

## Audit report – social compliance

### Audit information

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| <b>Audit date</b>  | 2015-06-11 and 2015-06-12   | <b>Supplier</b>        | Bröderna Berner Handels AB<br>Berner Medical |
| <b>Audit type</b>  | Initial audit<br>Announced audit  | <b>Audited company</b> | [REDACTED]                                   |
| <b>Auditors</b>    | Sara Gripstrand (Goodpoint), Ellyсна Muchlizar (A.L.G.I.)   | <b>Address</b>         | [REDACTED]                                   |
| <b>Audit scope</b> | The Swedish regions' and county councils' Code of Conduct for Suppliers   | <b>Contact person</b>  | [REDACTED]                                   |
| <b>Sample size</b> | Employee interviews:<br>15 individual + 15 in groups of 3<br>Payroll & time card review: 10 samples (Nov 2014 + May 2015) | <b>Email</b>           | [REDACTED]                                   |

### Summary

#### Overall impression

The overall impression is that [REDACTED] is a good place to work. The overall working conditions are good, there is no indication of harassment and there seems to be a helpful and positive relation between employees-supervisors-managers. The company remunerates overtime according to Malaysian legislation, even a bit more than required.

However, there are some major non-compliances to national and international legislation, primarily concerning forced/compulsory labour and freedom of association. The management seems willing to find ways to correct the non-compliances. By the time of the audit, the company was considering creating and implementing a social management system, with inspiration from SA8000.

The managers were fully transparent and helpful during the audit. The auditors were able to visit all parts of the facility, including the dormitories. The staff could easily provide the auditors with all requested documents. The fact that this was the first social audit conducted at the company, in combination with a willingness to learn and make changes, makes the auditors believe that corrective actions will be carried out.

#### Examples of "good practice":

- 1) Correct overtime compensation – even somewhat higher than required by law.
- 2) October bonus – all workers (employed since six months) get 1.75 of the normal wages in October.
- 3) KPI-bonuses are given to work units that meets their targets.
- 4) If foreign workers need to go home because of an emergency (health) in the family, the company pays one month's wages.
- 5) If someone in the employee's closest family, or the employee, passes away, the company gives a "death donation" to cover funeral costs.
- 6) The canteens serve good, healthy food at a low cost.
- 7) The company shows appreciation, for example by greetings and a gift on employees birthdays

## Non-compliances

|  | Non-compliance | Description |
|--|----------------|-------------|
| Support and respect human rights                 | X              | Chapter 7   |
| Child labor /Young workers                       | X              | Chapter 2   |
| Forced labour                                    | X              | Chapter 3   |
| Non discrimination                               | X              | Chapter 4   |
| Harassment and abuse                             | -              |             |
| Freedom of association and Collective Bargaining | X              | Chapter 6   |
| Wages and benefits                               | -              |             |
| Hours of work                                    | X              | Chapter 8   |
| Safe and Hygienic Working Environment            | X              | Chapter 9   |
| Environment                                      | -              |             |
| Corruption                                       | -              |             |
| Transparency                                     | -              |             |

## General factory information

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| Managing Director:  | ████████████████████  |
| Factory owner:  | ████████████████████  |
| Has the factory been audited by any other buyer within the last 12 months (Code of Conduct or equivalent)?  | No  |
| Certifications/Membership (environment, social responsibility)  | ISO 14001<br>ISO 9001 (Quality)   |
| Health and Safety Officer:  | ████████████████  |
| HR Responsible:   | ████████████████  |
| What share of the yearly production for Berner Medical (percentage)?  | 0.70%   |
| Main product  | Surgical gloves   |
| Main departments  | Production, Packing, Mixing, Irradiation, Maintenance, Quality Assurance, Human Resource  |
| Total number of employees?<br>Number of production workers?   | 1782 employees<br>1466 production workers   |
| Total number of female employees?<br>Number of female production workers?   | 885<br>777  |
| Does the factory hire workers through an employment agency?<br>If yes, how does that work?<br>Are the workers paid by the factory or by the agency? | No, all workers have a contract with and are paid by the company. Foreign (foreign) workers are recruited via recruitment agencies in their home countries (Nepal, Myanmar and Indonesia). Employees from the company travel to these countries to make the selection. Recruitment is done in cooperation with the embassy (an initiative |

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|   | <i>called JobMalaysia). An employment contract is signed before the worker leaves his/her home country. The worker pays the recruitment agency and the cost for travelling to Malaysia.</i> |
| What is the worker turnover per year?                                       | <i>2.32%</i>  |
| Peak season for production:   | <i>Constant, no peak season</i>   |
| Production hours  | <i>24 hours a day, 7 days a week</i>  |
| How many shifts does the company run?<br>Number of employees in each shift? | <i>The workers either work 3 shifts (8 hours) or 2 shifts (12 hours)<br/>590 ( approximately)</i>   |
| What are the normal working hours?  | <i>48 hours per week (for more details, see section 7)<br/>2 shift: 7-19, 19-7<br/>3 shift: 7-15, 15-23, 23-7<br/>Two 10 minute breaks and one lunch break 40 minutes (paid)</i>            |
| Type of wages?  | <i>All 1782 employees are on a monthly rate.</i>  |
| Type of employment contracts, including number of employees on each type:   | <i>Indefinite term: Appointment Letter – Local employees (1050)<br/>Probation for the first three + three months<br/><br/>Fixed term: Contract Agreement – Foreign worker (732)</i>         |

**Production stages of goods produced and outsourcing/subcontractors:**

Description of production stages, what is outsourced to subcontractors and homework if applicable.

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| <p><b>In-house</b></p> <ol style="list-style-type: none"> <li>1) Mixing</li> <li>2) Production</li> <li>3) Packing</li> <li>4) Sterilization</li> <li>5) Finished goods warehousing</li> </ol> <p><b>Subcontracting</b></p> <ul style="list-style-type: none"> <li>- R&amp;D</li> <li>- Office &amp; restroom cleaning and gardening</li> <li>- Pest control</li> <li>- Laundry</li> <li>- Forklift servicing and Equipment servicing, calibration and testing</li> <li>- Shipping, transportation and brokerage</li> <li>- Cobalt 60 installation, calibration and related services</li> <li>- EMS collector, transporter, disposer and recycler</li> <li>- Waste water testing</li> </ul> <p><b>Homework – None</b></p> |
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## 1. National/local legal requirements

Overview of **national/local legal requirements** and the company's regulations.

|             |   | <b>According to law</b>   | <b>Factory policy</b>  |
|-------------|---|---|--|
| <b>1.1</b>  | Allowed age for working:  | 15 years of age   | <i>17 years of age</i>   |
| <b>1.2</b>  | Requirements for young workers:   | Yes<br>Young workers are defined as 15-16 years of age                                    | <i>No</i>  |
| <b>1.3</b>  | Minimum wage for workers per month/hour:  | 900 RM/month  | <i>900 RM/month</i>  |
| <b>1.4</b>  | Working hours excl. overtime per week/day:  | 48 hours / week   | <i>According to law</i>  |
| <b>1.5</b>  | Maximum allowed overtime hours per day/month:   | 104 hours OT/month (not including work on rest day and public holiday)                    | <i>According to law</i>  |
| <b>1.6</b>  | Overtime compensation (evening/days of rest/statutory holidays):  | Normal day: x 1,5<br>Rest day: x 2 (for time exceeding 8 hours x3)<br>Public holiday: x 3 | <i>According to law</i>  |
| <b>1.7</b>  | Maternity leave (number of days):   | 60 days   | <i>60 days (applicable to local empl.)</i>   |
| <b>1.8</b>  | Paid sick leave (number of days):   | < 2 years: 14 days<br>2-5 years: 18 days<br>> 5 years: 24 days                            | <i>According to law</i>  |
| <b>1.9</b>  | Insurance/social security:<br>(Example: Industrial injury, medical, pension, unemployment, maternity etc) | SOCSSO, EPF   | <i>SOCSSO, EPF</i>   |
| <b>1.10</b> | Paid leave on statutory holidays (number of days):  | 11 days (incl. 5 mandatory)   | <i>16 (incl. 5 mandatory)</i>  |
| <b>1.11</b> | Paid vacation, excl. statutory holidays (number of days):   | < 2 years: 8 days<br>2-5 years: 12 days<br>> 5 years: 16 days                             | <i>&lt; 2 years: 13 days<br/>2-5 years: 16 days<br/>5-10 years: 20 days<br/>&gt; 10 years: 21 days</i>   |
| <b>1.12</b> | Probation period for new workers (number of days):  | 6 months  | <i>6 months</i>  |
| <b>1.13</b> | Notice period for workers (number of days):   | 4, 6, 8 weeks –depending on length of employment  | <i>Locals: 2 weeks – operators &amp; supervisors<br/>4 weeks – technical &amp; engineering.<br/>Foreign workers: are on fixed term contracts, see chapter 3.</i> |

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| <b>1.14</b> | Relevant environmental permits required for the factory: <ul style="list-style-type: none"> <li>a) <i>Environmental Quality Act 1974</i></li> <li>b) <i>Environmental Quality Act Clean Air Regulations 2014</i></li> <li>c) <i>Department of Environment Noise Limit and Control, Factories &amp; Machinery Act 1967</i></li> <li>d) <i>Occupational Safety &amp; Health Act 1994, OSH Use of and Standard of Exposure of Chemical Hazardous to Health Regulations 2000</i></li> </ul> |
| <b>1.15</b> | Other relevant permits for production? <ul style="list-style-type: none"> <li>a) <i>Industrial Coordination Act 1975 (Manufacturing License)</i></li> <li>b) <i>Fire Service Act 1988</i></li> <li>c) <i>Quality Management System – ISO 9001: 2008</i></li> <li>d) <i>Quality Management System – ISO 13485: 2003 &amp; EN ISO 13485: 2012</i></li> <li>e) <i>EC Certificate – Full Quality Assurance System CE00700</i></li> </ul>  |

## 2. Child labor and young workers

|             |   | YES | NO | N/A |
|-------------|---|-----|----|-----|
| <b>2.1</b>  | Does the factory have a Child labour policy?<br><i>Minimum age (referring to law) are included in the company's "Social Accountability Policy" dated 2013-08-29. There is no detailed child labour policy that includes actions and remediation if child labour is detected.</i>  | X   |    |     |
| <b>2.2</b>  | In the workplace, are there any workers under the legal age for working?  |     | X  |     |
| <b>2.3</b>  | Does the management hold <i>copies</i> of identification documentation for each worker?<br><i>The management keeps original documentation, see chapter 3.</i>   |     | X  |     |
| <b>2.4</b>  | Explain the system for ensuring that no child labour is employed in the factory (for example HR routines etc):<br><i>HR department controls the identity card or passport for all local and all foreign workers. The age of a foreign worker is also controlled by the authorities (when work permits are issued). The legal status of their ID/passport is also controlled by immigration officers at the airport.</i> |     |    |     |
| <b>2.5</b>  | Are there any young workers in the factory (between 15 -18)?<br><i>17 year olds are employed. They work under the same conditions as the other workers. There is a plan to create a policy for these workers.</i>   | X   |    |     |
|             | <b>If yes:</b>  |     |    |     |
| <b>2.6</b>  | Are they registered with the local labour bureau?   |     |    | X   |
| <b>2.7</b>  | Do the young workers undergo regular physical examination?  |     | X  |     |
| <b>2.8</b>  | Are they operating machines that can be potentially hazardous?  | X   |    |     |
| <b>2.9</b>  | Are they working overtime?  | X   |    |     |
| <b>2.10</b> | Are they in contact with chemicals or hazardous waste?  | X   |    |     |

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| <b>Non-compliances:</b> | One 17-year old was found working in the production area, which is considered as hazardous work. |
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### 3. Forced / Compulsory labor

|     |  | YES | NO | N/A |
|-----|--|-----|----|-----|
| 3.1 | Are the workers free to leave the working premises at the end of the shift?  | X   |    |     |
| 3.2 | Are the workers free to leave the dormitory when they want during their leisure time?<br><i>The workers living in dormitories need to be back in their room before 11 p.m. This is a security precaution, since the company (according to Malaysian law) is responsible for the whereabouts of employed foreign workers.</i> |     | X  |     |
| 3.3 | Does the factory maintain any of the workers original identification documentation? (example: birth certificate, identity card, work permits, passport etc)<br><i>The HR-department possesses the passports for safekeeping.</i>   | X   |    |     |
| 3.4 | Can all workers terminate their employment within a reasonable time period?<br><i>The foreign workers cannot terminate their employment until they have fulfilled their contract (mainly two or three years), unless they have proof of poor health or an important family reason (i.e. marriage).</i>                       |     | X  |     |
| 3.5 | Are any of the workers in debt with the factory?<br><i>Loans are given to foreign workers (Indonesians) to make it possible for them to pay the recruitment agency (in their home country) and travel costs to Malaysia. The loans are deducted from wages during approx. 10 months.</i>                                     | X   |    |     |
| 3.6 | Are workers paid at least once per month?  | X   |    |     |
| 3.7 | Is all overtime work done voluntarily?<br><i>Compulsory overtime (OT) is stated in one contract in the sample.</i>   |     | X  |     |
| 3.8 | Explain the system for ensuring that all work is done voluntarily: (for example policy, HR routines etc.):<br><i>All overtime is not voluntary. Some employment contracts include a clause on compulsory overtime (12 h/week). There is no system for OT applications. It is up to each supervisor to approve OT.</i>        |     |    |     |

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| <b>Non-compliances:</b> | <ol style="list-style-type: none"> <li>1) The company keeps original ID (passports) for the foreign workers.</li> <li>2) Compulsory overtime is stated in a contract in the sample.</li> <li>3) Loans are given to foreign workers to make it possible for them to pay the recruitment agency (in their home country) and travel costs to Malaysia. The loans are deducted from wages during approx. 10 months, and equals almost 3 months of wages (for normal working hours).</li> <li>4) The foreign workers can't leave until they have fulfilled their contract, unless they have proof of poor health or important family reason (i.e. marriage).</li> </ol> <p>Comment: According to ILO guidance, the auditor's opinion is not that the company deliberately uses forced labour. The practices above however, makes the foreign workers unfree to leave their employment if exploited.</p> |
| <b>Observation:</b>     | <ol style="list-style-type: none"> <li>1) Dormitory: No lockable space in the smaller houses.</li> </ol>   |

#### 4. Non discrimination

|     |   | YES | NO | N/A |
|-----|---|-----|----|-----|
| 4.1 | Does the factory have an anti-discrimination policy?<br>If <b>yes</b> , please attach   |     | X  |     |
|     | If <b>no</b> , are there any plans of developing such a policy?<br><i>The company has started working on a management system for social compliance. Policy on anti-discrimination should be included.</i>   | X   |    |     |
| 4.2 | Is the policy communicated to all employees?  |     |    | X   |
| 4.3 | Are there any foreign workers in the factory?<br><i>772 in total (Indonesia, Nepal, Myanmar)</i>  | X   |    |     |
|     | If <b>yes</b> , do they enjoy the same rights and benefits as local workers?<br><i>They mainly enjoy the same benefits as the local workers. Exceptions are notice period and a few other issues identified as non-compliances in this report.</i>  |     | X  |     |
| 4.4 | Are there temporary workers?  |     | X  |     |
| 4.5 | Medical examinations required as a condition for employment:<br><i>Applies to the foreign workers.</i>  |     |    |     |
|     | Pregnancy test  | X   |    |     |
|     | HIV test  | X   |    |     |
|     | Hepatitis B test  | X   |    |     |
|     | Other:<br><i>Two medical assessments are needed before employment. They include the above and several other tests of physical and psychiatric illnesses.</i>  |     |    |     |
| 4.6 | Please state why these tests are required:<br><i>Before issuing a work permit to a foreign worker, the immigration department in Malaysia requires medical check-ups that include these tests. One check-up is done before employment and one after.</i>  |     |    |     |
| 4.7 | Are pregnant/breastfeeding women allowed to work in the factory?<br>If <b>yes</b> , please state any special considerations given to them:<br><i>Pregnant women are allowed (locals). If needed they can be transferred to other work tasks.</i>  | X   |    |     |
| 4.8 | Explain the system for ensuring that discrimination does not occur in recruitment, wages, benefits, demotion, disciplinary actions or dismissals etc.):<br><i>The company does not have a system. When advertising for new workers the company announces an age span; 17-30. This is also specified in some employment contracts.</i> |     |    |     |
| 4.9 | Explain measures taken to ensure that employees engaged in trade unions are not in any way discriminated?<br><i>No specific measures are taken.</i>   |     |    |     |

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| <b>Non-compliances:</b> | Age discrimination in recruiting. Employees shall be:<br>- Age 18-30 (in one contract), Age 18-23 (on banner at factory gate) |
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## 5. Harassment and abuse

|     |   | YES | NO | N/A |
|-----|---|-----|----|-----|
| 5.1 | Does the factory have an anti-harassment policy regulating for example interaction between line managers and workers?   |     | X  |     |
| 5.2 | If <b>no</b> , are there any plans of developing such a policy?<br><i>The company has started working on a management system for social compliance. Policy on anti-harassment should be included.</i>   | X   |    |     |
| 5.3 | Is the policy communicated to all employees?  |     |    | X   |
| 5.4 | The factory has written disciplinary rules and procedures?  |     | X  |     |
| 5.5 | Management and supervisors are trained on disciplinary system?  |     | X  |     |
| 5.6 | Are records kept of all disciplinary actions?   | X   |    |     |
| 5.8 | The company has a complaints mechanism (whistle blower) communicated to all employees?<br><i>There is a corporate help-line, where incidents of different sorts can be anonymously reported. Information about the helpline is included in employee training and displayed on the information TV in the canteen. The helpline is not well known among the production workers. They report incidents to their supervisors.</i> | X   |    |     |

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| <b>Non-compliances:</b> | None identified. |
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## 6. Freedom of association

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| 6.1 | Are the workers aware of their right to freely associate?<br><i>The local workers are aware. The foreign workers are not allowed to join the union. There is a small union fee paid every month.</i>   |   | X |   |
| 6.2 | Are the workers free to form or join a union without any negative consequences?<br><i>According to an employment contract, foreign workers are not allowed to unionize. No foreign workers have joined the union.</i>  |   | X |   |
| 6.3 | Is there a union active in the factory?  | X |   |   |
|     | If <b>yes</b> , is there a collective bargaining agreement (CBA) with the union?<br><i>Yes, there is a CBA covering the local employees. At the time of the audit the CBA was under negotiation with the national union. There was one worker representative from the company in the bargaining committee.<br/>(The current CBA is expired. During the process of negotiations, the company sees it as valid.)</i> | X |   |   |
| 6.4 | If a CBA does not exist, does the company have other systems to ensure that wages and working conditions can be discussed in a non-threatening manner?<br>(For example joint worker/management committee)  |   |   | X |
| 6.5 | Is there an elected representative committee or equal who represents the workers in discussions with management regarding workplace issues including pay and working hours?<br><i>This is mostly done via the national union.</i>  | X |   |   |
| 6.6 | Are there minutes from meetings with union/worker committee available in the factory?<br><i>But there are minutes from EHS committee meetings available.</i>   |   | X |   |
| 6.7 | Is there a grievance procedure in place?<br><i>There is a well described procedure for handling grievances which includes reports, hearings with witnesses and statement from a jury. There has been cases that has led to submission. All cases are being documented.<br/>Grievances are reported to the supervisor or directly to HR.</i>  | X |   |   |

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| <b>Non-compliances:</b> | Foreign workers cannot join the union. They are not covered by the CBA, but they have the same benefits regarding for example wages and leave.  |
| <b>Observations:</b>    | There is no notice board or similar where workers' rights are displayed. Some information is displayed on TVs placed in the reception and the two canteens. If the local workers want they can get a copy of the CBA from the HR. |

## 7. Employment, wages and benefits

|             |  | YES | NO | N/A |
|-------------|--|-----|----|-----|
| <b>7.1</b>  | Are all workers entitled to a written employment contract?<br><i>There are signed employment contracts. However, it is not clear that all workers have a copy of their own contract.</i>   | X   |    |     |
| <b>7.2</b>  | Are all workers paid at least minimum wage for normal working hours (overtime not included)?<br><i>The national minimum wage of 900 RM is paid (monthly wage). The same amount is paid during probation (even though national legislation allows 70 % of minimum wage during this period). Meal allowance and allowance for shift work are given. In October the workers are given a "13<sup>th</sup> month" payment (175%).</i> | X   |    |     |
| <b>7.3</b>  | Are workers paid at least once per month?<br><i>Twice per month.</i>   | X   |    |     |
| <b>7.4</b>  | Is overtime work compensated according to the law?<br><i>Overtime is remunerated at a higher rate than the law requires, since calculation of overtime payment is based on minimum wage and allowances, not only minimum wage.</i>   | X   |    |     |
| <b>7.5</b>  | Is annual leave compensated according to law?  | X   |    |     |
| <b>7.6</b>  | Is sick leave compensated according to law?  | X   |    |     |
| <b>7.7</b>  | Are public holidays and compensated according to law?  | X   |    |     |
| <b>7.8</b>  | Do the workers receive a payslip clearly stating all wages, and deductions, including overtime compensation?   | X   |    |     |
| <b>7.9</b>  | How are the workers informed of the factory's rules and regulations, including workers' rights, at the beginning of their employment?<br><i>All workers take part in a one-day introductory training. Wages, public holidays etc. are clearly stated in the employment contract.</i>   |     |    |     |
| <b>7.10</b> | How can the workers get access to the factory's rules and regulations including workers' rights, during the time of their employment?<br><i>There is no notice board or similar where workers' rights are displayed. Some information is displayed on TV:s placed in the reception and in the two canteens. If the local workers want they can get a copy of the CBA from the HR-department.</i>                                 |     |    |     |
| <b>7.11</b> | Please state what deductions are practiced at the factory:   |     |    |     |
|             | a) Payment of loan   | X   |    |     |
|             | b) Use of protective equipment/uniform<br><i>Deposit for safety shoes, given back to the employees within 6 months.</i>  |     | X  |     |
|             | c) Damage of equipment   |     | X  |     |
|             | d) Dormitory<br><i>50 RM / month</i>   | X   |    |     |
|             | e) Food  |     | X  |     |
|             | f) Other (please specify)<br><i>Working permit costs 1250 RM per year. This sum is deducted from the salary by 125 per month for ten months per year.</i>  |     |    |     |

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| 7.12 | Please state why these deductions are practised:<br><i>Employees (foreign workers) who cannot cover recruitment fees and travel costs themselves are given a loan, to enable them to come and work in Malaysia. To simplify repayment the deductions are spread out during several months.</i> |   |  |
| 7.14 | Social insurances exists according to national legislation (medical, pension, work-related injury, unemployment, maternity etc.)   | X |  |
| 7.15 | Describe other benefits, such as profit sharing etc.:<br><i>Smaller bonuses are given when work units meet their KPI:s (Key performance indicators). Transportation to and from dormitories are free, the company has buses taking the employees to and from work.</i>                         |   |  |

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| <b>Non-compliances:</b> | <ol style="list-style-type: none"> <li>1) Foreign workers are not allowed to marry, or get pregnant, during their time of employment with the company.</li> <li>2) Foreign workers are not allowed to apply for other jobs, during the time they have their fixed term contract with the company.</li> </ol> |
| <b>Observations:</b>    | <ol style="list-style-type: none"> <li>1) It is not clear that all employees get a copy of their employment contract.</li> <li>2) All employment contracts in the sample are not in the native language of the employee. Many of the foreign workers don't understand English or Malaysian.</li> </ol>       |

## 8. Reasonable working hours

|     |  | YES | NO | N/A |
|-----|--|-----|----|-----|
| 8.1 | Does the factory hold accurate records showing the hours of work?<br><i>Workers register their presence through thumbprint twice a day (time in and out). Meals and breaks are included in their working time.</i>   | X   |    |     |
| 8.2 | Are the workers informed in advance about overtime?<br><i>The supervisor and the employee agree on overtime. (According to some contracts, OT is compulsory.)</i>  | X   |    |     |
| 8.3 | Can the workers deny working overtime without disciplinary actions?  | X   |    |     |
| 8.4 | Are overtime hours within legal limitations?<br><i>Maximum overtime noted is 140 hours during one month (one worker in November 2014). This means a total of 332 hours. 108 of the OT hours is on regular overtime, which exceeds 104. The 32 remaining OT hours are on rest days, and therefore not included in the legal limit. Other examples of OT for workers in the sample - 108; 119,5; 104; 122; 100; 123,3 hours/month.</i> |     | X  |     |
| 8.5 | Do hours for rest comply with national legislation?<br><i>The majority of the foreign workers in the sample does not have one day off every seven days. The highest number of consecutive working days in the sample is 45 days.</i>   |     | X  |     |
| 8.6 | Are workers free from work at least one day (24 h) per 7 day period?   |     | X  |     |

|                         |   |
|-------------------------|---|
| <b>Non-compliances:</b> | <p>1) Overtime hours for one worker in the sample are as high as 140 hours. This means a total of 332 hours. 108 of the OT hours was on regular overtime, which exceeds 104. The 32 remaining OT hours are on rest days, and therefore not included in the legal limit. Other workers in the sample had been working OT hours per month according to the following: 108; 119,5; 104; 122; 100; 123,3. As per client requirement - the limit of working hours (normal hours and OT) is 60 h per week. The Malaysian legislation on OT is very liberal, compared to other South East Asian countries. However, the majority of the foreign workers in the sample exceeds 104 hours OT per month. Therefore the overtime worked at the company is seen as excessive.</p> <p>2) The majority of the foreign workers in the sample don't have one day off every seven days. The highest number of consecutive working days in the sample is 45 days.</p> |
|-------------------------|---|

## 9. Health and safety

|             |  | YES | NO | N/A |
|-------------|--|-----|----|-----|
| <b>9.1</b>  | Are all workers (including all new workers) regularly provided with relevant training in occupational health and safety?<br><i>Included in the introduction training that all new employees receive.</i>   | X   |    |     |
|             | Is the following included?   |     |    |     |
|             | Fire training  | X   |    |     |
|             | <i>First aid</i><br><i>There are designated employees trained in first aid, supervisors and HR-personnel. A training was held in 2013, certificate is valid for three years.</i>   | X   |    |     |
|             | Use of protective equipment  | X   |    |     |
|             | Handling of hazardous waste  | X   |    |     |
|             | Other (specify): <i>Training on safe handling of chemicals was done in april 2015, for relevant employees.</i>   |     |    |     |
| <b>9.2</b>  | Are all work premises planned and established from a fire safety perspective and regularly checked in order to maintain the fire safety on a day to day basis, by for example maintaining functioning fire escape routes and marked emergency exits all the way out of the work premises?<br><i>The overall fire safety is considered to be ok. Things to correct/look into:</i> <ul style="list-style-type: none"> <li>• <i>Blocked exit in warehouse</i></li> <li>• <i>Blocked fire extinguisher in finished goods warehouse.</i></li> <li>• <i>Insufficient emergency lighting in raw material warehouse, production warehouse and stairs.</i></li> </ul> | x   |    |     |
| <b>9.3</b>  | Are all workers provided with relevant protective equipment per respective process?  | X   |    |     |
| <b>9.4</b>  | Are all workers using relevant protective equipment per respective process?  | X   |    |     |
| <b>9.5</b>  | Are there proper safety measures on all machinery, for example guarded rotating wheels and belt pulleys, emergency shut-off within reach for the operator, protective eye guards, two-button operation for automated machinery?<br><i>The large machines are equipped with emergency breaks.</i>   | X   |    |     |
| <b>9.5</b>  | Are there eyewash stations where chemicals are handled?  | X   |    |     |
| <b>9.6</b>  | Are all electrical cords, circuit breakers and electrical panels in good condition?  | X   |    |     |
| <b>9.7</b>  | Does the company maintain logs for inspection and maintenance of all machinery/mechanical equipment?   | X   |    |     |
| <b>9.8</b>  | Are first aid kits available for employees to use?<br><i>There is a log of used materials in the first aid kit. There is one person responsible for giving out new first aid equipment.</i>  | X   |    |     |
| <b>9.9</b>  | Is there a clinic, nurse station or first aid room?<br><i>There is a first aid room with first aid equipment and a bed. According to Malaysian legislation a doctor must treat all injuries larger than "band aid size". The factory's routine is to drive all injured employees to the doctor or the hospital for treatment.</i>  | X   |    |     |
| <b>9.10</b> | Is clean drinking water provided for free in each workshop?  | X   |    |     |

|             |   |   |   |   |
|-------------|---|---|---|---|
|             | <i>Drinking water is provided in the canteens. Considering the heat in the production area the workers should have the possibility to keep their drinking bottles somewhere in the workshop.</i>  |   |   |   |
| <b>9.11</b> | Are all sanitary facilities cleaned at least once per day?  | X |   |   |
| <b>9.12</b> | Is fans/AC available in the workshop?<br><i>It is still very hot in some parts of the production areas.</i>   | X |   |   |
| <b>9.13</b> | Is heating provided in the winter (in cold areas)?  |   |   | X |
| <b>9.14</b> | Is ventilation sufficient where chemicals are being used and/or in dusty areas?<br><i>Strong chlorine smell in especially the stripping area. Chlorine in combination with the heat makes it hard to breath. Ventilation (exhaust fan) is placed close to the chlorine area.</i>  |   | X |   |
| <b>9.15</b> | Is the working area properly illuminated?   | X |   |   |
| <b>9.16</b> | Is the sound level below what's allowed in national legislation?  | X |   |   |
| <b>9.17</b> | Is workstations properly designed for ergonomic concerns?   | X |   |   |
| <b>9.18</b> | Is there a canteen available for the workers?<br><i>The caterer in the canteen is given subsidiaries to be able to have low prices on the food (ca 2-3 RM/meal). The food is healthy and good tasting. Drinking water is provided in the canteens without cost, but there are also vending machines for water. Some of the workers bring their own food.</i>  | X |   |   |
| <b>9.19</b> | Are the workers provided with a dormitory?<br><i>Yes. They either live in one of the two larger dormitories or in one of the smaller houses the company rents.</i>  | X |   |   |
| <b>9.20</b> | How many workers live in each room in the dormitory?<br><i>Larger dormitory buildings: 4 people per room, eight people share one bathroom and one shower. Smaller houses: 4 people per room, 12-14 people per house</i>   |   |   |   |
| <b>9.21</b> | Are they each provided with their own bed?  | X |   |   |
| <b>9.22</b> | Are the dormitories segregated by sex?  | X |   |   |
| <b>9.23</b> | Are sufficient restrooms/showers available?   | X |   |   |
| <b>9.24</b> | Are dormitories maintained in sanitary conditions, well lit and ventilated?<br><i>One of the visited dormitories (smaller house) lacked furniture and was not well cleaned.</i>   |   | X |   |
| <b>9.25</b> | Do all workers in the dormitory have their own lockable storage space?<br><i>There are lockers in the larger dormitories. These might not be solid enough to keep valuables, such as passports. In the smaller houses, there is no lockable space to keep valuables.</i>  |   | X |   |
| <b>9.26</b> | Is the dormitory planned and established from a fire safety perspective and regularly checked in order to maintain the fire safety on a day-to-day basis, by for example maintaining functioning fire escape routes and marked emergency exits all the way out?<br><i>The larger dormitories are controlled by the authorities. Fire safety is lacking in the smaller houses. Metal gate locked with a wedlock (a small key). No fire extinguisher or fire blanket etc. in the house. Gas stove cooking takes place in the houses, hence there is a not negligible risk for fire.</i> | X | X |   |

|             |  |   |  |  |
|-------------|--|---|--|--|
| <b>9.27</b> | Is there an injury/illness log available?<br><i>A log is kept for all injuries. During 2014 there were 10 injuries. One of these led to hospitalization. At the time of the audit this person had recovered and was back at work.</i>  | X |  |  |
| <b>9.28</b> | Explain systems and routines to ensure that a safe and healthy working environment is maintained at all times?<br><i>Risk assessments on health and safety, i.e. handling of chemicals are done. There is a health and safety officer, and designated employees responsible for the first aid room and the first aid kits. Authorities regularly conduct inspections on the health and safety at the facility.</i> |   |  |  |

|                         |  |
|-------------------------|--|
| <b>Non-compliances:</b> | <ol style="list-style-type: none"> <li>1) Strong chlorine smell in especially the stripping area. Chlorine in combination with the heat makes it hard to breath. Ventilation (exhaust fan) is placed close to the chlorine area.</li> <li>2) Dormitory: The fire safety is not sufficient in the smaller houses. Metal gate locked with a wedlock (a small key). No fire extinguisher or fire blanket etc. in the house. Cooking on a gas stove takes place the houses.</li> <li>3) Blocked exit in warehouse.</li> <li>4) Blocked fire extinguisher in finished goods warehouse.</li> <li>5) Insufficient emergency lighting in raw material warehouse, production warehouse and stairs.</li> <li>6) Fire certificate expired 2015-01-22. Renewal is in process.</li> </ol> |
| <b>Observations:</b>    | <ol style="list-style-type: none"> <li>1) Evacuation drill 2015: Conducted for the day shift at the NP plant, but not all employees were covered. Not yet conducted for night shift.</li> </ol>  |

## 10. Environment

|             |   | YES | NO | N/A |
|-------------|---|-----|----|-----|
| <b>10.1</b> | Does the factory have a certified environmental management system in accordance with ISO 14001, or equivalent.  | X   |    |     |
| <b>10.2</b> | Is environmental impact minimised?<br><i>The company is minimising environmental impact via their EMS. The largest environmental concern is waste water containing residues from the production. There is a waste water treatment plant at the facility, tests are taken every week to ensure that the concentration of hazardous substances are kept within the limit of the company's environmental permit.</i> | x   |    |     |
| <b>10.3</b> | Are waste, waste water or emissions in compliance with local environmental regulations?   | X   |    |     |
| <b>10.4</b> | Is waste with the potential to adversely impact human or environmental health stored and disposed of in a responsible manner?<br><i>The company classifies stores and handles waste in a systematic and correct way. Hazardous waste is directly transported and handled by the authorities. There is good documentation of how the waste is handled.</i>   | X   |    |     |
| <b>10.5</b> | Are chemicals properly labeled in local language?   | X   |    |     |
| <b>10.6</b> | Is Material Safety Data Sheet (MSDS) in local language posted where chemicals are stored?<br><i>Information about each chemical is posted where they are stored, in the chemical warehouse. The storage is tidy and well maintained. MSDS are kept in a binder.</i>   | X   |    |     |
| <b>10.7</b> | Is MSDS in local language posted where chemicals are used?<br><i>MSDS are kept in a binder.</i>   | X   |    |     |
| <b>10.8</b> | Is waste water properly treated prior to release in to nature?<br><i>Regular tests are conducted.</i>   | X   |    |     |
| <b>10.9</b> | Does the factory have an emergency plan, including environmental emergencies?   | X   |    |     |

|                         |                 |
|-------------------------|-----------------|
| <b>Non-compliances:</b> | None identified |
|-------------------------|-----------------|



## 11. Corruption

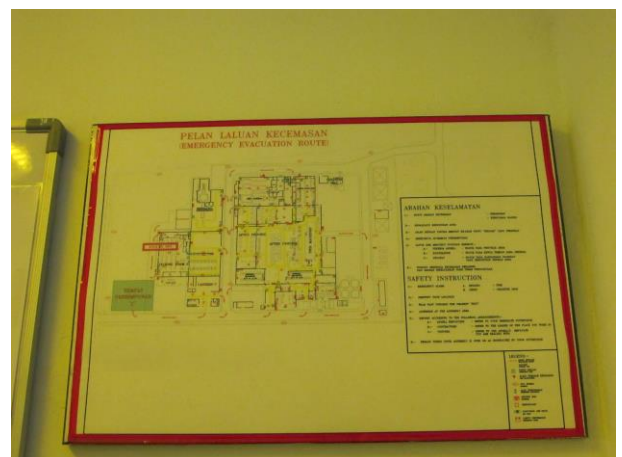
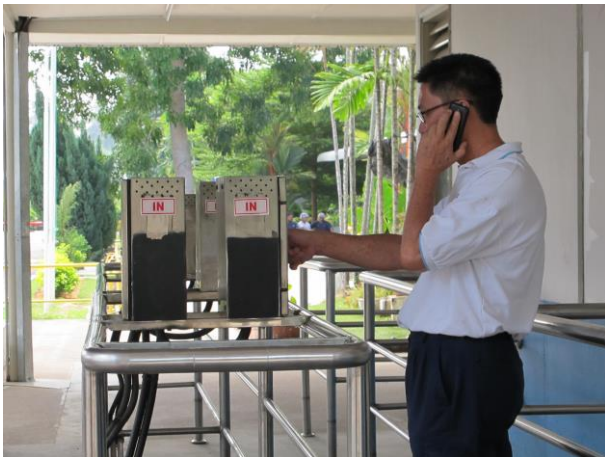
|             |   | YES | NO | N/A |
|-------------|---|-----|----|-----|
| <b>11.1</b> | Does the factory have an anti-corruption policy?<br><i>Corruption is included in the internal corporate Code of conduct.</i>                          | X   |    |     |
|             | If <b>no</b> , are there any plans of developing such a policy?   |     |    | X   |
| <b>11.2</b> | Is the policy communicated to relevant employees?<br><i>All managers have conducted an online training on the internal corporate Code of conduct.</i> | X   |    |     |
| <b>11.3</b> | Is a risk assessment on corruption made?  |     | X  |     |

|                         |                 |
|-------------------------|-----------------|
| <b>Non-compliances:</b> | None identified |
|-------------------------|-----------------|

## Documents reviewed

|  | YES | NO |
|--|-----|----|
| Child labour policy  | (X) |    |
| Anti-discrimination policy                                     |     | X  |
| Anti-harassment policy   |     | X  |
| Environmental policy   | X   |    |
| Employment contract (completed)                                | X   |    |
| Attendance records (showing the hours of work)                 | X   |    |
| Salary sheet   | X   |    |
| Payslips   | X   |    |
| Training records   | X   |    |
| Minutes from meeting between union and management              | X   |    |
| Worker handbook (or similar)<br><i>CBA</i>                     | X   |    |
| Fire certificate   | X   |    |
| Personal files with agreements on loans, written warnings etc. | X   |    |
| Risk assessment on safety and health                           | X   |    |
| Records from water testing in treatment plant                  | X   |    |
| MSDS   | X   |    |
| Leave entitlements   | X   |    |
| Emergency action plan  | X   |    |
| Machinery permits  | X   |    |
| Environmental permits  | X   |    |

Photos





### Non-compliances

