



2010

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: Nike, Inc.
COUNTRY: Mexico
FACTORY CODE: 0700501232I
MONITOR: Accordia Global Compliance
AUDIT DATE: September 23, 2010
PRODUCTS: Footwear
PROCESSES: Cutting, Stitching, Packaging
NUMBER OF WORKERS: 203



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Wages, Benefits and Overtime Compensation: Accurate Calculation and Recording of Wage Compensation

WBOT.17 All payments to workers, including hourly wages, piecework, benefits, bonuses, and other incentives shall be calculated and recorded accurately. (S)

Noncompliance

Explanation: During the document review it was observed that the overtime paid to the workers is properly calculated but is not reflected on the pay stubs provided to workers. The workers receive a separate receipt/pay stub showing overtime payment. On this receipt there is no identifying information about the Company (name, address, etc).

Legal reference: Federal Labor Law 132-VII

Plan Of Action: The factory needs to reflect on the payroll and the wage slip the same information (such as company name, paid period, hours worked, OT, Sunday work, etc.)

Deadline Date:

Supplier CAP: All worked hours need to be reflected on the payroll and in the same wage slip. The wage slip needs to reflect all the related information (such as company name, paid period, hours worked, OT, Sunday work, etc.)

Supplier CAP Date: 01/25/2011



Action Taken: The factory has changed this practice and now the overtime is recorded in the payroll and is reflected on the wage slips that the employees receive every week, also the wage slip have the name of the company, the pay week and all the deductions. We review this in the last Nike visit on 08/02/12.

Plan Complete: Yes

Plan Complete Date: 02/19/2013

Forced Labor: Employment Terms/Prohibitions

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

Noncompliance

Explanation: [The internal regulation handbook established in the article 43 that overtime is mandatory for workers. However, monitor confirmed thorough worker interviews that overtime hours are worked voluntarily.](#)

[Legal Reference:](#) Federal Labor Law Art. 59

Plan Of Action: [The factory needs to ensure that the employees are able to decide if they are going to work overtime or not.](#)

Deadline Date:

Supplier CAP: [The management needs to ensure that employees are free to decide if they want or not work overtime.](#)

Supplier CAP Date: [01/25/2011](#)

Action Taken: [The overtime worked in the factory is voluntary. The factory does not force the employees to stay and work overtime.](#)

Plan Complete: [Yes](#)

Plan Complete Date: [01/25/2011](#)



Code Awareness:

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

Noncompliance

Explanation: Monitor did not find posted copies of the Nike Inc. or Fair Labor Association codes of conduct.

Plan Of Action: The factory needs to post the Nike Code of Conduct

Deadline Date:

Supplier CAP: The management needs to post the Nike Code of Conduct

Supplier CAP Date: 01/25/2011

Action Taken: The Nike Code Of Conduct was posted inside the production area, where it is visible to all employees. It was also posted in Spanish.

Plan Complete: Yes

Plan Complete Date: 01/25/2011

Code Awareness:

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

Noncompliance

Explanation: The monitor did not find evidence of a confidential communication channel for use by workers to report non-compliances to Nike Inc.

Plan Of Action: Factory needs to have a confidential channel for the use of the employees in order to have communication with Nike

Deadline Date:

Supplier CAP: The management has to implement a direct communication channel between the workers and Nike.

Supplier CAP Date: 01/25/2011

Action Taken: The employees of the factory have direct contact with Nike's production employees. Additionally every time that we visit the factory we leave our presentation card with employees that we interviewed.

Plan Complete: Yes

Plan Complete Date: 01/25/2011

Health and Safety: General Compliance Health and Safety

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

Noncompliance

Explanation: During the document review it was observed that there is no Health and Safety Commission (Committee) for workers to participate in.

Legal reference: NOM-019-STPS-2004. 4.2

Plan Of Action: Factory needs to have an HSE commission integrated by employees and trained in their new responsibilities

Deadline Date: 08/30/2011

Supplier CAP: Health and Safety Commission needs to be integrated, and employees need to be trained on what their responsibilities are.

Supplier CAP Date: 07/21/2011

Action Taken: During Nike's visit it was observed and confirmed that the Health and Safety Commission integrated by 9 employees and their pictures has been posted all over the facility.

Plan Complete: Yes

Plan Complete Date: 07/21/2011

Health and Safety: Permits and Certificates

H&S.8 The employer shall at all times be in possession of all legally required and valid permits and certificates related to health and safety 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: [During the document review \(permits\) it was observed that the pressure vessel \(compressor\) is not registered by the local authority.](#)

[Legal reference:](#) Federal Rules of Safety, Health and Environment in the Workplace 29

Plan Of Action: [The factory needs to register the pressure vessel \(compressor\) with the local authority.](#)

Deadline Date: [08/30/2011](#)

Supplier CAP: [Compressor or pressure vessel needs to be registered according to local law.](#)

Supplier CAP Date: [07/21/2011](#)

Action Taken: [The compressor has been registered by local authority but the permit has not been received yet from the Ministry.](#)

Plan Complete: [Yes](#)

Plan Complete Date: [07/21/2011](#)

Health and Safety: Evacuation Requirements and Procedure

H&S.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: a). Monitor's inspection of the factory found that there are no emergency lights installed in the production facility.

b). Monitor's inspection of the factory found that the emergency exit installed in the packaging area is not identified by a sign.

c). Monitor's inspection of the factory found that there is no fire alarm installed in the production facility.

d). Monitor's inspection of the factory found that there are no evacuation route plans posted in the production facility to direct workers to emergency exits.

Legal references: NOM-002-STPS-2000. 9.1.4, Federal Rules of Safety, Health and Environment in the Workplace 98, NOM-002-STPS-2000. 9.1.3, Federal Rules of Safety, Health and Environment in the Workplace 28

Plan Of Action: Factory needs to make the following changes:

- a) Emergency lights must be installed in the production facility.
- b) The emergency exits must be identified properly
- c) Fire alarms must be installed in the factory.
- d) Factory needs to develop and post evacuation routes

Deadline Date: 07/31/2011

Supplier CAP: The factory needs to: a) install emergency lights in the production facility. b) emergency exits need to be properly identified. c) fire alarms need to be installed in the production area. d) evacuation routes need to be posted through out the facility.

Supplier CAP Date: 07/21/2011

Action Taken: All emergency lights have been installed and evacuation routes have been posted through out the facility. Emergency exits are now properly identified. All this was observed during Nike's visit.

Plan Complete: Yes

Plan Complete Date: 07/21/2011

Health and Safety: Safety Equipment and First Aid Training

H&S.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: a). Monitor's inspection of the factory found that there is no eye-washer or spill kit installed in the chemical warehouse.

b). Monitor's inspection of the factory found that two first aid kits installed in the production area were not stocked with adequate supplies.

Legal references: NOM-005-STPS-1998. 5.4, Federal Labor Law 132-XVII

Plan Of Action: a) The factory needs to have a eye washer installed and have a spill kit in the chemical warehouse

b) The factory needs to increase the number of first aid kits and they should be stocked with the adequate supplies.

Deadline Date: 09/30/2011

Supplier CAP: a) An eye washer needs to be installed in the chemicals warehouse, also spill kit needs to be available.

b) The factory needs to make sure all first aid kits are installed in necessary areas and also have the adequate supplies.

Supplier CAP Date: 07/21/2011

Action Taken: a) This issue remains open.
b) The factory has been equipped with proper supplies and are distributed in the necessary areas.

Update May 13, 2013

a) An eye wash station and spill kit have been installed in the factory.

Plan Complete: Yes

Plan Complete Date: 05/13/2013

Health and Safety: Personal Protective Equipment

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

Noncompliance

Explanation: Monitor's inspection of the factory found that five workers were not using ear protection in production areas. The production area is designated as mandatory for use of hearing protection by the factory. Although workers are provided with ear protection, management has failed to inform the workers of the importance and proper use of personal protective equipment.

Legal reference: Federal Rules of Safety, Health and Environment in the Workplace 101ddd



Plan Of Action: The factory must conduct a noise exposure test and provide information to the employees about the risk of noise exposure and how to use properly their PPE.

Deadline Date: 09/30/2011

Supplier CAP: A noise exposure test needs to be implemented to determine the proper PPE to be used in the different areas. Employees need to also understand the importance of using proper PPE.

Supplier CAP Date: 07/21/2011

Action Taken: The factory has already a noise test that show that in the facility has the noise below the permit limits and the employees have the adequate personal protection equipment in each area. Test results have been sent to the FLA for review.

Plan Complete: Yes

Plan Complete Date: 04/19/2013

Health and Safety: Chemical Management and Training

H&S.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: [Monitor's inspection of the production areas found two unlabeled beverage containers with alcohol \(ISP\).](#)

[Legal reference: Federal Rules of Safety, Health and Environment in the Workplace 65](#)

Plan Of Action: [The factory needs to ensure that all containers are labeled properly.](#)

Deadline Date:

Supplier CAP: [All containers need to be labeled properly.](#)

Supplier CAP Date: [07/21/2011](#)

Action Taken: [All containers were observed labeled and identified properly during Nike's visit.](#)

Plan Complete: [Yes](#)

Plan Complete Date: [07/21/2011](#)

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

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

Noncompliance

Explanation: Monitor's inspection of the factory found that there are no Material Safety Data Sheets (MSDS) available for the chemicals used in the working areas.

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

Plan Of Action: Factory must have copies of all MSDS (printed in the local language) for all chemicals used at the facility. Additionally factory must provide training on how to use the MSDS.

Deadline Date: 07/21/2011

Supplier CAP: MSDS sheets need to be available where chemicals are used in the local language. Employees also need to understand the use of these sheets.

Supplier CAP Date: 07/21/2011

Action Taken: All MSDS sheets have been updated and are available in the areas where chemicals are used.

Plan Complete: Yes

Plan Complete Date:

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

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

Noncompliance

Explanation: a). Monitor's inspection of the packing area found an unsafe electrical connection (wire connected to the electrical panel without a plug and near a flammable substance). The electric panels do not indicate, by sign/label, the amount of voltage of the electrical supply.

Legal reference: Federal Rules of Safety, Health and Environment in the Workplace 47

b). During the document review it was noted that no analysis of noise (noise survey) has been conducted at the facility as required by NOM-011-STPS-2001. 8

Plan Of Action: a) Factory must ensure that all electrical connections are in good shape and that all electrical panels are labels and in good conditions. b) Factory needs to conduct a noise survey

Deadline Date: 09/30/2011

Supplier CAP: a) Factory needs to ensure all electrical connections are safe and that all panels are labeled properly.

b) Noise survey or analysis needs to be done to determine the exposure level.



Supplier 07/21/2011
CAP Date:

Action a) All electrical connections are safe and panels are properly labeled.
Taken: b) This issue will be will be covered. Actions taken in HS11 from this report addresses the same issue.

Plan Yes
Complete:

Plan 07/21/2011
Complete
Date:
