



COMPANY: New Balance Athletic Shoe, Inc., outerstuff
COUNTRY: El Salvador
ASSESSMENT DATE: 12/03/13
MONITOR: FLA Assessor Team (Americas)
PRODUCTS: Apparel
PROCESSES: Cut, Sew, Packing, Assembly
NUMBER OF WORKERS: 1188
NUMBER OF WORKERS INTERVIEWED:
ASSESSMENT NUMBER: AA0000000326

FLA Comments

New Balance worked actively with the factory since the FLA assessment in December 2013 to develop and implement a remediation plan to address the findings raised by the SCI. This work has included engagement with other buyers in the facility and discussions with management on issues found both in the FLA assessment and in New Balance's own prior visits. Some notable progress has been made. However, New Balance only began product development with the factory during the first quarter of this year, and after a minimal trial run, New Balance and the factory mutually agreed to discontinue the relationship. As a result, New Balance ceased business with the factory as of March 2014. Given the early stage of our business relationship, New Balance had limited leverage at the factory. To compensate for this, New Balance worked with other buyers to share these concerns and jointly work with management. Although New Balance's business with the factory has ceased, all noncompliances are being addressed and the other factory customers are well-positioned to continue working with factory management.

What's Included in this Report

- Understanding this Assessment Report
- Glossary
- Score by Employment Function
- Score By Management Function
- Score Summary
- Summary of Code Violations Table
- Findings and Action Plans

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.

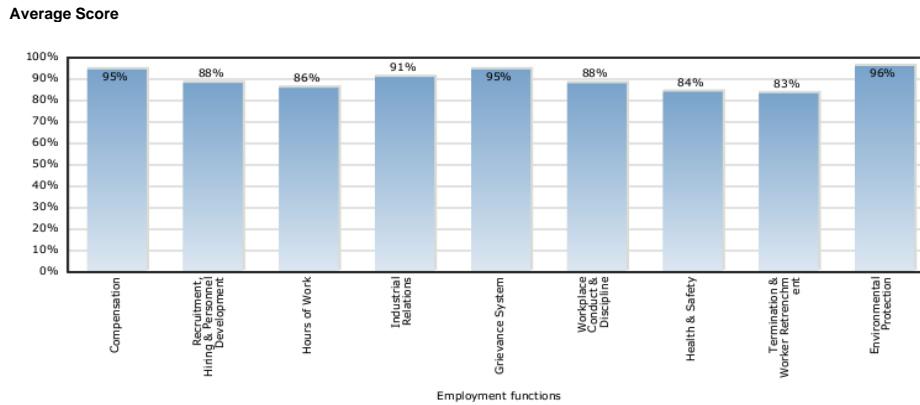
Root causes: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that 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

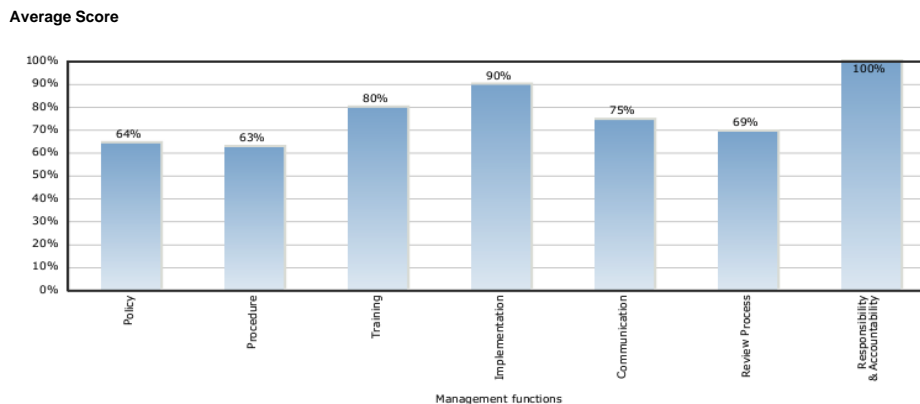
Score by Employment Function

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 | 68.18% | 75% | 56.67% | 83.38% | 81.82% | 64.29% | 80% | 70% | 100% | 75.48% |
| Procedure | 63.64% | 100% | 52.94% | 0% | 87.5% | 66.67% | 45.24% | 63.43% | 100% | 64.38% |
| Responsibility & Accountability | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Review Process | 100% | 50% | 100% | 0% | 75% | 75% | 25% | 75% | 83.33% | 64.81% |
| Training | 61.54% | 100% | 91.67% | 40% | 87.5% | 78.13% | 68.75% | 89.29% | 87.5% | 78.26% |
| Implementation | 92.76% | 90.63% | 89.39% | 100% | 90.91% | 96.15% | 100% | 87.14% | 92.86% | 93.32% |
| Communication | 75% | 100% | 70% | 0% | 100% | 62.5% | 50% | 96.88% | 50% | 67.15% |
| Aggregate Score | 80.16% | 87.95% | 80.1% | 46.2% | 88.96% | 77.53% | 67% | 83.11% | 87.67% | |

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 | 1 | General Compliance Compensation |
| Employment Relationship | 12 | General/Human Resource Management Systems Terms and Conditions/Communication Terms and Conditions/Supervisor Training Administration of Compensation/Termination Payouts General/Documentation and Inspection Administration of Fringe Benefits/Holidays, Leave, Legal Social Benefits and Bonuses Administration of Hours/Time Recording System Industrial Relations Work Rules and Discipline Skills Development/Training Health, Safety, and Environmental Management System/Policies and Procedures Termination and Retrenchment/General Policies and Procedures |
| Hours of Work | 2 | Annual Leave Forced Overtime/Exceptional Circumstances |
| Health, Safety and Environment | 4 | General Compliance Health, Safety, and Environment Ergonomics Toilets Evacuation Requirements and Procedure |

Findings and Action Plans

FINDING NO.1

RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Although there is a career plan and rules available in place that establish a path for promotion, in general, workers are not aware of either the plan or the rules. There are no written policies and procedures that encourage ongoing training for workers, with the goal of increasing or widening their skills in order to advance their careers with the factory.
2. There is no supervisor training on the policies and procedures regarding recruitment, hiring, and promotion.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER. 17.1, ER.28.1, ER.29.1, and ER.30.1)

Root Causes

1. HR staff is currently responsible for the creation of management systems; however, since HR staff is also managing the day-to-day operations in the factory, there might not be enough time for them to complete this task.
2. Although there are training opportunities for staff in supervisory positions, not all topics have been included, e.g., factory's policies and procedures.

COMPANY ACTION PLANS

1. Information on the career plan will be included in the induction process, so that employees are aware that they can continue their training to aspire to higher positions. This information also will be posted on boards so that all staff who want to apply for a vacancy can do so / Continuously.
2. All staff in charge will be trained on the policies and procedures regarding recruitment, hiring, and promotion / Continuously.

Action plan status: In Progress

Planned completion date: 09/05/14

Progress update: 05/21/14 : We will improve our policies and procedures to encourage ongoing worker training, with the main objective of increasing and widening worker's skills, in order to advance their careers within the factory and beyond. Information on the career plan will be included in the induction process, so that employees are aware that they can continue their training to aspire to higher positions. This information also will be posted on boards so that all staff who want to apply for a vacancy can do so. We will continue including workers in the creation of policies and procedures, strengthening the channels through which they can express their views and opinions. All staff in charge will be trained on the policies and procedures regarding recruitment, hiring, and promotion. Additionally, we will implement an effective internal monitoring process so that we can ensure that all policies and procedures are being implemented as intended and consistent with the local law.

FINDING NO.2

RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Factory is not in compliance with the minimum required number of disabled workers under local law. Currently, there are 14 disabled workers; legally, there should be 68.

Local Law or Code Requirement

Salvadoran Equal Opportunity Law, Article 24; FLA Workplace Code (Employment Relationship Benchmark ER.1.1 and Nondiscrimination Benchmark ND.1)

Root Causes

1. Normally, people with disabilities do not seek employment at the factory. Additionally, the factory finds it difficult to comply with the minimum required number.
2. In general, the Salvadoran government is not proactively encouraging, preparing, or introducing people with disabilities for employment by companies.
3. The factory's facilities do not accommodate people in wheelchairs, therefore reducing the possibility of the factory hiring more disabled workers.

COMPANY ACTION PLANS

1. We will continue working with organizations like MINTRAB (Ministry of Labour), ISRI (Salvadorian Institute of Integral Rehabilitation), ISSS (Salvadorian Institute of Social Security), and FUNTER (Foundation Pro-rehabilitation Teletón) for hiring disabled workers / Continuously.

Action plan status: In Progress

Planned completion date: 09/05/14

Progress update: 05/21/14 : 1. We will continue working with organizations like MINTRAB (Ministry of Labour), ISRI (Salvadorian Institute of Integral Rehabilitation), ISSS (Salvadorian Institute of Social Security), and FUNTER (Foundation Pro-rehabilitation Teletón) for hiring disabled workers / Continuously. Nathan, May 16: We will consider developing new strategies to seek out and establish a communication channel with different governmental institutions or civil society organizations that assists people with disabilities. Meanwhile, we'll continue to work with organizations like MINTRAB (Ministry of Labor), Social Inclusion Secretary, ISRI (Salvadorian Institute of Integral Rehabilitation), ISSS (Salvadorian Institute of Social Security), and FUNTER (Foundation Pro-rehabilitation Teletón) for hiring disabled workers.

FINDING NO.3

COMPENSATION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Factory does not provide lactating women who breastfeed their newborns their daily 1-hour paid break, as required by law; instead, management pays lactating workers for 1 additional working hour, which is prohibited by the local law.
2. Factory has not designated an appropriate room for lactating women to extract and store their breast milk, as required by law.

Local Law or Code Requirement

Law of Promotion, Protection and Support to Breastfeeding, Article 35; FLA Workplace Code (Nondiscrimination Benchmark N.D.8.1, Compensation Benchmark C.1)

Root Causes

1. The law related to the protection of breastfeeding came into effect in August 2013; therefore, the factory has not yet aligned its internal procedures and practices.
2. Although, the Ministry of Labor conducted an inspection at the factory on August 25, 2013, compliance with the new law on breastfeeding was not verified.
3. Lactating workers prefer for the factory to compensate them for their daily breastfeeding break as it helps to increase their income.

Recommendations for Immediate Action

1. Ensure that all lactating women are provided a daily 1-hour paid break to breastfeed their babies, for the legally defined periods as required by law.

COMPANY ACTION PLANS

1. A sheet signed by lactating women as proof that they are taking their paid time break. (Signed sheet signed regarding informational meeting.) 2. An appropriate room for lactating women to extract and store their breast milk was designated. (Photo of room sent to FLA.)

Action plan status: Completed

Planned completion date: 04/14/14

Progress update: 05/21/14 : 1. We reviewed the company's compensations and benefits policy and procedure to ensure that all new legal requirements regarding breastfeeding are included. 2. All workers who are currently breastfeeding were informed about the new arrangements for taking a daily 1-hour paid break. We will keep communicating to all workers on the revised policy and procedures, focusing on the new legal requirements regarding breastfeeding. (A sheet signed by lactating women as proof that they are taking their paid time break has been sent to FLA.) 3. An appropriate room for lactating women to extract and store their breast milk was designated.

Completion date: 04/14/14

FINDING NO.4

COMPENSATION

FINDING TYPE: Uncorroborated Risk of Non Compliance

Finding Explanation

1. Based on worker interviews, their wages are not enough to cover their basic needs and provide a discretionary income; a substantial portion of their wages are used for food, transportation, utility bills, and childcare expenses.

Local Law or Code Requirement

FLA Workplace Code (Compensation Benchmark C.1.3)

Root Causes

1. Currently, the Salvadoran textile industry does not provide wages that allow workers the fulfillment of their basic needs, plus a discretionary income.
2. Management lacks awareness of FLA Workplace Code and Benchmarks related to compensation issues.
3. The issue has not been brought to the attention of factory management during previous external audits.
4. There is no wage structure in the factory that enables workers to progressively reach a wage level that meets basic needs.

COMPANY ACTION PLANS

1. 1. Payment is made according to efficiency, while complying with established laws related to wages.

Action plan status: In Progress

Planned completion date: 04/14/14

Progress update: 05/21/14 : 1. Payment is made according to efficiency, while complying with established laws related to wages.

FINDING NO.5

HOURS OF WORK

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Factory does not have policies for managing working hours, overtime and leave records.

Local Law or Code Requirement

Root Causes

1. Establishing policies on hours of work is a relatively new FLA requirement under the Employment Relationship benchmarks; the factory has not yet aligned its management system accordingly.

COMPANY ACTION PLANS

1. The issue of working hours and overtime is emphasized in the training that is given to employees; it is also on the sheet of acceptance labor practices. (Documents regarding the workday and overtime policy, along with the information placed on the board.)

Action plan status: Completed

Planned completion date: 09/05/14

Progress update: 05/21/14 : 1. Factory management will improve the policy regarding hours of work. This policy will include, in writing: overtime and licenses; commitment to voluntary overtime; and the prohibition of excessive working hours. 2. The HR manager will continue training all workers, supervisors, and those in managerial positions on the topics related to hours of work and overtime policies. 3. The issue of working hours and overtime is emphasized in the training that is given to employees; it is also on the sheet of acceptance labor practices.

Completion date: 09/05/14

FINDING NO.6

TERMINATION AND RETRENCHMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Management does not have written policy and procedures regarding termination and worker retrenchment.
2. There is no procedure for determining termination payouts that: a) includes methods for the correct assessment of payouts for all modes of termination/retrenchment and b) takes into account legal requirements.
3. No confidential channel has been established for workers to express the concerns or issues they might be experiencing around their legally owed payments during a retrenchment process.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.19.1, and ER.19.2)

Root Causes

1. Management has been focusing in other areas of Human Resources, paying, as a result, less attention to termination and retrenchment;
2. The revised FLA Workplace Code and Benchmarks now include requirements regarding policy and procedure development, which are relatively new for companies and their supplier base.

COMPANY ACTION PLANS

1. An external mail address will be created. Additionally, employees can compare or verify their payment calculations with the competent authority to verify that the payment received is correct. (Related document sent to FLA.)

Action plan status: In Progress

Planned completion date: 09/05/14

date:

Progress update:

05/21/14 : 1. We will improve our policy and procedure regarding termination and retrenchment, so that it includes the processes terminated employees are entitled to regarding: a) the calculation and administration of payouts and b) the on-time payment of severance and all legal benefits. 2. We will create a confidential channel that enables workers to confidentially express their concerns regarding problems they might be experiencing during a retrenchment process. Additionally, employees can compare or verify their payment calculations with the competent authority to verify that the payment received is correct. 2. The HR manager will conduct ongoing training for all relevant staff in charge of compensation (in cases of termination/retrenchment), including on how the confidential channel would function. 3. The HR manager will be in charge of the communication and implementation/enforcement of the policy and procedures regarding termination and retrenchment.

FINDING NO.7

INDUSTRIAL RELATIONS

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Factory has not created and implemented industrial relations policy and its relevant procedures; however, there is, a written commitment to respect workers' associational rights.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.1 and ER.25.3.1)

Root Causes

1. Management lacks awareness of FLA Industrial Relations Code standards and benchmarks.
2. Management has not seen the need for developing/implementing Industrial Relations policy and procedures.

COMPANY ACTION PLANS

1. 1. We have all industrial relations issues. What we will do is to group them under the policy of industrial relations. 2. We will train all workers regularly on the improved policies and procedures on industrial relations, assign staff responsible for implementing this policy and procedures.

Action plan status: Completed

Planned completion date: 09/05/14

Progress update: 05/21/14 : 1. The right to appeal was included in the procedures. (A document of part of the disciplinary actions procedure was sent to FLA for review.)

Completion date: 09/05/14

FINDING NO.8

WORKPLACE CONDUCT AND DISCIPLINE

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Workers' right to appeal disciplinary actions is not regulated, as there are no related procedures.
2. The disciplinary procedure does not allow for the presence of a third-party witness during the imposition of disciplinary actions.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.27.1, ER.27.2.1, and ER.27.4)

Root Causes

1. Factory was not aware of the FLA compliance benchmarks that require: a) the existence of an appeal process and b) the presence of a third party during the imposition of a disciplinary action.

COMPANY ACTION PLANS

1. The words "right to appeal" were included within our existing procedures. 2. We will review our policies and procedures regarding to the appeal process. We will train all workers on the revised policies and procedures.

Action plan status: Completed

Planned completion date: 09/05/14

Progress update: 05/21/14 : 1. The "right to appeal" was included in the procedures. (A document of part of the disciplinary actions procedure was sent to FLA.)

Completion date: 09/05/14

FINDING NO.9

WORKPLACE CONDUCT & DISCIPLINE

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. There is no sexual harassment prevention program in the workplace, as required by law, e.g., briefings, preventive plans, resources allocation.

Local Law or Code Requirement

General Law on Risks Prevention in the Workplace, Article 8.10; FLA Workplace Code (Harassment or Abuse Benchmark H/A.1)

Root Causes

1. As the General Law on Risks Prevention in the Workplace is relatively new, factory management has not yet aligned its requirements accordingly.

COMPANY ACTION PLANS

1. A new informational bulletin on abuse and harassment was developed. Additionally, this issue is considered in the training and is on the sheet acceptance labor practices. Also, we will develop a sexual harassment prevention program that is consistent with local law, and provide the resources to implement the new program and assign staff who will be in charge of developing the program.

Action plan status: Completed

Planned completion date: 09/05/14

Progress update: 05/21/14 : 1. Informational bulletin on abuse and harassment was developed, in addition, this issue is considered in the training and is on the sheet acceptance labor practices. (Document sent to the FLA.)

Completion date: 09/05/14

FINDING NO.10

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. There are no gender-segregated restrooms in Plant 7; gathered evidence showed that men use both of the 2 available restrooms.

Local Law or Code Requirement

General Law on Risks Prevention in the Workplace, Article 56; FLA Workplace Code (Health, Safety and Environmental Benchmarks HSE.1 and HSE.20)

Root Causes

1. There are only 3 female workers in Plant 7; therefore, the more than 50 male workers consider it acceptable to use both restrooms indistinctly.
2. The Human Resources Department and the Health and Safety staff have not appropriately monitored compliance with the legal applicable requirements regarding the number of toilets in the workplace and their segregation.

Recommendations for Immediate Action

1. Factory management is to designate segregated restrooms for male and female workers in Plant 7; all workers at this area shall be informed accordingly.

COMPANY ACTION PLANS

1. 1. The segregation of restrooms in Plant 7 was performed. The HR department and H&S team will be conducting periodic monitoring to ensure compliance with the legal applicable requirements related to the toilets. 2. Regularly we will train all workers on the H&S regulations applicable to bathroom conditions. The H&S staff will be in charge of monitoring that the number of toilets is according to the number of employees and that they are segregated.

Action plan status: Completed

Planned completion date: 04/14/14

Progress update: 05/21/14 : 1. Segregation of restrooms in Plant 7 was performed. (Photo sent to FLA.)

Completion date: 04/14/14

FINDING NO.11

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The eye wash station at the oil warehouse was blocked by an oil barrel.
2. 1 forklift was not equipped with a rearview mirror.
3. No sign indicating the mandatory use of personal protective equipment (PPE) at the compressor area.

Local Law or Code Requirement

General Law on Risks Prevention in the Workplace, Article 92.2; FLA Workplace Code (Health, Safety and Environmental Benchmarks HSE.1 and HSE.14.1)

Root Causes

1. There are only a few oil barrels stored at the warehouse, representing a low risk; therefore, the health and safety staff does not strictly monitor compliance with all applicable safety regulations in this area.
2. Absence of a formal procedure for workers to report health and safety concerns to relevant management staff.
3. Mechanics have not been actively involved in preventive maintenance activities, e.g., ensuring all forklifts are properly equipped.
4. Considering that just 1 worker has been authorized to enter into the compressor area, factory management has not seen the need to post a sign indicating the mandatory use of PPE.

Recommendations for Immediate Action

1. Ensure that all eye wash stations are unblocked;
2. Ensure that all forklifts are equipped with rearview mirrors;
3. Install a sign indicating the mandatory use of PPE in the compressor area.

COMPANY ACTION PLANS

1. The barrel was moved to its assigned place. (Photo sent to FLA.)
2. A new set of rearview mirrors was installed. (Photo sent to FLA.)
3. We installed the label indicating the use of PPE in the compressor area. (Photo sent to FLA.)

Action plan status: Completed

Planned completion date: 09/05/14

Progress update: 05/21/14 : 1. The barrel was moved to its assigned place. 2. A new set of rearview mirrors was installed on the forklift. 3. We installed the label indicating the use of PPE in the compressor area. 4. We will improve the machine guarding and safe machinery operation program. We will assign specific responsibilities for mechanics and maintenance staff to participate in preventive inspections of all machines, including forklift and vehicles. 5. We will improve our procedures for all workers to report H&S concerns or issues. All workers will be trained on the improved procedures. 6. H&S staff will conduct periodic monitoring to ensure that all work areas meet the required safety conditions.

Completion date: 09/05/14

FINDING NO.12

HEALTH & SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. Workers lifting boxes at Import and Export warehouses have not been trained on safe lifting techniques, including the maximum weight to be lifted.

Local Law or Code Requirement

General Law on Risks Prevention in the Workplace, Articles 3.2, 3.4, and 8.5; Salvadoran General Regulations on Risks Prevention in the Workplace, Articles 82 and 83; FLA Workplace Code (Health, Safety and Environmental Benchmarks HSE.1 and HSE.17.2)

Root Causes

1. It is management's opinion that the provided PPE (belt) is enough to protect these workers from potential injuries related to lifting weight.
2. Health and Safety Department does not cover ergonomics as part of their risk assessments.
3. Factory management, including health and safety staff, lack awareness on FLA's ergonomic requirements.

COMPANY ACTION PLANS

1. All workers of these areas were trained. (Related document sent to FLA.)

| | |
|---------------------------------|---|
| Action plan status: | Completed |
| Planned completion date: | 04/14/14 |
| Progress update: | 05/21/14 : 1. A risk analysis that includes all ergonomic risks within the workplace was conducted and 28 workers in these areas were trained. 2. H&S staff will include the review and/or identification of any ergonomic risks in their weekly audits in order to minimize or avoid them. |
| Completion date: | 04/14/14 |

FINDING NO.13

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Emergency alarm at Plant 3 is not loud enough; it cannot be heard by all workers.
2. Stairs leading to the emergency exit in Plant 3 are in poor condition (e.g., rusted, unstable), exposing a fall risk for workers in case there is an evacuation.

Local Law or Code Requirement

General Law on Risks Prevention in the Workplace, Article 34; Salvadoran General Regulations on Risks Prevention in the Workplace, Articles 14.1 and 78; FLA Workplace Code (Health, Safety and Environmental Benchmarks HSE.1 and HSE.5.1)

Root Causes

1. Factory management had not previously tested Plant 3's emergency alarm;
2. As Plant 3's emergency exit is not frequently used, it has not been a priority for the Health and Safety Committee;
3. Evacuation drills have not included an assessment of these items.

Recommendations for Immediate Action

1. Install a new alarm at Plant 3, which is loud enough for all workers;
2. Factory management is to repair the stairs leading to Plant 3's emergency exit.

COMPANY ACTION PLANS

1. A new alarm was installed at Plant 3. (Photo sent to FLA.) 2. Stairs corrected.

| | |
|---------------------------------|--|
| Action plan status: | Completed |
| Planned completion date: | 04/14/14 |
| Progress update: | 05/21/14 : In our procedures, we will include the requirements regarding conducting periodic testing of the alarms. We will also verify that all evacuation routes area safe and assign personnel responsible for enforcing the revised procedures. 2. H&S staff will be in charge of ensuring that the alarms are loud enough in all work areas and that all evacuation routes area safe. 3. A new alarm was installed at Plant 3. 4. The stairs leading to the emergency exit in Plant 3 were repaired. Emergency alarm and stairs were included in the daily checklist. |

FINDING NO.14

WORKER INVOLVEMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The Worker Integration component is missing throughout all Employment Functions, indicating 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 awareness of FLA Workplace Code and Benchmarks.
2. Management has not seen the need to formalize a worker integration process.
3. Top-down communication without the incorporation of workers' feedback is culturally acceptable for management.

COMPANY ACTION PLANS

1. 1. The committee of workers' representatives was formed. The representatives were elected by all employees from within their sections. All staff are trained using the material sent to FLA (1 sheet of acceptance labor practices). 2. The first meeting with all elected representatives will be held in the second week of May. (1 sheet signed by the elected representatives and 1 of workers' representatives have been sent to FLA.)

Action plan status: In Progress

Planned completion date: 09/05/14

Progress update: 05/21/14 : 1. The committee of workers' representatives was formed. The representatives were elected by all employees within their sections. 2. The first meeting with all elected representatives will be held the second week of May.

FINDING NO.15

NOTABLE FEATURE

FINDING TYPE: Notable Feature

Finding Explanation

1. Factory is promoting the SUPERATE Program, which teaches English and computer usage to indigent individuals.
2. A monthly basket with beans, rice, and sugar is provided to production workers for free.
3. Medical attention for workers' sons and daughters is provided at the factory clinic; in addition, this clinic provides medical services to workers beyond the legal requirements.