



COMPANY: **Hansoll Textile, Ltd**  
COUNTRY: **Nicaragua**  
ASSESSMENT DATE: **10/01/13**  
MONITOR: **FLA Assessor Team (Americas)**  
PRODUCTS: **Apparel**  
PROCESSES: **Cut, Sew, Full [= full package]**  
NUMBER OF WORKERS: **1700**  
NUMBER OF WORKERS INTERVIEWED:  
ASSESSMENT NUMBER: **AA0000000320**

## **What's Included in this Report**

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# Understanding this Assessment Report

This is a report of a workplace assessment conducted by Fair Labor Association assessors following FLA's Sustainable Compliance methodology (SCI), which evaluates a facility's performance in upholding fair labor standards through effective management practices throughout the entire employment life cycle.

This report identifies violations and risks of noncompliance with the Fair Labor Association Workplace Code of Conduct in its assessment of the employment functions, and includes a description of the root causes of violations, recommendations for sustainable and immediate improvement, and the corrective action plan for each risk or violation as submitted by the company. This document is not a static report; rather, it reflects the most recent progress updates on remediation in the "Progress Update" section for each finding.

## Glossary

**De minimis:** A de minimis factory is a factory (1) with which the Company contracts for production for six months or less in any 24-month period; or (2) in which the Company accounts for 10% or less of the annual production of such facility. The FLA Charter states that in no event shall de minimis facilities constitute more than 15% of the total of all facilities of a Company, and the list of facilities designated as de minimis by a Company is subject to the approval of the FLA. Please note that collegiate-producing factories cannot count as de minimis.

**Facility performance:** how a facility rates in terms of a particular employment or management function, with 100% being the best possible score.

**Fair labor standards:** the minimum requirement for how workers should be treated in a workplace, as outlined in the [FLA Workplace Code of Conduct](#).

**Employment life cycle:** all aspects of an employee's relationship with the employer, from date of hire to termination or end of employment.

**Code violation:** failure to meet standards outlined in the FLA Workplace Code of Conduct in the workplace implementation of employment or management functions.

**Employment Functions:** The different components of the relationship between management and employees in a factory. An employment function is a process regulating an aspect of the employment relationship, such as the recruitment of workers. All employment functions together constitute the employment relationship between an employer and an employee.

1. Recruitment, Hiring & Personnel Development (e.g., performance reviews)
2. Compensation (e.g., wages, health care)
3. Hours of Work (e.g., overtime, documentation of working hours)
4. Industrial Relations (e.g., collective bargaining agreements)
5. Grievance System (e.g., worker communication with management)
6. Workplace Conduct & Discipline (e.g., discrimination, harassment)
7. Termination & Worker Retrenchment (e.g., downsizing, resignation)
8. Health & Safety (e.g., exposure to chemicals)
9. Environmental Protection (e.g., energy saving)

**Management functions:** violations or risks related to an employment function could be caused by the absence – or a problem in the operation – of any one of the management functions or in more than one.

1. Policy
2. Procedure
3. Responsibility & Accountability
4. Review Process
5. Training
6. Implementation
7. Communication & Worker Involvement
8. Support & Resources (only for the in-depth level)

**Finding:** indicators of potential gaps between desired and actual performance of the workplace on different employment functions.

### Finding type

- **Immediate action required:** discoveries or findings at the workplace that need immediate action because they not only constitute an imminent danger, risk the workers' basic rights, threaten their safety and well-being or pose a clear hazard to

the environment, but also are clear non-compliances with the FLA Workplace Code of Conduct and local laws. Examples include a finding by the assessor that crucial fire safety elements are not in place or that there is underpayment of wages and/or worker entitlements or that there is direct discharge of waste water, etc.

- *Sustainable improvement required*: findings that require sustainable and systematic actions. The factory will be asked to tackle the underlying root causes and to do so in a long-term and systematic manner to bridge the gap between actual and desired performance. Examples include a finding by the assessor that there is lack of termination policies and procedures in the workplace, lack of grievance system, etc.
- *Notable feature*: indicates a remarkable feature or best practice at a workplace. Examples might include workers' wages and benefits that are significantly above the industry average, or community benefits such as free daycare.

**Local law or Code Requirement**: applicable regulations and standards in a workplace, which serve as the basis for an assessment, as per local law or FLA Workplace Code of Conduct. When these two do not concur, the stricter of the two standards applies.

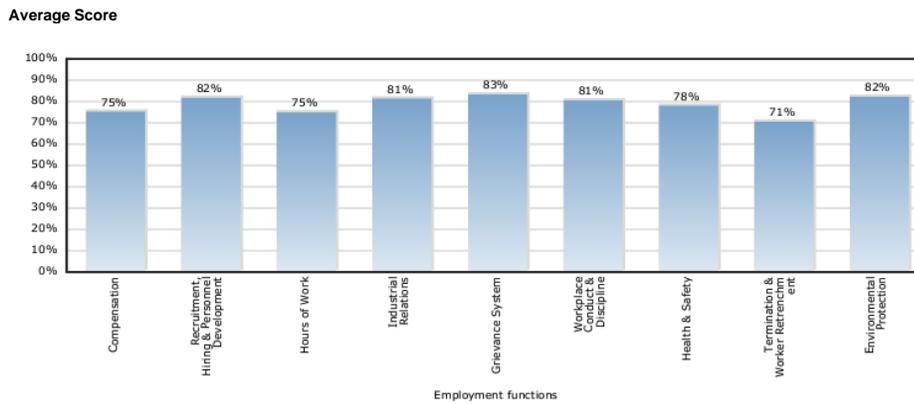
**Root causes**: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that the worker did not use the hearing protection equipment because such equipment was not provided by management. However, upon a more thorough evaluation of available information, the assessor might find that the worker was indeed supplied with hearing protection equipment and with written information about the importance of wearing hearing protection, but was not trained on how to use the equipment and that use of the equipment was not enforced in a consistent manner by management.

**Company action plan**: a detailed set of activities outlined by the sourcing company and/or direct employer to address FLA findings.

# Factory Profile

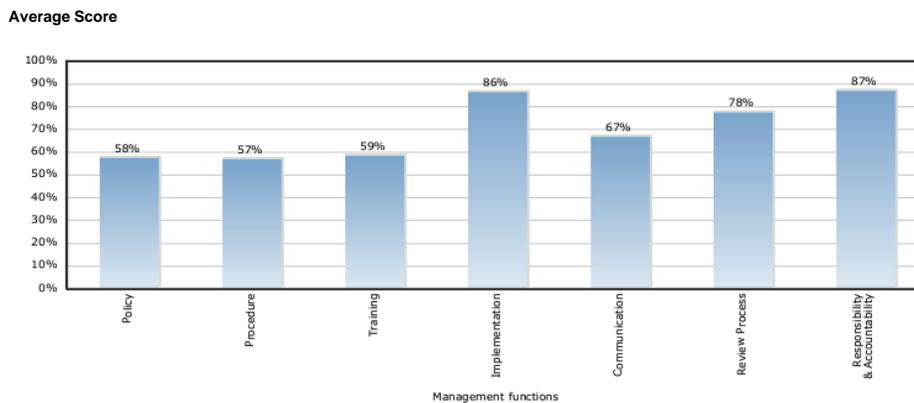
## Score by Employment Function

Scores indicate a factory's performance related to a specific employment function based on an FLA assessment. A score of 100 percent indicates flawless operation of an employment function. A score of less than 100 percent indicates need for improvement.



## Score by Management Function

Scores indicate a factory's performance related to a specific management function based on an assessment conducted for FLA by independent, accredited assessors. A score of 100 percent indicates flawless operation of a management function. A score of less than 100 percent indicates need for improvement.



## Score Summary

Scores indicate the strength of management functions as they relate to different elements of the employment relationship (employment functions). For example (reading left to right), a score of 100 percent in the cell on the top left corner would indicate the existence of appropriate policies related to recruitment, hiring and personnel development.

Management Functions	Recruitment, Hiring & Personnel Development	Compensation	Hours of Work	Industrial Relations	Grievance System	Workplace Conduct & Discipline	Termination & Worker Retrenchment	Health & Safety	Environmental Protection	Aggregate Score
Policy	54.55%	44.42%	50%	83.38%	81.82%	78.57%	69.23%	70%	88.89%	<b>68.98%</b>
Procedure	58.38%	66.67%	44.12%	0%	87.5%	88.89%	23.81%	60.2%	75%	<b>56.06%</b>
Responsibility & Accountability	79.25%	79.25%	86.17%	61%	87.5%	87.5%	87.5%	83.33%	72.33%	<b>80.43%</b>
Review Process	100%	0%	100%	100%	75%	75%	100%	75%	66.67%	<b>76.85%</b>
Training	68.75%	42.86%	58.33%	30%	68.75%	62.5%	41.67%	80.43%	80%	<b>59.25%</b>
Implementation	96.21%	89.63%	91.18%	91.67%	81.82%	81.58%	100%	83.74%	81.14%	<b>88.55%</b>
Communication	50%	87.5%	40%	50%	75%	62.5%	62.5%	97.5%	50%	<b>63.89%</b>
Aggregate Score	<b>72.45%</b>	<b>58.62%</b>	<b>67.11%</b>	<b>59.43%</b>	<b>79.63%</b>	<b>76.65%</b>	<b>69.24%</b>	<b>78.6%</b>	<b>73.43%</b>	

## Summary of Code Violations

Companies that join the FLA agree to uphold the FLA Workplace Code of Conduct throughout their entire supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and defines labor standards that aim to achieve decent and humane working conditions.

While it is important to note when violations of the FLA Workplace Code of Conduct occur, the purpose of these assessments is not simply to test compliance against a particular benchmark, but rather to develop an understanding of where and how improvements can be made to achieve sustainable compliance. Code of Conduct violations can be found throughout the course of an assessment of the employment and management functions, and are addressed in companies' action plans.

FLA Code Element	Number of Violations	Violations
Compensation	2	General Compliance Compensation Workers Awareness and Understanding of Compensation
Employment Relationship	12	General/Human Resource Management Systems Terms and Conditions/New Employee Orientation Terms and Conditions/Communication Terms and Conditions/Supervisor Training Administration of Compensation/Termination Payouts General/Documentation and Inspection Administration of Hours/Time Recording System Industrial Relations Work Rules and Discipline Skills Development/Promotion, Demotion and Job Reassignment Health, Safety, and Environmental Management System/Policies and Procedures Termination and Retrenchment/General Policies and Procedures
Harassment and Abuse	2	General Compliance Harassment or Abuse Discipline/Verbal Abuse
Hours of Work	1	Forced Overtime/Exceptional Circumstances
Health, Safety and Environment	9	General Compliance Health, Safety, and Environment Material Safety Data Sheets/Workers Access and Awareness Chemical Management/Pregnant Women and Young Workers Protection Reproductive Health Workers Refusal to Use Unguarded or Unsafe Machinery Ergonomics Evacuation Requirements and Procedure Safety Equipment and First Aid Training Chemical Management and Training

## Findings and Action Plans

### FINDING NO.1

### COMPENSATION

**FINDING TYPE:** Uncorroborated Risk of Non Compliance

### **Finding Explanation**

1. Based on worker interviews, their salary is not enough to cover all of their basic needs and provide a discretionary income.
2. Factory does not have a policy on compensation and benefits.

### **Local Law or Code Requirement**

FLA Workplace Code (Employment Relationship Benchmark ER.1.1 and Compensation Benchmark C.1.3)

### **Root Causes**

1. The Nicaraguan textile industry currently does not provide wages that would allow the fulfillment of basic needs and a discretionary income.
2. Management lacks awareness of FLA's Workplace Code and Benchmarks related to compensation.
3. The issue has not been brought to the attention of the factory management during previous external audits.
4. There is no wage structure in the factory that would enable workers to progressively realize a wage level that meets basic needs.

## **FINDING NO.2**

### **HOURS OF WORK**

#### **FINDING TYPE: Immediate Action Required**

### **Finding Explanation**

1. Most Plant 3 workers do not rest for the whole 1-hour lunch period (12:00 – 1:00pm); they return to their workstations 10 – 20 minutes before the lunch break ends. This additional work time is not included on the payroll.
2. Factory does not have a policy and procedures for managing all working hours in normal and exceptional circumstances.

### **Local Law or Code Requirement**

Nicaraguan Labor Code, Article 17 "k"; FLA Workplace Code (Employment Relationship Benchmarks ER.1.1 and ER. 23.1; Hours of Work Benchmark HOW.1; Compensation Benchmark C.7.1)

### **Root Causes**

1. Plant 3's HR Manager and Production Manager do not enforce compliance with the lunch break provisions.
2. No effective oversight from the social compliance staff regarding reporting and addressing this issue.
3. Workers prefer to start work again before the established time in order to reach the highest production goal and improve their income;

### **Recommendations for Immediate Action**

1. Factory management is to ensure that all Plant 3 workers have time off during the whole lunch break period.

### **COMPANY ACTION PLANS**

1. 1. Union members and the HR department will ensure that all workers leave for their break on time, and that no one is left inside the factory during the lunch period. However, when the doors are opened at 12:45pm, only workers who would like to use the sanitary facilities will be allowed to enter the factory before the break ends. To ensure whole hour of lunch period for all workers, the HR department and Union members will make sure that workers do not enter the factory or start working before 1:00 pm; 2. The CSR Team will schedule training in the upcoming months and regularly communicate with workers, supervisors. Members of staff in administrative positions (including external surveillance staff and internal guards at the workshop entrance) will be told that they need to take their lunch break so they can rest; 3. HR and Production Managers will communicate during their meetings with workers about the applicable rules related to the lunch break period and enforce compliance if necessary. This will be established within a month and continuously be followed up. 4. Union members and Compliance staff will regularly check and ensure that workers take rest during the entire lunch break period. This has been implemented and is being continuously monitored; 5. Disciplinary actions are included in the working hour policy. However, they will not be applied during the first 2 months. During the first 2 months, the factory will train workers on this policy. Afterwards, disciplinary actions will be applied in the event of noncompliance.

**Action plan status:**

In Progress

**Planned completion date:**

03/31/14

**Progress update:**

04/25/14 : (Action Taken) 1. The factory reviewed and revised its working hour policies and procedures to include the following: a) workers enjoy their full one-hour lunch break; b) applicable disciplinary actions are taken in the event of noncompliance. This has been implemented and the factory will continue to monitoring the disciplinary system; 2. The factory prepared an act of agreement with the help of union members. This document states that the union leaders will focus

## FINDING NO.3

### WORKPLACE CONDUCT/DISCIPLINE

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. The existing procedure that allows workers to appeal disciplinary actions is not being applied. Nor does the disciplinary procedure include the presence of a third-party witness during application of disciplinary actions; it does only in relation to the appeal phase. Besides, the written policy regarding conduct/discipline must be improved, as it lacks some important elements, e.g., protection of special categories of workers, gender equality, and prohibition of monetary penalties. Additionally, the workers are not aware of the disciplinary policy and procedures.
2. Some disciplinary actions are not recorded properly, e.g., multiple verbal warnings.)
3. Managers and supervisors are not fully familiar with the workplace disciplinary system and do not consistently apply disciplinary rules in cases that share the same characteristics, e.g., the application of the “commitment letter” and “suspensions.”

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.17.1, ER.27.2, ER.27.2.1, and ER.27.4)

##### Root Causes

1. Management lacks awareness of FLA Workplace Code and Benchmarks, specifically regarding the protection of special categories (e.g., pregnant and lactating workers, disabled and migrant workers, etc.), the prohibition of monetary penalties, and gender equality.
2. Recording multiple disciplinary actions in a comprehensive manner is time consuming for HR management staff.
3. There are limitations in hiring and maintaining proper levels of staff; therefore, management tends to be lenient in implementing their disciplinary system.
4. The factory does not periodically implement a proficiency test that evaluates managers' and supervisors' knowledge of the disciplinary system.

### COMPANY ACTION PLANS

1. The existing procedure that allows workers to appeal disciplinary actions is being applied. The procedure includes workers' right to the presence of a third-party witness, such as co-workers or union members, in the disciplinary system. The workplace conduct/discipline policy is being improved. However, it lacks some important elements (e.g., protection of special categories of workers, gender equality, and prohibition of monetary penalties) which we should consider adding to the worker handbook. Some workers are being trained on the Grievance and Appeal system. In the upcoming months, we will train workers on workplace conduct/discipline policies and procedures. The factory's objective is to train all the workers about these policies; 2. The orientation training contents include the disciplinary practice. HR is responsible for the training workers on disciplinary procedures. Management will make sure to include special categories of workers in the orientation training (as per the comment). The factory has submitted the modified procedures to the Ministry of Labor for approval; 3. The modified procedures include disciplinary practices, an appeals process, and a policy for pregnant workers. However, information on disabled workers and gender equality are relegated to the 'No discrimination' section of the procedures; 4. The factory implemented a disciplinary practice that required the factory to keep the records of all disciplinary actions in workers' personnel files. The CSR team will ensure that fair/appropriate disciplinary actions are taken at all times; 5. The factory is trying to improve disciplinary procedures and add evidences when possible. Managers and supervisors will be trained on disciplinary system at least twice a year. Managers and supervisors will be notified that Human Resource is the only personnel that have the authority to apply disciplinary rules, e.g., the application of the “commitment letter” and “suspensions” / 8 month;

**Action plan status:** In Progress

**Planned completion date:** 04/30/14

**Progress update:** 04/25/14 : 1. In January training on Grievance Policy and Appeals System began. In February the supervisors in all areas will be trained. This training will be conducted at least every 6 months so there can be follow up and sequence; 2. In January, we met with HR and gave them a minutes log which contains a form that explains what information is needed in order to register complaints and appeals related to disciplinary actions; 3. In March, we will resubmit the workers handbook to the Ministry of Labor so that they can review and approve any changes on the Grievance Policy and Appeals System, the working hour policy and procedure, and disciplinary policy; 4. If disciplinary

actions require the involvement of a third party as a witness, evidence will be appended to the workers record.

## FINDING NO.4

### WORKPLACE CONDUCT/DISCIPLINE

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. Gathered information revealed that Plant 1 workers were bullying and verbally abusing their homosexual colleagues; there was no implementation of preventive and corrective actions by management.
2. Gathered information shows that there is verbal abuse and intimidation by the supervisors in Plant 2. In addition, 2 chiefs of section and the Korean production manager on the sewing lines in Plant 3 verbally abuse workers.

##### Local Law or Code Requirement

FLA Workplace Code (Harassment or Abuse Benchmarks H/A.5, H/A.8.1, and H/A.8.2).

##### Root Causes

1. It is culturally acceptable in the factory for workers to act in a discriminatory way towards their homosexual co-workers.
2. There are no specific procedures or trainings to prevent the bullying of homosexual workers;
3. There are inconsistencies with the implementation of the disciplinary actions for supervisors and chiefs; they are only verbally warned as opposed to following the proper progressive disciplinary procedures (i.e., escalating disciplinary action moving from verbal warnings to written warnings to suspension and finally to termination);
4. Plant 3 Korean manager has been recently hired and has not received in-depth training on factory's rules and regulations.

##### Recommendations for Immediate Action

1. Ensure that supervisors apply the corresponding disciplinary actions to employees who bully homosexual workers on the production floor (applicable in all 3 plants);
2. Inform all supervisors, chiefs of areas, and production managers that they have to refrain from using verbal abuse as a means of discipline.

### COMPANY ACTION PLANS

1. In January trainings were conducted on the harassment, abuse, and discrimination policies. 1. The company has policies against any kind of harassment, abuse, discrimination, retaliation or bullying. HR and the compliance team will train managers and supervisors on these policies, including the prohibition of verbal abuse as a means of discipline and prevention of bullying. Once managers and supervisors are trained, they can inform and enforce the prohibition of verbal abuse and bullying occurring in the factory. We will also ask the Union members to support this. 2. HR will communicate to anti-bullying campaigns via audio devices. The factory has modified the internal regulations including the prohibition of the bullying and discrimination against homosexual workers. They will also include protection against retaliation, harassment, and abuse, along with the protection for pregnant and breastfeeding women. The factory is waiting for the approval from the Nicaraguan Ministry of Labor. 3. Information on bullying at work was posted on the bulletin board.

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	02/11/14
<b>Progress update:</b>	04/25/14 : 1. In January trainings were conducted on harassment, abuse and discrimination policy. 2. Information on bullying at work was posted on the bulletin board.
<b>Completion date:</b>	01/09/14

## FINDING NO.5

### GRIEVANCE SYSTEM

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. The factory's grievance procedure does not allow for the direct settlement of a grievance by a worker and their immediate supervisor, e.g., chief of production or supervisor; it only allows the reporting of it to the HR Manager.

2. Most of the suggestion boxes are located on the factory's main aisles in plain sight, jeopardizing confidentiality.

### **Local Law or Code Requirement**

FLA Workplace Code (Employment Relationship Benchmarks ER.25.2, ER.25.3, and 25.3.1)

### **Root Causes**

1. Management lacks awareness of FLA Workplace Code and of the newly developed benchmark related to direct settlement.
2. Factory management focused more on the accessibility of the suggestion boxes, rather than the confidentiality of the process.

## **COMPANY ACTION PLANS**

1. The factory has modified the Grievance System policy and implemented the detailed procedures of the Grievance System.
2. The suggestion boxes were relocated to the bathrooms on November 17, 2013 to ensure confidentiality. The Grievance policy was updated in September 2013;
3. The factory plans to train staffs on Grievance and Appeal System at least twice a year / 2 months and Continuous;
4. The factory plans to train staff on the Grievance and Appeal System at least twice a year / 2 months and Continuous;

**Action plan status:** Completed

**Planned completion date:** 01/19/14

**Progress update:** 04/25/14 : 1. The factory plans to train staff on the Grievance and Appeal System at least twice a year (2 months and Continuous);

**Completion date:** 01/19/14

## **FINDING NO.6**

### **ENVIRONMENTAL PROTECTION**

#### **FINDING TYPE: Immediate Action Required**

#### **Finding Explanation**

1. The waste collection area is neither isolated nor protected from the elements. Additionally, different types of waste (solid waste, empty chemical containers, canteen waste) are mixed without segregation.
2. The trashcans at the waste collection area and the main canteen have not been equipped with lids, attracting flies.

#### **Local Law or Code Requirement**

General Law on Health and Safety in the Workplace, Article 177; FLA Workplace Code (Provision VII; Health, Safety and Environment Benchmark HSE.1)

#### **Root Causes**

1. Factory management has not seen the need for either segregating all waste collection areas or providing trashcans with lids.
2. Canteen staff has not been trained on the hygiene practices related to solid waste disposal.
3. No effective oversight from compliance staff on solid waste disposal/storage.

#### **Recommendations for Immediate Action**

1. Factory management is to equip all trashcans at both canteens with lids.

## **COMPANY ACTION PLANS**

1. Social Compliance implements a monthly check for verification of the hygienic conditions of local establishments /1 month and Continuous;
2. Compliance staff will regularly check and ensure that the implementation of the proper hygiene rules related to solid waste disposal is being followed / 4 months and Continuous;
3. The factory plans to train employees, cafeteria staff, and the employees in charge of waste disposal on waste disposal hygiene practices. The factory will emphasize the disposal of solid waste generated during lunch time / 4 months and Continuous;

**Action plan status:** Completed

**Planned completion date:** 01/09/14

**Progress update:** 04/25/14 : 1. The training program for the first quarter includes several trainings on hygiene practices and the importance of the separation of solid waste. On January 9, 2014 the factory

updated the policy on preparation of food for staff. This policy includes proper management of the waste generated by the factory. 2. The factory has appointed three sites for trash separation and a staff member will be in charge of keeping the areas clean. Our maintenance team has made wooden lids to cover trash barrels. The CSR Team will periodically check with canteen's cleaning staff to ensure that trash barrels are covered all the times.

**Completion date:** 01/09/14

## FINDING NO.7

### HEALTH AND SAFETY

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. Factory has not yet obtained the health and safety (H&S) license required by law.

##### Local Law or Code Requirement

General Law on Health and Safety in the Workplace, Article 18.c.6; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1 and HSE.4)

##### Root Causes

1. Obtaining the H&S license was not a priority upon starting operation. The process has been initiated, but the Ministry of Labor reported that improvement in certain H&S areas was needed as a prerequisite for the H&S license; the factory is currently working on addressing these areas.

### COMPANY ACTION PLANS

1. 1. Follow up the commitments made to obtain the H&S License. As mentioned, the factory received a H&S License. However, the Ministry of Labor did not issue document that FLA requested.

<b>Action plan status:</b>	Completed
<b>Planned completion date:</b>	02/11/14
<b>Progress update:</b>	04/25/14 : 1. During the audit day, the H&S License was being processed, The factory has finally obtained the H&S license required by law. A copy of this document was sent to FLA for review.
<b>Completion date:</b>	02/11/14

## FINDING NO.8

### HEALTH AND SAFETY

#### FINDING TYPE: Immediate Action Required

##### Finding Explanation

1. Some areas of concern were noted with respect to chemical management:

- Material Safety Data Sheets (MSDS) for the sewing machines' oil and the paints used for screen printing were missing in the main chemical storage room;
- No shower has been installed in the main chemical storage room. In addition, a couple of chemical containers had 2 different labels, making it difficult to determine their content; another chemical container was found unlabeled;
- There are no secondary containers for the paints stored in the main chemical storage room;
- There are no water sources inside, or in the proximity of, the diesel and acetone storage areas.

##### Local Law or Code Requirement

Ministerial Regulation on Health and Safety in the Workplace of the Garment *Maquilas* in Nicaragua, Articles 109 and 151; FLA Workplace Code (Health, Safety and Environmental Benchmarks HSE.9.1 and HSE.10.1)

##### Root Causes

1. The relevant staff in charge of the chemical storage room has not been properly trained on basic safe chemical management practices.
2. No periodic oversight from compliance staff has been conducted on chemical storage areas.
3. The absence of water sources inside or in the proximity of chemical storage areas has never been brought to management's attention during previous audits.

#### **Recommendations for Immediate Action**

1. Factory management is to ensure that MSDS for all chemicals used are available in the general chemical storage room;
2. All chemical containers in the general chemical storage room shall be properly labeled, according to their content;
3. Install a shower in the general chemical storage room and add water sources in (or nearby) the other chemical storage areas (diesel and acetone storage areas).

### **COMPANY ACTION PLANS**

1. The factory is to ensure that the MSDS for all chemicals are available in the chemical storage room. All chemical containers must properly labeled;
2. The factory will provide ongoing training on safe chemical management to all staff who work in the chemical storage room.
3. Social Compliance performed daily tours of the plant to detect problems in the usage/handling of chemicals. Additionally, they also consult with a compliance checklist to verify conditions three times a week.

**Action plan status:** Completed

**Planned completion date:** 01/30/14

**Progress update:** 04/25/14 : 1. To ensure that the MSDS of the chemicals are available in the storage warehouses, the factory has assigned staff to check the list of substances in each area at least once a week. The designated staff are required to report to the Social Compliance Team when they require any MSDS or labeling of primary or secondary containers for the immediate replacement. A shower was installed in the main storage warehouse, in case of chemical emergency. The chemical suppliers will provide trainings to our staff at least three times a year so that they can handle chemicals properly. The first training was held on January 30, 2014. 2. On April 7th, a shower was installed in the other chemical storage areas and the diesel and acetone storage areas.

**Completion date:** 04/07/14

### **FINDING NO.9**

#### **HEALTH AND SAFETY**

#### **FINDING TYPE: Immediate Action Required**

##### **Finding Explanation**

1. One lactating worker was found performing mending tasks inside a room where stain removal was also performed.

##### **Local Law or Code Requirement**

FLA Workplace Code (Non-Discrimination Benchmarks ND.8.1 and ND.8.1.1)

##### **Root Causes**

1. Factory's policies and procedures regarding reproductive health do not include lactating women as a special category to be protected from chemical exposure.
2. Nicaraguan law does not prohibit employers from assigning lactating workers to chemical risk areas.
3. Mending and stain removal have been designed to be in the same area.

##### **Recommendations for Immediate Action**

1. Factory is to remove the lactating worker performing mending tasks from the room where stain removal activity is also performed.

### **COMPANY ACTION PLANS**

1. To ensure that pregnant or breast-feeding women do not work in areas of risk, the Social Compliance team will request a bi-monthly list of the pregnant and breast-feeding women so we can verify their working conditions and location in the factory / 1 month and Continuous;
2. In February, the factory plans to improve the protection policy for pregnant women, including discrimination issues. The factory will review and update the policy on pregnant and breast -feeding women once a

year; 3. The company will train pregnant and breast-feeding women twice a year on their protection policy.

**Action plan status:** Completed

**Planned completion date:** 02/11/14

**Progress update:** 04/25/14 : 1. In January, pregnant and breast-feeding women were trained in pre-birth control and women's special policy. 2. After the FLA assessment, the factory has revised the policy and procedure for protecting pregnant and lactating women. The policy was modified so that those workers do not work in the risk areas. We also confirmed that lactating workers were removed from the stain removal station. We sent evidence to FLA showing that the pregnant worker was transferred to a safe area.

**Completion date:** 01/09/14

## FINDING NO.10

### HEALTH AND SAFETY

**FINDING TYPE:** Sustainable Improvement Required

#### Finding Explanation

1. Factory does not conduct the pre-occupational health examinations required by the local law.

#### Local Law or Code Requirement

General Law on Health and Safety in the Workplace, Article 25; FLA Workplace Code (Health, Safety and Environment Benchmark HSE.1)

#### Root Causes

1. Due to the high turnover rate, the factory has urgent hiring needs most of the time. The pre-occupational health examination results are typically sent to the factory within an average of 30 days, exceeding the time that the factory could wait to hire a worker.
2. Ministry of Labor does not properly enforce compliance with this legal requirement in the garment industry.

### COMPANY ACTION PLANS

1. The company does not conduct pre-occupational medical examinations which are required by law. The Ministry of Labor allows this because there is a high turnover of staff. Exams are scheduled for staff once they have worked more than 6 months. In February the factory will ask the Ministry of Labor for a letter which states that we are allowed to conduct medical examinations once workers have worked six months or longer (in lieu of pre-occupational examinations).

**Action plan status:** Planned

**Planned completion date:** 02/28/14

## FINDING NO.11

### HEALTH AND SAFETY

**FINDING TYPE:** Immediate Action Required

#### Finding Explanation

1. Some work areas were observed to have the following thermal-comfort issues:
  - a) Module 7's packaging warehouse (Plant 1) does not have a proper ventilation system; air extractors were not working and there were no water stations inside this area for workers to hydrate. The temperature taken in this area at 2:30pm October 2 was 32.9°C (91°F).
  - b) Other areas missing a ventilation system are: embroidery and screen printing areas and the "dark room."

#### Local Law or Code Requirement

General Law on Health and Safety in the Workplace, Articles 118 and 119; FLA Workplace Code (Health, Safety and

### **Root Causes**

1. To prevent boxes with finished goods from getting wet, water stations are not allowed inside the packaging warehouse;
2. Factory management has focused its thermal-comfort efforts towards improving the temperature in the sewing production lines, in which the majority of workers work; hence, other areas as warehouse, embroidery, screen printing and “dark room” have been neglected.

### **Recommendations for Immediate Action**

1. Factory is to provide workers at Module 7’s packaging warehouse a water station inside their work area.

## **COMPANY ACTION PLANS**

1. 1. In the screen-printing and embroidery areas, the factory is installing a ventilation system through extractors. 2. In May, when extractors are installed, the company will measure the temperature in order to maintain adequate working conditions at all times. The factory will measure the temperature of hot areas in December. The participation of some members of the H&S Committee will be requested during temperature measurement. 3. The majority of the packing staff rarely leaves the warehouse. Because of this, the Social Compliance team provided a source of natural and cold water to hydrate the staff entering the area. Information on the importance of hydration in hot areas will also be posted around this area / 1 month; 4. In order to ensure that the temperature in risk areas is adequate, periodic temperature samples will be taken / 5 months and Continuous. 5. The factory is progressively improving the ventilation systems in Module 7’s packaging warehouse and in other areas of concern, such as the embroidery and screen printing areas and the dark room / 5 months

**Action plan status:** In Progress

**Planned completion date:** 05/31/14

**Progress update:** 04/25/14 : The factory is progressively improving the ventilation systems in Module 7’s packaging warehouse and in other areas of concern, such as the embroidery and screen printing areas and the dark room / 5 months.

## **FINDING NO.12**

### **HEALTH AND SAFETY**

#### **FINDING TYPE: Immediate Action Required**

#### **Finding Explanation**

1. Some employees who work in standing positions have not been provided floor mats; instances of this were observed in the following areas: accessories warehouse, Plant 2’s cutting lines, the embroidery area and sewing line #38.
2. Factory internal guards located at the entrance of the production floors and restrooms stand during their regular working hours (8-hour shift), without being provided: a) the ergonomic adjustments required by law, such as chairs and ergonomic breaks (one 5-minute break every 1 hour) or b) any other additional ergonomic personal protective equipment (PPE), such as floor mats. In addition, one of these workers has a permanent injury on the left foot, caused by an accident at a previous job; however, he has not been provided any ergonomic adjustments, either.

#### **Local Law or Code Requirement**

General Law on Health and Safety in the Workplace, Articles 296 and 297 a) and f); Regulations to the General Law on Health and Safety in the Workplace, Article 34; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1 and HSE.17.1)

#### **Root Causes**

1. According to the factory’s safety custom certification requirements, the keepers (guards) must stand all of the time.
2. Factory management relies on workers to report their own medical conditions; in the case of the keeper with an injury to his left foot, he had not notified factory management about his health status.
3. No effective oversight to ensure that all employees who have been provided individual floor mats use them.
4. Management lacks awareness of the possible benefits of ergonomic improvements, such as increasing productivity and attendance levels, while reducing risk of work accidents and Musculoskeletal Disorder (MSDs).
5. The H&S Department does not include ergonomics as part of their risk assessments.

#### **Recommendations for Immediate Action**

1. Factory management is to ensure that all employees who work in standing positions are provided floor mats;
2. Factory is to provide the guard with foot injury with the required ergonomic breaks and a chair as mandated by law.

## COMPANY ACTION PLANS

1. Management is to ensure that all employees who work in standing positions are provided with floor mats; 2. The members of the Joint Health and Safety Committee are responsible for ensuring that staff members who work standing have floor mats. 3. Starting in May, the factory, in coordination with workers, will examine jobs with higher ergonomic risks. Once these positions are analyzed, both parties will work on risk-reduction measures that do not require large investments / 9 months;

**Action plan status:** Completed

**Planned completion date:** 02/15/14

**Progress update:** 04/25/14 : 1. In January, the Social Compliance team gave floor mats to supervisors to give to workers. Supervisors will be responsible for monitoring their staff to ensure that they use them properly. 2. The factory provided floor mats to workers who work in standing positions. However since workers in the cutting section do not work in only one spot (they sometimes workers move around to stretch fabrics and could trip on the mats), floor mats were not provided to them. We provided FLA with documents to show who used floor mats. 3. The factory provided the floor mats for security guards. We provided FLA with photos and a list of floor mats provided.

**Completion date:** 02/15/14

## FINDING NO.13

### INDUSTRIAL RELATIONS

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. The factory did not have policy or procedure governing industrial relations.
2. A copy of the Collective Bargaining Agreement (CBA) has not been provided to workers.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1 and ER.16.2)

##### Root Causes

1. There is lack of training or communication given to managerial staff and workers on industrial relations.
2. It is not a legal requirement in Nicaragua to provide workers a copy of the CBA.

## COMPANY ACTION PLANS

1. Supervisors, selected chiefs, and assistants in every production area will be trained on the Policy on Freedom of Association and the CBA in February and September. 2. A copy of the CBA will be given to new workers starting in April. 3. Management will improve the Industrial Relations policy and procedure to enable workers to consult and provide input to management through appropriate structures / 3 months; 4. The procedures will be defined over the next few months during the monthly meetings in accordance with the CBA / 6 month.

**Action plan status:** Completed

**Planned completion date:** 05/11/14

**Progress update:** 04/25/14 : 1. The factory has a policy on freedom of association and collective bargaining. This policy was recently amended and contained contributions from union leaders. (January 9, 2014) 2. According to the initial action plan submitted to FLA, the factory has been providing a copy of the CBA to new employees since April. New employees receive a copy of the CBA and the factory provides copies to current employees upon request.

**Completion date:** 01/09/14

## FINDING NO.14

### MANAGEMENT FUNCTIONS

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. Based on an in-depth review of the factory's training practices, in almost all Employment Functions, training activities are not being conducted on an ongoing basis. There are some focused training exercises targeting some specific groups of workers; however, administrative staff, supervisors, and managerial staff (HR and production) do not receive follow-up training on topics related to the SCI Employment Functions, e.g., Hiring, Personnel Development, Compensation, Hours of Work, Termination, Industrial Relations, Workplace Conduct/Discipline, and Grievance System have not been included on the list of the factory's training needs;
2. The orientation training is very weak and barely provides any information on the disciplinary procedures.

##### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.28.1, and ER.28.2)

##### Root Causes

1. Lack of comprehensive training programs to address all training needs.
2. Lack of awareness on the benefits of effective training.
3. Factory has not seen the need to expand the list of topics already covered by training.
4. Absence of a system to harmonize production needs with training needs.

### COMPANY ACTION PLANS

1. The Social Compliance team is responsible for developing and implementing the program to train staff members on the factory policies and procedures. 2. HR is responsible for imparting the induction of new staff. The Social Compliance team will assist HR in developing a brochure to supplement induction with other topics of interest for workers. The training will be rescheduled at least every 6 months.

**Action plan status:** In Progress

**Planned completion date:** 04/30/14

**Progress update:** 04/25/14 : The company recently (in January) unveiled a mural with all company policies in the dining area.

## FINDING NO.15

### MANAGEMENT FUNCTION

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. The Worker Integration component is missing throughout all Employment Functions, implying that the factory has not established procedures to receive workers' input/feedback on the creation, implementation and updating of its policies and procedures. Workers are neither systematically integrated nor consulted in the decision-making processes.

##### Local Law or Code Requirement

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

##### Root Causes

1. Management lacks understanding of: a) what Worker Integration implies and b) how to implement this management function.
2. Management lack awareness of FLA Workplace Code and Benchmarks.
3. Top-down communication without workers' feedback is culturally acceptable for management.

### COMPANY ACTION PLANS

1. Starting in March the factory will encourage workers to participate in the modification of policies. Workers will be randomly selected to participate in this process; 2. Subsequently, the changes in policies and procedures will be announced to staff via the factory's public address system. If necessary, the factory will train workers and supervisors / 4 months; 3. HR is responsible for overseeing the implementation of the worker integration procedure / 4 months.

Action plan status: Planned

Planned completion date: 06/30/14

## FINDING NO.16

### MANAGEMENT FUNCTION

#### FINDING TYPE: Sustainable Improvement Required

##### Finding Explanation

1. For some Employment Functions (Recruitment, Hiring & Personnel Development; Termination; and Industrial Relations), it was noted that the factory does not communicate its policies and procedures to the general workforce on an ongoing basis. There is an induction process during which all new hires are informed about some of the factory's rules and practices, but there is no follow-up plan to communicate updates and legal changes.

##### Local Law or Code Requirement

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

##### Root Causes

1. Management does not appreciate the benefits of having informed staff and workers. ]2. The FLA's new Employment Relationship benchmarks include "Communication" and the affiliated company has yet to align its standards accordingly.
3. Management has not seen the need for ongoing and periodic communication with the workforce, other than orientation/induction and some sporadic training activities.

### COMPANY ACTION PLANS

1. The factory will create a communication system that includes: a. a definition of the factory's communication channels; b. the need for two-way communication between workers and management on factory affairs (e.g., welfare issues; production issues; and employment terms and conditions) c. an express commitment to: i) support transparent and ongoing communication between workers and management; ii) the principle of non-retaliation / 6 months; 2. The factory will create procedures to: a. describe how each communication channel functions, including how each is used by workers and management; b. how the information flow is managed, how responses and decisions, if any, are made and conveyed; c. describe how workers and management use the grievance system for the investigation and resolution of issues; d. explain how the communication channels' policies and procedures are conveyed and promoted; e. explain who is responsible for each step in the process; f. define how communication channels are to be analyzed: i) to identify or define what communications channels exist across management levels, across department, how often they are used, and with what agenda and results; ii) whether two-way communication channels work; iii) to identify if improvement/updates may be needed / 9 months.

**Action plan status:** In Progress

**Planned completion date:** 11/30/14

**Progress update:** 04/25/14 : 1. The factory has modified the Grievance System policy and implemented more detailed procedures. In addition, the factory is waiting for the Ministry of Labor's approval of the updated the disciplinary procedures and policy.