date: 11/25/2010

Supplier CAP: The factory must install 1) needle guards/protectors on all of its sewing machines and 2) pulley guards all of its sewing machines, and ensure workers use them.

Supplier CAP Date: 11/10/2010

Action Taken: We expect to finish installing guards on all machines missing them by 12/10. We will conduct educational meetings with the operators and the mechanics.

Plan **No**
Complete:

Plan
Complete
Date:

Health and Safety: Drinking Water

HandS.26 Safe and clean drinking water shall be freely available at all times, within reasonable distance of the workplace. Drinking water shall be of a reasonable temperature and the means to drink water (cups, etc.) must be safe and sanitary and available in an appropriate number. (S)

Noncompliance

Explanation: Employees are not supplied with disposable cups for drinking water. Employees bring their own water cups.

H&S, Environmental Regulation 104

Plan Of Action: The factory must provide its employees with disposable water cups for drinking water.

Deadline Date: 11/25/2010

Supplier CAP: The factory must provide its employees with disposable water cups for drinking water.

Supplier CAP Date: 11/10/2010

Action Taken: All the water coolers at the factory now have disposable cups available for everyone to use.

Plan **Yes**
Complete:



**Plan
Complete
Date:**
