



Survey: Jordan garment sector supply chain due diligence (2018)

Company: New Balance

1. Please explain your approach to mapping human rights risks in your Jordanian supply chain and whether you work with any local partners in doing so.

New Balance is a Participating Buyer in the Better Work program, a collaboration between the International Labor Organization (ILO) and the International Finance Corporation (IFC). Our contract suppliers in Jordan participate in the Better Work program and we utilize Better Work third-party social compliance assessments to identify human rights risks in our suppliers' facilities. New Balance is also a Participating Company and accredited member of the Fair Labor Association (FLA), and through our involvement in FLA and their global work, we inform our mapping of emerging labor and human rights risks globally, such as the integration of Syrian refugees in the garment sector in Jordan.

2a. Does your company have a human rights policy which addresses worker rights in your supply chain?

New Balance has a Supplier Code of Conduct which defines our basic standards and expectations for all suppliers with which we do business. The Code is based on international laws, such as the Universal Declaration on Human Rights and the International Labor Organization (ILO)'s Core Conventions, as well as national and local laws, and addresses the following principles:

- Compliance with laws
- Working conditions
- Hours and wages
- Workplace health and safety
- Prohibition of child labor
- Prohibition of forced labor
- Maintaining a workplace free of discrimination and harassment
- Environmental protection

2b. Does your company have a specific policy prohibiting discrimination and exploitative practices against migrant workers and refugees?

The New Balance Code contains a non-discrimination clause that applies to all workers. In addition, the New Balance Supplier Standards Manual contains detailed guidance on how to implement the Code, including requirements on nondiscrimination specifically as it relates to foreign workers. For example, New Balance requires suppliers to pay foreign workers the same wages and benefits as local workers and in accordance with local laws. New Balance has also established a policy in the Standards Manual for guiding suppliers in Turkey* on employing Syrian refugees and the remediation requirements if Syrian refugee workers to found to be working without a valid work permit.

*As of the date of this survey, the New Balance contract suppliers in Jordan do not employ any foreign labor or Syrian refugees, thus the policy is currently only written for Turkey.

2c. Does your company have a specific policy on migrant worker recruitment that specifies: no payment of recruitment fees, no document confiscation, a written employment contract?

The New Balance Standards Manual contains a section on forced labor, including a "Foreign Worker Policy." The Standards Manual outlines New Balance requirements, including:

- Workers must not pay recruitment fees to the supplier or agent in exchange for employment.
- Suppliers are required to provide workers with all of their personal documents and only maintain copies.
- Suppliers must provide the workers with an employment contract in their native language and the Standards Manual outlines the details that must be included in the contract, such as the contract duration, wages and benefits, and right to terminate the contract early and the fees the supplier will pay for the worker's return trip to their home country.

New Balance Code of Conduct:

http://demandware.edgesuite.net/aagi_prd/on/demandware.static/-/Sites-ne...

The Supplier Standards Manual:

http://demandware.edgesuite.net/aagi_prd/on/demandware.static/-/Sites-ne...

See Appendix C for the New Balance policy on employment of Syrian refugees.

For more information on New Balance Supply Chain Responsibility:

<http://www.newbalance.com/about-new-balance-content-assets/inside-nb-inv...>

3. How many first tier suppliers based in Jordan does your company have and have you traced your supply chain beyond the first tier?

New Balance works with two contract suppliers in Jordan. We have mapped our Tier 2 material suppliers and currently New Balance has no Tier 2 suppliers located in Jordan.

4. What steps does your company take to ensure that your policies and standards are implemented by first tier suppliers and suppliers beyond the first tier in your Jordanian supply chain?

New Balance requires that contract suppliers sign a supply agreement with New Balance before production can begin. The supply agreement stipulates that New Balance must be allowed free access to the suppliers' plant, documents, and workers to inspect and monitor performance against the New Balance Code of Conduct. The New Balance Code of Conduct also applies to any and all subcontractors utilized for our production. In addition, New Balance suppliers in Jordan participate in training and capacity building programs led by Better Work.

5. How does your company monitor the compliance of first tier suppliers and suppliers down the supply chain with your policies and standards?

The New Balance Compliance Program requires that suppliers undergo a compliance audit annually. In Jordan, New Balance is a participant in the Better Work program and all suppliers are audited by Better Work once annually for an

annual assessment and then followed up with two progress assessment visits. New Balance subscribes to the Better Work assessment reports and uses these assessments to evaluate supplier performance against New Balance required standards and follows up directly with the factories on the findings and corrective actions. In addition, a member of the New Balance Global Compliance team visits Jordan at least annually to assess the suppliers first hand on progress and remediation issues and meet with local stakeholders.

6. Please explain how you monitor recruitment systems used by your suppliers to employ migrant labour.

New Balance is currently working in Jordan with two apparel suppliers. One supplier has 160 workers and the other has 460 workers, and in both cases, the workers are comprised of entirely Jordanian nationals. As of February 2018, New Balance does not have migrant labour in our supply chain in Jordan.

7a. In the last year has your monitoring uncovered instances of inadequate, unsafe or unsanitary worker accommodation?

No

7b. In the last year has your monitoring uncovered instances of health & safety violations in the workplace?

Yes

- Chemical Management
 - Chemicals did not have the required Material Safety Data Sheet.
 - Hazardous chemical containers without secondary containment to prevent chemical spilling and mixing.
 - Chemical containers were not disposed properly.

- Factory management presented government certificates for one full-time Occupational Safety and Health (OSH) Technician and one full-time OSH Specialist. However, to be compliant with Jordanian Labor Law, enterprises with 201-500 workers should have two full-time OSH Technicians and one full-time OSH Specialist.
- Factory management presented government certificates for two full-time nurses. However, to be compliant with Jordanian Labor Law, enterprises with 101-500 workers should have at least one full-time doctor and two full-time nurses.
- Air conditioner was not working.

7c. In the last year has your monitoring uncovered instances of workers being forced to work excessive overtime or not paid overtime at the correct rate?

No

7d. In the last year has your monitoring uncovered instances of workers being subjected to sexual harassment or other abuse?

Yes

Workers expressed concerns to the Better Work auditors regarding the behavior of some supervisors who shout and are verbally demeaning to workers to achieve their targets.

8a. In the last year has your monitoring uncovered instances in your supply chain where migrant workers have been charged recruitment fees?

As reported above, New Balance does not currently have any migrant workers in our Jordan supply chain.

8b. In the last year has your monitoring uncovered instances in your supply chain where migrant workers have not been paid the minimum wage (or contractually agreed amount)

As reported above, New Balance does not currently have any migrant workers in our Jordan supply chain.

8c. In the last year has your monitoring uncovered instances in your supply chain where migrant workers have had their passports retained by factories or other agents?

As reported above, New Balance does not currently have any migrant workers in our Jordan supply chain.

8d. In the last year has your monitoring uncovered instances in your supply chain where migrant workers have been deceived in the recruitment process regarding salary level and/or employment conditions?

As reported above, New Balance does not currently have any migrant workers in our Jordan supply chain.

9. What process does your company expect the supplier to follow when breaches of its policies or applicable regulations are identified and how do you verify corrective action has been taken?

Based on the results of the Better Work audit, New Balance asks the supplier to follow the Better Work Improvement Plan and tracks progress by asking the suppliers to update their corrective action plan and provide evidence (e.g., photos, documents, certificates, etc.) of actions taken. The supplier's corrective actions are verified on the ground through the Better Work progress evaluation visits and progress reports and visits by the New Balance compliance team.

Regarding the verbal harassment issue, factory supervisors and middle management received comprehensive supervisory and management skills training conducted by Better Work. Effectiveness of the training and remediation will be verified in the next Better Work progress visit, including worker interviews.

Factories addressed all health and safety issues listed above, with the exception of hiring a full-time doctor, which is currently in progress.

10. How does your company ensure that it engages effectively with workers in its Jordanian supply chain?

Better Work Jordan requires factories to establish a Performance Improvement Consultative Committee (PICC), comprised of worker representatives from each nationality in the factory and factory management. These representatives review and discuss the remediation process for audit findings found in the factory, as well as serve as a channel for raising any worker concerns to the factory's management.

Factories are also required to have a grievance mechanism accessible to workers in their local language. In addition, workers have access to a hotline number to communicate directly with Better Work. New Balance is also establishing a global grievance email where any workers or third parties can directly contact New Balance Global Compliance with questions, concerns and grievances. Members of the New Balance team speak a variety of languages.

11. Do any of your company's suppliers in Jordan currently employ Syrian refugees?

No

12. What (if any) steps is your company taking to help integrate Syrian refugees into your supply chain?

In Jordan, New Balance has engaged with Better Work, the United Nations High Commissioner for Refugees (UNHCR) and the ILO in discussions and raising awareness regarding the proper employment of Syrian refugees. Taken from our experience working on this issue in Turkey, if and when Syrian refugees entered our supplier workforce, New Balance would work with our suppliers to educate workers on their rights and ensure the supplier has a plan for officially integrating a more vulnerable population into the existing workforce.

13. How are you safeguarding (or planning to safeguard) the rights of Syrian refugees working in your supply chain and what steps are you (will you be) taking to ensure other local or migrant workers have decent access to work as employing Syrian refugees becomes more common?

Again, taking from New Balance practices regarding Syrian refugee employment in Turkey, we would apply the same principles from our Code and Standards to ensure that Syrian workers are well informed of their rights, wages and benefits. In the case of Jordan, local workers are protected in that factories can only employ Syrian refugee workers to cover workforce vacancies from either local or foreign workers leaving the factory or to fill new positions. Suppliers are not allowed to replace existing workers with Syrian refugees.

14. How does your company evaluate the impact of its purchasing practices on the capacity of your suppliers or factories in Jordan to ensure decent working conditions including a living wage?

The New Balance apparel sourcing team works with suppliers to communicate on forecasting and order placements so as not to exceed factory capacity. In 2017, New Balance encouraged all footwear and apparel suppliers to participate in the Better Buying project and we are awaiting feedback from the supplier survey to identify areas where we can better improve our purchasing practices.

Regarding fair compensation, New Balance has encouraged equal base wage and overtime payments in Jordan between migrant and local workers through our involvement in discussions with Better Work Jordan and other stakeholders on how to equalize and calculate the difference in payment between local and

migrant workers. Based on the outcome of these discussions, any factories with migrant labor that work with New Balance would be required to comply, at a minimum, with the existing Collective Bargaining Agreement (CBA) between the trade union and garment industry associations.

15. How does your company ensure freedom of association for all workers in its supplier factories in Jordan?

Our factories in Jordan have unions and Collective Bargaining Agreements. Freedom of association is legally limited in Jordan, where the "General Trade Union of Workers in Textile, Garment & Clothing Industries" is the only legally approved trade union. Workers are not allowed to form their own trade union and the union represents all workers regardless of their nationality.

As previously mentioned, through the Better Work Jordan program, suppliers are required to establish PICCs which consist of worker representatives from every nationality. The PICC structure helps to foster worker dialogue and provides another channel for addressing and discussing workers' issues with factory management.

16. Please provide any further information regarding your company's activities in Jordan which you think are relevant.

Company provided no additional information.