FLA Audit Profile		IEV Profile
Country	India	India
Factory name	360332006D	360332006DV
IEM Monitoring Org	IEVCPSI	Level Works
Date(s) in facility	October 10, 2005	September 21, 2011
PC(s)	Nike, Inc.; Reebok International, Ltd.; Puma	Nike, Inc., Puma
Number of workers	69	205
Product(s)	Socks	Socks
Production processes	Knitting, Sewing, Linking, Pressing, Packing	Knitting, Sewing, Linking, Pressing, Packing

			IEM Findings					Remediation					Status	Updates	Updates		Status	Updates		Status	Updates		Status	Third-Party Verification		Company Verification Follow Up		Updates		Status
FLA Code/Compliance Issue	Country Law/Legal Reference	FLA Benchmark	Noncompliance	Risk of Noncompliance	Evidence of Noncompliance (Uncorroborated)	If Not Corroborated, Explain Why	Documentation Used for Corroborating	Notable Features	PC Remediation Plan	Target Completion Date	Factory Response (Optional)	Company Follow Up (December 13, 2005)	Documentation	Completed, Pending, Ongoing	Company Follow Up (July 2006)	Company Follow Up (July 10, 2008)	Documentation	Completed, Pending, Ongoing	Company Follow Up (May 2010)	Documentation	Completed, Pending, Ongoing	Company Follow Up (January 4, 2011)	Documentation	Completed, Pending, Ongoing	External Verification (September 21, 2011)	Documentation	Company Follow Up (Puma)	Documentation	Company Follow Up (Nike) (November 22, 2011)	Documentation	Completed, Pending, Ongoing
1. Code Awareness																														
2. Forced Labor																														
There will not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise.																														
3. Child Labor																														
No person will be employed at an age younger than 15 (or 14 where the law of the country of manufacture allows) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15.																														
Age Documentation	According to Item 1(a) Schedule 1ll of The Industrial Employment (SO) Central Rules 1946, Every workman shall indicate his exact date of birth to employer or the officer authorized by him in this behalf, at time of entering service of establishment. (e.g. matriculation certificate, certified copy of date of birth as recorded in the registers of a municipality, local authority or panchayat or register of birth, or doctors certificate or affidavit.)	Employees will maintain proof of age documentation for all workers, such as a birth certificate, which verifies date of birth.	Age proof records were missing/not valid in 3 out of 25 files reviewed.				personnel files review		Factory management to attach photographs of workers to all dental records in personnel files, and obtain the signature of a dental surgeon in order to attest that photographs match dental records. In case of affidavit, it shall be replaced with valid age proof as per HR standards. (See also "Company Follow Up" section for more information.)	1/1/2006		Files of 81 workers inspected in order to verify findings. 10 files contained dental certificates without photos of workers and 1 file contained an affidavit as proof of age.	personnel files review	Completed	Company conducted dental tests again on workers and obtained dental certificates along with the certification of dental doctor regarding age proof. All dental certificates are updated with photos which are certified by doctor.	Personnel files reviewed confirmed that some files have school certificate as age proof and other files have doctor's certificate with photograph and doctor's signature.	record review	Completed							**Completed:** Record review confirmed that Factory maintains copies of age proof documentation in the form of dental certificates or school certificates in the personnel file of each worker.	record review					
4. Harassment or Abuse																														
Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment of abuse.																														
5. Nondiscrimination																														
No person will be subject to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.																														
6. Health and Safety																														
Employers will provide a safe and healthy working environment to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employer facilities.																														
Health & Safety Management System	Maharashtra Factories Rules, 1963; Schedule 73J Safety Committee	The health and safety policy shall contain the framework for a comprehensive health and safety management system within which employers' responsibilities and workers' rights and duties, various responsibilities of designated personnel, procedures that enable workers to raise health and safety concerns and procedures for reporting death, injury, illness and other health and safety issues (for instance, near-miss Accidents) are clear and notably tested and reviewed.																											**New Finding:** Factory does not have a Health and Safety Committee and a documented Health and Safety Policy (as per Maharashtra Factories Rules 1963, 73J).	document review, management interview	**Completed:** Factory had formed H&S committee in the month of October 2011 and now holds works committee meetings, once every month. However, it is recommended that the worker representatives be increased by at least two and from the group of workers hired through contractors.	meeting minutes	
Fire Safety - Health and Safety Legal Compliance	According to Section 38 (1 & 2) of The Factories Act, 1948, Every factory shall provide and maintain (1) a) safe means of escape for all persons in event of fire and b) necessary equipment and facilities for extinguishing fire. 2) effective measures shall be taken to ensure that in every factory all workers are familiar with means of escape in case of fire and have been adequately trained in routine to be followed in such cases.	Employer will comply with applicable health and safety laws and regulations. In any case where laws and code of conduct are contradictory, the higher standards will apply. The factory will possess all legally required permits.	Operating instructions in local language on/near fire extinguishers were missing in few places in production areas and fire extinguishers were blocked in 2 locations in store and production area.			visual observation, factory tour		Factory had already partially remediated this issue by posting fire extinguisher operating instructions. PC verified completion during follow-up visit. Factory to ensure all fire extinguishers are unblocked and easily accessible to workers in case of emergency, in accordance with local health and safety regulations.			Fire extinguisher operating instructions in local languages posted in production areas and near stores during a follow-up visit to the factory.	photographs taken by PC auditor	Completed												**Completed:** Operating instructions for fire extinguishers were posted in the local language on the production floor near. Also all fire extinguishers were unblocked.	visual observation					
Evacuation Procedure	According to Section 40(3) of The Factories Act, 1948, Each first aid box or cupboard shall be kept in charge by a separate responsible person (who holds certificate in first aid treatment recognized by state government) who shall always be readily available during working hours of factory.	All applicable legally required or recommended elements of safe evacuation (posting of evacuation plans, unblocked aisles/exits, employee education, evacuation procedures, etc.) shall be complied with and workers shall be trained in proper safety, first aid, and evacuation procedures.	Adequate number of workers not trained in first aid treatment. 1 worker trained in first aid treatment, but was absent on day of audit.			document review, management and worker interview		Factory has already remediated this issue. PC will verify completion during next follow-up visit.			Management presented documentation confirming a list of workers that had been trained in first aid by an authorized medical center.	copy of letter from authorized medical center kept on file in factory	Completed	Letter from medical center acknowledging attendance of workers has been received post training.												**Completed:** Training records confirmed that a list of workers have received first aid training from a reputed institute.	record review, management interview					
Evacuation Procedure	According to Rule 68(1b) of The Model Rule of The Factories Act, 1948, Fire fighting drills shall be held as often as necessary and at least once in every period of 2 months.	All applicable legally required or recommended elements of safe evacuation (posting of evacuation plans, unblocked aisles/exits, employee education, evacuation procedures, etc.) shall be complied with and workers shall be trained in proper safety, first aid, and evacuation procedures.	Fire drill is conducted once in a period of 3 months.			document review, management interview		Currently, factory conducts 4 fire drills per year. In the future, factory shall conduct 6 fire drills per year in accordance with local law. Verification shall be submitted to all brands.	Ongoing		PC auditor met with factory management and reviewed legal and documentation requirements, and documented that currently 4 fire drills are conducted.		Completed	Per recommendation of PCs, an auditor company is conducting 1 fire drill every 2 months since audit. Last dates on which fire drills were conducted were 20.7.06, 21.05.06, 18.03.06.	During visit to factory, it was observed that factory is still conducting only 4 fire drills per year, instead of 6 fire drills.	record review	Pending	Facility conducted evacuation drills every 2 months as observed in drill records maintained. Records have date, number of workers participating, description of evacuation drill and time taken to evacuate. Photos maintained and were provided for review. Employees in interviews confirmed that they participated in evacuation drills on a regular basis.	employee interviews, document review	Completed												**Completed:** The factory conducts evacuation drills every two months. Records were maintained for the same. Worker discussions confirmed participation in the drills.	record review, worker interview					
Evacuation Procedure	According to Section 38 (1 & 2) of The Factories Act, 1948, Every factory shall provide and maintain (1) a) safe means of escape for all persons in event of fire and b) necessary equipment and facilities for extinguishing fire. 2) effective measures shall be taken to ensure that in every factory all workers are familiar with means of escape in case of fire and have been adequately trained in routine to be followed in such cases.	All applicable legally required or recommended elements of safe evacuation (posting of evacuation plans, unblocked aisles/exits, employee education, evacuation procedures, etc.) shall be complied with and workers shall be trained in proper safety, first aid, and evacuation procedures.	Workers are not trained in fire fighting techniques.			document review, management interview		Factory has already remediated this issue, and PC verified completion during follow-up visit.	Completed		PC monitor visited factory and found that management has trained a number of workers in fire fighting techniques.	list of workers who received fire fighting training, photos of training found in factory records	Completed												**Completed:** Document review confirmed that a list of employees have attended a fire fighting training, and worker discussion revealed that they were aware about the usage of fire extinguishers and the fire fighting trained personnel.	record review, worker discussion					
Evacuation Procedure	According to Section 38 (1 & 2) of The Factories Act, 1948, Every factory shall provide and maintain (1) a) safe means of escape for all persons in event of fire and b) necessary equipment and facilities for extinguishing fire. 2) effective measures shall be taken to ensure that in every factory all workers are familiar with means of escape in case of fire and have been adequately trained in routine to be followed in such cases.	All applicable legally required or recommended elements of safe evacuation (posting of evacuation plans, unblocked aisles/exits, employee education, evacuation procedures, etc.) shall be complied with and workers shall be trained in proper safety, first aid, and evacuation procedures.	Evacuation plan is not posted in the factory.			visual observation, factory tour		Factory has already remediated this issue, and PC verified completion during follow-up visit.	Completed		PC auditor observed during a follow-up visit that factory has posted evacuation plan in all required places.	verification photos	Completed												**Completed:** Factory has posted evacuation plan in the local language on the production floor and on the notice board at the entrance.	visual observation					
Safety Equipment	According to Rule 68 f(iii) of The Modelt Rules of The Factories Act, 1948, The exits shall be clearly visible and suitably illuminated with suitable arrangement, whatever artificial lighting is to be adopted for this purpose, to maintain the required illumination in case of failure of the normal source of electric supply.	All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be in place, maintained as prescribed and accessible to the employees.	Factory has installed emergency light above/near staircases; however, it light missing on 1 staircase leading to first floor.			visual observation, factory tour		See also "Company Follow Up" section for more information. Factory management shall install continual backup power sources for all emergency lights. An emergency light will be installed at emergency door in packing division and in staircase leading to the first floor.	1/1/2006		PC monitor found factory had installed emergency lights in staircases; however, an emergency light was still missing in 1 staircase leading to first floor. An exit on packing floor was missing a light. Factory management confirmed that they are in the process of installing an inverter for emergency power backup in the factory.		Completed	Emergency light is installed in packing area. Light is also provided at staircase area. Backup power source installed.	Factory has installed emergency lights with battery backups in all stairs and at exit in packing section. However, factory still needs to install emergency lights with battery backup at exits in knitting room (back side exit), linking section and embroidery section.	factory walkthrough	Ongoing	Factory walkthrough confirmed that factory had installed emergency light with battery backup at exits in knitting room, linking section and embroidery section.	factory walkthrough	Completed												**Completed:** Factory walk through confirmed that the emergency lights were installed in all the sections of the factory.	visual observation					
Safety Equipment	According to Section 38 (1a) of the Factories Act, 1948, every factory shall provide and maintain safe means of escape for all persons in the event of fire.	All safety and medical equipment (fire fighting equipment, first aid kits, etc.) shall be in place, maintained as prescribed and accessible to the employees.	Emergency exit in finishing and packing section was locked and blocked.			visual observation, factory tour		Factory has already remediated this issue, and PC verified completion during follow-up visit.	Completed		During follow-up visit, PC monitor found area cleared and unlocked.	photos taken to document corrective action	Completed	During fire evaluation and safety training, all workers were informed to keep all aisles unblocked and all emergency exits unlocked.												**Completed:** The emergency exit in the packing and finishing section were open and unblocked.	visual observation					
Safety Equipment	According to Section 40(1) of The Factories Act, 1948, There shall in every factory be provided and maintained so as to be readily accessible during all working hours first aid boxes or cupboards equipped with prescribed contents and number of such boxes or cupboards to be provided and maintained shall not be less than 1 for every 150 workers ordinarily employed (at any 1 time) in factory.	All safety and medical equipment (fire fighting equipment, first aid kits, etc.) shall be in place, maintained as prescribed and accessible to the employees.	First aid boxes were missing minimum supplies like gloves, scissors and eye wash, etc.			visual observation, factory tour		Management shall post pictures of trained first aid attendants at box near production floor. Factory should develop a system for constantly keeping first aid kits stocked properly. System should include person(s) designated responsible for checking kits regularly and a plan for restocking automatically after an incident has occurred.	1/31/2006		During a follow-up visit, PC monitor found all first aid boxes properly equipped, but box on production floor found missing pictures of first aid attendants.		Completed	Photos of trained medical attendants have been posted at all first aid boxes. A list of regular contents in medical box has been posted at each unit and will be inspected by compliance factory manager weekly.	During visit to factory it was observed that factory has posted names and photographs of first aid trained personnel near first aid box.	factory walkthrough	Completed											**Ongoing:** Two First Aid boxes in the Machine Room No. 2 were empty and did not have any first aid supplies or medicines (as per Maharashtra Factories Rules, 1963 section 73W).	visual observation	**Completed:** All first aid kits were found adequately stocked.	visual observation			
Safety Equipment	According to Section 7A (2b) of The Factories Act, 1948, Every occupier should have arrangement in factory for ensuring safety and absence of risk to health in connection with use, handling, storage and transport of articles and substances.	All safety and medical equipment (fire fighting equipment, first aid kits, etc.) shall be in place, maintained as prescribed and accessible to the employees.	Safety instructions were not posted near pressing machines.			visual observation, factory tour		Factory has already remediated this issue, and PC verified completion during follow-up visit.	Completed		Safety instructions found posted during physical verification of factory by PC monitor.		Completed												**Completed:** Safety instructions were posted near the pressing machines.	visual observation					
Chemical Management	According to Section 41 B(1) of The Factories Act, 1948, The occupier of every factory involving chemical or other process in manufacture shall specified all information regarding dangers, including health hazards and measures to overcome such hazards arising from exposure to or handling of materials or substances in manufacture or transportation, storage and other processes, to workers employed in factory, chief inspector, local authority within whose jurisdiction factory is situate and general public in vicinity.	All chemicals and hazardous substances should be properly labeled and stored in accordance with applicable laws. Workers should receive training, appropriate to their job responsibilities, in safe use of chemicals and other hazardous substances.	Material Safety Data Sheets (MSDS) not posted for few chemicals used by factory near generator room.			visual observation, factory tour		Factory to post MSDS sheets in language of workers for chemicals in factory near generator room.	1/31/2006		Factory has tabeled cans of diesel in generator room. No other chemical found during physical verification. Remediation plan to post MSDS still in place.	photos of labeled diesel cans taken	Completed	Diesel cans have been labeled and safety instructions in local language posted in room. Door to room is locked and only key holder is head priv. As no MSDS received from diesel supplier, factory developed instructions regarding handling, safety and disposal for diesel and posted in local language.	Factory has labeled all chemicals near generator room; however, MSDS still not posted for individual chemicals. Factory to post MSDS for individual chemicals, which will be verified during next visit.	factory walkthrough	Pending	There are no chemicals stored in generator room or in any other room for that matter. Factory, as observed in walk through, has shifted the generators outside the premises. In addition, per meeting between PCs and factory management, it was noted that factory is using diesel and solfenet. MSDS for both substances have been submitted to PC and posted in storage area.	factory walkthrough	Completed												**Completed:** It was observed that the Factory does not use any chemicals any more.	visual observation, management discussion					
Chemical Management	According to Section 7A (2b) of The Factories Act, 1948, Every occupier should have arrangement in factory for ensuring safety and absence of risk to health in connection with use, handling, storage and transport of articles and substances.	All chemicals and hazardous substances should be properly labeled and stored in accordance with applicable laws. Workers should receive training, appropriate to their job responsibilities, in safe use of chemicals and other hazardous substances.	Access control was not adequate, where chemicals and diesel were stored [near Generator Room].			visual observation, factory tour		Factory to complete construction of a concrete access path to generator room.	1/31/2006		During follow-up visit, PC monitor found that factory had made a rough road to reach generator room on a temporarily basis and shall soon construct a concrete path.	verification photos taken	Pending	Proper pathway has been provided so as to reach generator room safely. Once construction is complete at factory, pathway will be replaced with concrete.	Factory has made a road with tiles for easy movement in order to access generator room.	factory tour	Completed												**Completed:** Factory has shifted the generators on the terrace and no explosive chemicals have been stored around the generator as the factory doesn't use explosive chemicals anymore.	visual observation					
Workers committee	Industrial Disputes Act 1947 Section 3: WORKS COMMITTEE. - (1) In the case of any industrial establishment in which one hundred or more workmen are employed or have been employed on any day in the preceding twelve months the appropriate Government may by general or special order require the employer to constitute in the prescribed manner a Works Committee																								**New Finding:** The workers in the washing department were not provided with appropriate PPE like apron and boots for working at the machines. Also, workers in the machine rooms were not provided with ear plugs (as per Maharashtra Factories Rules, 1963; Schedule II (5).	visual observation, worker interview	**Completed:** Workers were provided with the proper PPE, they have been trained on their use and they were wearing it during the audit as recommended.				
7. Freedom of Association and Collective Bargaining																														
Employers will recognize and respect the right of employees to freedom of association and collective bargaining.																														
Workers committee	Industrial Disputes Act 1947 Section 3: WORKS COMMITTEE. - (1) In the case of any industrial establishment in which one hundred or more workmen are employed or have been employed on any day in the preceding twelve months the appropriate Government may by general or special order require the employer to constitute in the prescribed manner a Works Committee consisting of representatives of employers and workmen engaged in the establishment so however that the number of representatives of workmen on that Committee shall not be less than the number of																								**New Finding:** Factory does not have an active Workers Committee since January 2011, as no committee meeting records were available, also workers were not aware about the committee representatives (reqd. as per Industrial Disputes Act 1947 Section 3).	management and worker interviews, record review	**Completed:** Factory management had formed Works Committee in the month of October 2011 and now holds works committee meetings, once every month. This was verified with workers during interviews. However, it is recommended that the worker representatives be increased by at least two and from the group of workers hired through contractors.	meeting minutes, worker's interviews			

			IEM Findings					Remediation						Status	Updates		Status	Updates		Status	Updates		Status	Third-Party Verification		Company Verification Follow Up		Updates		Status
FLA Code/Compliance Issue	Country Law/Legal Reference	FLA Benchmark	Noncompliance	Risk of Noncompliance	Evidence of Noncompliance (Uncorroborated)	If Not Corroborated, Explain Why	Documentation Used for Corroborating	Notable Features	PC Remediation Plan	Target Completion Date	Factory Response (Optional)	Company Follow Up (December 13, 2005)	Documentation	Completed, Pending, Ongoing	Company Follow Up (July 2006)	Documentation	Completed, Pending, Ongoing	Company Follow Up (July 10, 2006)	Documentation	Completed, Pending, Ongoing	Company Follow Up (May 2010)	Documentation	Completed, Pending, Ongoing	Company Follow Up (January 4, 2011)	Documentation	Completed, Pending, Ongoing	External Verification (September 21, 2011)	Documentation	Company Follow Up (Pune)	Documentation	Company Follow Up (Nike) (November 22, 2011)	Documentation	Completed, Pending, Ongoing
8. Wages and Benefits																																	
Employers recognize that wages are essential to meeting employees' basic needs. Employers will pay employees, as a base, at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and will provide legally mandated benefits.																																	
Accurate Recording of Wage Compensation	According to Section 3 of The Payment of Wages Act, 1936, every employer shall be responsible for payment to persons employed by him of all wages required to be paid.	All hourly wages, piecework, bonuses, and other incentives will be calculated and recorded accurately.	Factory applying wrong calculation formula to compute monthly wage for workers. Wages of monthly wage workers calculated using formula of wage calculation for daily wage workers.				document review, payroll analysis		1) Factory to begin utilizing correct wage calculation formula immediately. 2) Factory to calculate underpayment to workers based on improper calculation from November 2005 forward, and to make back payments in January 2006 to correct underpayment.	1/31/2006		PC monitor visited factory, verified by reviewing one of workers' payroll records dated November 2005. The formula used for monthly wages is wrong; reviewed with factory management how to calculate wages using appropriate formula.		Completed	As per recommendation given by PC auditor regarding calculation of monthly wages, same has been implemented from month of November 2005 onwards. Arrears of November paid separately. Date completed: 20/12/05		Pending	During audit, various documents and records relating to monthly wages requested and reviewed. Wages calculated in accordance with relevant laws. Payment of Wages Act (legal requirements on payment date). Minimum Wages Act (legal requirements on minimum wage) and Factories Act (OT calculation legal requirements). Relevant state rules pertaining to wages also followed. OT computed as mandated and paid at premium rate. Employees did not report any inconsistency from records provided and reviewed. Factory is computing monthly wages in proper manner as required by Minimum Wages Act. Finally, back payments for OT were made between August 12 and September 23, 2005 in February 2006. Factory management also submitted payment registry for back	documentation review, employee interviews	Completed	Wages calculated in accordance with relevant laws such as Payment of Wages Act (legal requirements on payment date) and Minimum Wages Act (legal requirements on minimum wage). Though OT payment computed and paid double wages, factory not found to be including HRA (House Rent Allowances) component for calculation of OT payments as required by Section 59 of Indian Factories Act 1948. Factory has agreed to include HRA (House Rent Allowances) also for computation of OT wages for immediate implementation.	record review, management interview	Pending	**Completed:** Factory uses the correct formula for calculating wages for workers. Record review confirmed that factory includes HRA component for calculating overtime wages.	record review, management interview			Factory was found to be including HRA (House Rent Allowance) component for calculation of overtime payments as required by Section 59 of Indian Factories Act 1948. Wage records reviewed for August, September and October 2011 confirmed that HRA (House Rent Allowance) component was included for the calculation of overtime payments, which is double the wages.	record review, worker and management interviews	Completed
Record Maintenance	According to Section 13A (1) of The Payment of Wages Act, 1936, Every employer shall maintain such register and records giving such particulars of persons employed by him, work performed by them, wages paid to them, deductions made from their wages, receipts given by them and such other particulars and in such form as may be prescribed.	All legally required payroll documents, journals and reports will be available complete, accurate and up-to date. (In the United States terms this would include W-4s, I-9s, green cards, 940s and supporting material.)	Inconsistency found in wage records. Documents maintained by factory in production areas showed work performed on weekly days off, but same not recorded in time records provided by factory, and records of payments of OT wages for those days not included in payroll records.				production records review, time records review, wage records review		Management shall fully investigate and compute underpayment of wages and pay workers back wages in January 2006 for underpayment. In addition, management shall implement to ensure all hours worked documented accurately and workers paid appropriate wage rate for all hours worked. Management to submit plan to brands for adjustments in current system in order to ensure that this occurs, and brands will respond with any feedback as necessary.	1/31/2006		During follow-up visit to factory, PC auditor reviewed records and corroborated finding. Specifically, PC auditor found workers in packing division performed work August 12 and September 23, 2005, but these dates were not recorded in time and payroll records.	packing division records viewed	Completed	PC auditors found packing department workers had performed work on August 12 and September 23, 2005 but were not paid. Factory provided back payments to workers for underpayment. Management has strengthened internal control systems and trained all staff and workers on need for accurate recording of all working hours. All workers retrained to use electronic timekeeping at time of entry and exit. Date completed: 1/2/06	During visit to factory, it was observed that some workers found to be working on rest days in months of May and June 2008; the work is not reflected in working hours record and wage register.	worker and management interviews	Pending	Contract employees never conduct OT work either on weekdays or on rest days. Some permanent employees, approximately 5%, conducted work on rest days. Some permanent employees, approximately 5%, work on rest days (approximately 1 rest day a month). This was clearly reflected in time records. These employees provided with compensatory day off, which is also clearly reflected in time records. There was no instance of rest day work, which was not reflected in time records. Employees reported that when worked OT, they punched their time cards. OT has come down drastically in last 3-6 months. Finally, factory has made back payments for work performed on rest days on August 12 and September 23, 2005 and has submitted payment record as evidence.	documentation review, employee interviews	Completed	Manual OT records maintained by factory for OT worked after 2 hours of OT and for rest day work, confirmed that out of approximately 235 workers, 11 worked over 60 hrs OT in December 25, 2010; 10 workers worked 4 hours OT December 24, 2010, which was rest day. This OT work not recorded in time recording electronic system. Also, factory did not submit manual OT records for all months; hence, actual work hours, including all OT and wages paid in lieu of all OT work, could not be verified. Factory should record all work hours, including all OT hours, in 1 record through time recording electronic system; also all wages, including all OT wages, need to be calculated and paid. Finally, records of all work hours and wages need to be made available for review at time of audit.	record review, worker interviews	Pending	**Completed:** Factory records all the hours of work including overtime in the electronic time keeping system. Records of all working hours and wages were made available for review at the time of audit.	record review, worker interviews			Factory found to be maintaining all work hours and payments in a single record. Work hours and wage records reviewed for August, September and October 2011 confirmed all work hours, including all OT, maintained in electronic time recording system and corroborated with other manual records, such as production record, etc., no discrepancy found. All wages, including all OT wages, calculated and paid to workers based on electronic time record system. However, 4 to 6 linking operators found to work an average of 3.5 OT hours in August and September 2011; factory not found to pay OT payments as required by Sec 59, Indian Factories Act 1948 to these workers, not including OT payments of linking operators in payroll. Work hours and wage records of all workers made available for review at time of audit. Factory agreed to calculate back wages of OT payments to linking operators and submit document evidence to adidas SEA for review by end of February 2012.	record review, worker interviews	Pending
Accurate and Timely Payment of Wages	The Minimum Wages Act, 1948 - Where in respect of any scheduled employment a notification under section 5 is in force the employer shall pay to every employee engaged in a scheduled employment under him wages at a rate not less than the minimum rate of wages fixed by such notification for that class of employees in that employment without any deductions except as may be authorized within such time and subject to such conditions as may be prescribed. The Payment of Wages Act, 1936 - Section 5 Time of Payment of Wages	All wages, including overtime compensation shall be paid within legally defined time limits. When no time limits are defined by law, compensation shall be paid at least once a month. Minimum Wage: Employers shall pay workers at least the legal minimum wage or the prevailing industry wage, whichever is higher.																										**New Finding:** The Payroll records for the security guards from the Trig Security Agency were not available hence issues related to minimum wage and timely payment could not be corroborated (reqt. as per The Payment of Wages Act, 1936 and The Minimum Wages Act, 1948).	management and worker interviews	**Ongoing:** Factory is in the process of finalizing new terms and conditions with the security agency.				
9. Hours of Work																																	
Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least one day off in every seven days worked.																																	
Overtime Limitations	According to Section 64 (4) of Factories Act, 1948, In making rules under this section, State Government shall not exceed, except in respect of exemption under clause (a) of subsection (2) the following limits of work inclusive of OT: (i) total number of hours of work in any day shall not exceed 10, (ii) the spread over, inclusive of intervals for rest, shall not exceed 10 hours, (iii) no adult worker shall numbers of hours in a week, including OT, shall not exceed 60, (iv) total number of hours of OT shall not	Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by law of the country of manufacture or, where the laws of such country will not limit hours of work, the regular workweek in such country plus 12 hours overtime; and (ii) be entitled to at least 1 day off in every 7 day period, except in extraordinary business circumstances and except in emergencies or in the case of urgent work or exceptional work, which must be paid for at a premium rate, except in a temporary period of extra work that could not have been anticipated or alleviated by other reasonable efforts.	Security guards are working in 2 shifts of 12 hours each, which means overtime of 4 hours a day.				review of in and out time records; interview		Factory management is in process of changing to new security agency, which will comply with Human Rights standards. Further investigation required concerning what specific changes will be made.	1/1/2006		Brands to follow up in future visit to verify that change in security company has resulted in desired change.		Pending	Regular security agency matters are still under negotiation to appoint new security agency; but due to lack of available good quality security agencies operating in [Town name], matter still remains unresolved. However; guards are compensated with premium OT pay. Company is in process of installing new security agency, as existing one is not ready to carry out required changes. If they agree to changes, the same will be continued.	During visit to factory, it was observed that security guards are working 8 hour shifts on a daily basis.	record review, worker interviews	Completed												**Pending:** Time records and worker discussions revealed that the security guards were exceeding OT limits. The management reported that the issue arises because they do not have enough staff to relieve them when their duty ends. Hence there were occasions when security guards were found to be working for 2 shifts at a stretch. The PC auditor's management discussion revealed that the five security guards, would mutually decide and remain absent once	management and worker interviews, document review	**Ongoing:** Factory is in the process of finalizing new terms and conditions with the security agency.				
Overtime Limitations	According to Section 52(1) of Factories Act, 1948, No adult worker shall be required or allowed to work in factory on first day of week (hereinafter referred to as the said day), unless: (a) he has or will have holiday for whole day on 1 of 3 days immediately preceding the said day; and (b) notice of the factory has, before said day or substituted day under clause (a), whichever is earlier, (i) delivered notice at office of Inspector of his intention to require worker to work on said day and of day which is to be substituted, and (ii) displayed notice to that effect in factory.	Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by law of the country of manufacture or, where the laws of such country will not limit hours of work, the regular workweek in such country plus 12 hours overtime; and (ii) be entitled to at least 1 day off in every 7 day period. An extraordinary business circumstance is a temporary period of extra work that could not have been anticipated or alleviated by other reasonable efforts.	Security guards not provided with weekly off. Security guards work 7 days a week, without any weekly days off, also.				review of in and out time records; interview		Management is in process of changing to new security agency, which will comply with Human Rights standards. Further investigation required concerning what specific changes will be made.	1/1/2006		Brands to follow up in future visit to verify that change in security company has resulted in desired change.		Pending	Factory is still looking for new security agency that will agree to comply with local law, PC and FLA standards. There is a lack of availability of good quality security agencies operating in this region. Further follow up required.	During visit to factory it was observed that security guards provided with 1 rest day followed by 6 consecutive work days. However, sustainability needs to be verified during visits.	record review	Completed	Management could not provide time and payroll records for security guards; hence, actual work hours and compensation for security guards could not be verified. Verification required in order to verify previous concerns relating to work hours of security guards. Management discussion revealed that, the security guards, mutually decide and remain absent once a week (reqt. as per Factories Act, 1948).	worker interviews, document review	Pending	**Pending:** Time records and worker discussions revealed that all the security guards were not given weekly offs as they did not have enough staff to relieve them when their duty ends. Management discussion revealed that, the five security guards, mutually decide and remain absent once a week (reqt. as per Factories Act, 1948).	management and worker interviews, document review	**Ongoing:** Factory is in the process of finalizing new terms and conditions with the security agency.		Time and payroll records of security guards submitted for review at time of visit. Work hours record review for August, September and October 2011 confirmed that security guards found to work on rest days in August, September and October 2011 without any weekly rest days. For example, 1 security guard found to work all his rest days in October 2011 without any weekly rest day. Factory should make sure that all security guards are provided 1 rest day followed by 6 consecutive work days.	record review, worker interviews	Pending
Overtime Limitations	According to Section 13A (1) of The Payment of Wages Act, 1936, Every employer shall maintain such register and records giving such particulars of persons employed by him, work performed by them, wages paid to them, deductions made from their wages, receipts given by them and such other particulars and in such form as may be prescribed.		Documents maintained by factory in production areas showed work performed on weekly days off, but same not recorded in time records provided by factory.				review of in and out time records; interview		Management to develop a system to ensure that all hours worked documented accurately and that workers paid appropriate wage rate for all hours worked. Management to submit plan to brands for adjustments in current system in order to ensure that this occurs, and brands will respond with any feedback as necessary.	1/31/2006		During follow-up visit to factory, PC auditor reviewed records and corroborated finding. Specifically, PC auditor found that workers in packing division performed work on August 12 and September 23, 2005, but these dates not recorded in time and payroll records.	Packing division records viewed by PC auditor	Completed	Per PC auditors findings that packing department workers worked August 12 and September 23, 2005, workers have been paid and updated on record. Management has strengthened internal control systems and trained all staff and workers on need for accurate recording of all work hours. All workers retrained to use electronic timekeeping at time of entry and exit. Date completed: 1/2/06	During visit to factory, some workers found to be working on rest days in months of May and June 2008, which is not reflected either in salary registers or in working hour records.	management and worker interviews	Pending	Review of documents revealed that contract employees never conduct OT work, either on weekdays or rest days. Some permanent employees, approximately 5%, work on rest days (approximately 1 rest day a month). This was clearly reflected in time records. These employees provided with compensatory day off, which is also clearly reflected in time records. There was no instance of rest day work that was not reflected in time records. During interviews, employees reported that when they worked OT, they punched their time cards.	Documentation review, employee interviews	Completed	Manual OT records maintained by factory for OT worked after 2 hours of OT and for rest day work, confirmed that out of approximately 235 workers, 11 found working 8 hours OT December 25, 2010; 10 workers found working 4 hours OT December 24, 2010, which was a rest day. This OT work not recorded in time recording electronic system. Additionally, factory did not submit manual OT records for all months; hence, actual work hours, including all OT and wages paid in lieu of all OT work, could not be verified. Factory should record all work hours, including all OT hours in 1 record through time recording electronic system; also, all wages, including all OT wages, need to be calculated and paid. Finally, records of all work hours and wages need to be made available for review at time of audit.	record review; worker and management interviews	Pending	**Completed:** Factory records all the hours of work including overtime in the electronic time keeping system. Records of all working hours and wages were made available for review at the time of audit	record review			Factory found to be maintaining all work hours and payments in a single set of records. Work hours and wage records reviewed for August, September and October 2011 confirmed all work hours, including all OT, are maintained in electronic time record system; this was corroborated with other manual records, such as production record, etc., no discrepancy found. All wages, including all OT wages, calculated and paid to workers based on information in electronic time recording system. However, 4 to 6 linking operators found to work an average of 3.5 hours of OT in August and September 2011; factory not found to pay OT payments as required by Sec 59, Indian Factories Act 1948 to these workers. Work hours and wages records of all workers made available for review at time of audit. Factory has agreed to calculate back wages of OT payments to linking operators and	record review, worker interviews	Pending

			IEM Findings						Remediation					Status	Updates	Updates		Status	Updates		Status	Updates		Status	Third-Party Verification		Company Verification Follow Up		Updates		Status
FLA Code/Compliance Issue	**Country Law/Legal Reference**	**FLA Benchmark**	**Noncompliance**	**Risk of Noncompliance**	**Evidence of Noncompliance (Uncorroborated)**	**If Not Corroborated, Explain Why**	**Documentation Used for Corroborating**	**Notable Features**	**PC Remediation Plan**	**Target Completion Date**	**Factory Response (Optional)**	**Company Follow Up (December 13, 2005)**	**Documentation**	**Completed, Pending, Ongoing**	**Company Follow Up (July 2006)**	**Company Follow Up (July 10, 2006)**	**Documentation**	**Completed, Pending, Ongoing**	**Company Follow Up (May 2010)**	**Documentation**	**Completed, Pending, Ongoing**	**Company Follow Up (January 4, 2011)**	**Documentation**	**Completed, Pending, Ongoing**	**External Verification (September 21, 2011)**	**Documentation**	**Company Follow Up (Puma)**	**Documentation**	**Company Follow Up (Nike) (November 22, 2011)**	**Documentation**	**Completed, Pending, Ongoing**
10. Overtime Compensation																															
In addition to their compensation for regular hours of work, employees will be compensated for overtime hours at such premium rate as is legally required in the country of manufacture or, in those countries where such laws will not exist, at a rate at least equal to their regular hourly compensation.																															
OT Compensation	According to Section 13A (1) of The Payment of Wages Act, 1936, Every employer shall maintain such register and records giving such particulars of persons employed by him, work performed by them, wages paid to them, deductions made from their wages, receipts given by them and such other particulars and in such form as may be prescribed.	The factory shall comply with applicable law for premium rates for overtime compensation.	Wage records for OT work performed by those workers working for 12 hours a day and work performed on weekly days off not made available to auditors.				record review, management interview		1) Factory to determine how to plan production hours without exceeding proper work hours, and will present plan to brands for feedback. 2) Factory to provide all brand auditors and their representatives, including FLA-authorized auditors, full and complete access to records in future. 3) Factory to ensure all workers paid at appropriate wage rates for all hours worked.	1/31/2006		During a follow-up visit, factory management stated that there are machine operators work 12 hours a day and highly paid. Further investigation required to determine validity of statement. Management has been instructed that factory cannot exceed legal limit of working hours.		Pending	PC has conducted further follow up. These persons no longer working in capacity of machine operators, they have been promoted to ranks of Production Assistants effective 1.4.06 and work carried out by them is purely supervisory in nature. The salary category and benefits structure are within range of mid-management. There are 3 persons in this job category, with overall 88 persons employed currently under them. They oversee work of machine operators who work on 8 hour shift basis. As exempt employees, OT wages not applicable. PC's to verify during next visit that factory management maintains all relevant wage and hour information for supervisors.	During visit to factory it is observed that machine operators/technicians work 12 hours on daily basis and are paid fixed wages. However, no OT premiums paid for 4 hours extra work. Factory also should restrict OT hours to 2 hours a day and 12 hours a week. Management should make sure that work on rest days is reflected in both salary registers and work hour records, based on which actual salary, including OT premiums, to be calculated.	management and worker interviews	Pending	During current audit, time and payroll records reviewed. Factory compensates OT hours worked on weekdays at 200% of basic wage rate as mandated. However, OT hours per day continue to be excessive for most permanent employees up to 4 hours. Also, machine operators/technicians work 12 hours on daily basis and are paid fixed wages; however, no OT premiums paid for 4 hours extra work. 5 out of 250 workers work 12 hours shift. OT hours on rest days recorded in time records. Employees confirmed being paid 200% for all weekday OT work. adidas SEA and Nike compliance staff in Bangalore had teleconference with factory July 16, 2010 and factory agreed to change 12 hours shift to 8 hours shift per day from August 1, 2010. Such change will be during next visit.	record review; worker and management interviews	Ongoing	Factory changed work hours of 5 machine operators/ technicians who were working 12 hours a shift to 8 hours a shift from August 2010. However, manual OT record maintained by factory for OT worked after 2 hours of OT and for rest day, confirmed that out of around 235 workers employed in factory, 11 workers found working 8 hours OT December 25, 2010; 10 workers found working 4 hours OT December 24, 2010, which was a rest day. Also, factory did not submit manual OT records for all months; hence, actual work hours, including all OT and wages paid in lieu of all OT work, could not be verified. Factory should record all work hours, including all OT hours in 1 record through electronic time record system. Also, all wages, including all OT wages should be calculated and paid. Finally, records of all work hours and wages need to be made available for review at time of audit.	record review, worker and management interviews	Pending	**Pending:** Out of the total 205 workers in the factory, randomly selected 4 workers out of the total of 6 workers in the hand linking department were found to be working overtime for more than 2 hours a day on a daily basis, leading to an average of 40 hours overtime in a month. Also, all the 6 workers in the handlinking department were not paid at a premium rate for overtime worked (as per Factories Act, 1948 sec. 59).	document review	**Competed:** Factory management claimed that handlinking operators are not required to work overtime hours from November 2011. This was confirmed by reviewing time records and interview sessions with workers.	payroll and time keeping records	Factory found to be maintaining all work hours and payments in a single record. Work hour and wage records reviewed for August, September and October 2011 confirmed all work hours, including all OT, are maintained in electronic time record system; this was corroborated with other manual records such as production record, etc., and found no discrepancy. All wages, including all OT wages, calculated and paid to workers based on electronic time record system. However, 4 to 6 linking operators found to work average of 3.5 hours of OT in August and September 2011; factory not found to pay OT payments as required by Sec 59, Indian Factories Act 1948 to these workers. Work hour and wage records of all workers made available for review at time of audit. Management should calculate back wages of OT payments to linking operators and submit document evidence to adidas	record review, worker interviews	Pending
Miscellaneous																															