

*The factual information set forth on the Tracking Charts was submitted to the FLA by each Independent External Monitor and Participating Company and reviewed by FLA staff. It is being made available to the public pursuant to the FLA Charter in order to strengthen the monitoring process. The FLA Charter provides for regular public disclosure of the factual results of independent monitoring and the resulting specific actions taken by Participating Companies.*

### **What is a Tracking Chart?**

Compliance is a process, not an event. A Tracking Chart outlines the process involved in FLA independent external monitoring and remediation. It is used by the accredited independent external monitor, the participating company and the FLA staff to do the following:

- **Record Findings:** The independent external monitor uses the Tracking Chart to report noncompliance with FLA Code standards. The monitor should also cite the specific Code benchmark or national/local law that was used to measure compliance.
- **Report on Remediation:** The FLA participating company uses the Tracking Chart to report on the remediation program that was implemented in order to resolve the noncompliance and prevent any future violations.
- **Evaluate Progress:** The FLA uses the Tracking Chart for purposes of collecting and analyzing information on the compliance situation of a particular factory and for publication on our website. This information is updated on an ongoing basis.

### **What a Tracking Chart is NOT -**

- An exhaustive assessment of factory conditions

Working conditions - in any type of workplace - are dynamic. Each Tracking Chart represents a survey of the factory's conditions on a specific day. Over time, a fuller picture emerges as we compile information from various sources to track the compliance progress of a factory.

- A pass or fail evaluation

The Tracking Charts do not certify whether or not factories are in compliance with the FLA Code. Monitoring is a measurement tool. The discovery of noncompliance issues is therefore not an indication that the participating company should withdraw from a factory. Instead, the results of monitoring visits are used to prioritize capacity building activities that will lead to sustainable improvements in the factory's working conditions.

- A one-time event

Each monitoring visit is followed by a remediation program, further monitoring and remediation in an ongoing process. The Tracking Charts are updated accordingly.

**Note on Language**

Please be advised that because FLA independent external monitors are locally-based and English is generally not their native language, the language presented may at times appear unclear to a reader who is a native English speaker. In order to preserve the integrity of the transparency process and the information we receive, our policy is to publish the original text from the monitor and participating company. However, the reader will note that we have taken the precaution to remove any identifying information about the factory that was monitored or the workers interviewed.

For example, in cases where monitors and/or participating companies have cited the actual number of workers in reference to a noncompliance issue, in order to protect the workers' identities, we have replaced the numbers with generic wording in brackets (i.e. "[some]", "[worker interviews revealed that]", etc.).

We do not disclose the name of the factory that was monitored in order to ensure that the FLA's efforts to encourage and reward transparency do not have detrimental consequences for the factory and the workers.

**Instructions for Printing**

The information contained in the Tracking Charts is organized by columns and rows in a table format. Due to the number and width of the columns, the charts have been formatted for legal size (8.5 x 14in.) paper. To print the charts, please make sure to select "legal" size paper from Print properties.

|                          |  |
|--------------------------|--|
| <b>FLA Audit Profile</b> |  |
| Country                  | Bangladesh   |
| Factory Name             | 36000502C  |
| IEM                      | LIFT Standards Limited   |
| Date(s) in Facility      | August 31, 2004 & September 2, 2004                            |
| PC(s)                    | Puma AG  |
| Number of Workers        | 2878   |
| Product(s)               | Overs & Knit Products  |
| Production Processes     | Cutting, Sewing, Finishing, Dying, Knitting, Washing, Printing |

| FLA Code/ Compliance Issue                        | Country Law/Legal Reference                                    | FLA Benchmark  | Findings  | Monitor's Findings                         | Documentation   | Remediation         |  | Company Verification Follow up  |  | (Status)   | Company Follow up              |  | (Status)                       | Third-Party Verification   |  | Company Verification Follow up                                    |  |   |
|---|--|--|---|--|---|---------------------|--|---|--|--|--------------------------------|--|--------------------------------|--|--|---|--|---|
|   |  |  |   |  |   | PC Remediation Plan | Target Completion Date   | Company Follow up (Site date of planned or follow up visit, if appropriate) (2nd follow up visit done on September 28-27, 2005) | Documentation  |  | Completed/ Pending/ On-going   | Company Follow up (follow up visit done on September 26-27, 2005)  |                                | Documentation  | Completed/ Pending/ On-going   | External Verification (16 - 17) May 06                            | Documentation  | Company Follow up (August 28 & 29 2006) |
| <b>Code Awareness</b><br>Code Posting/Information | CoC needs to be posted at the factory floor in local language. | <b>FLA Principle of Monitoring, Obligation of Companies:</b> Establish and articulate clear, written workplace standards. Formally convey those standards to Company factories as well as to licensees, contractors and suppliers.   | CoC was only found posted in the notice board next to Production Director's room. No CoC was found at the production floor.   | Visual inspection                          | Post copy of CoC at strategic places in all working areas.  | June 30, 2005       | Copies of the CoC with reporting channel for non-compliance are posted at existing production areas. There is ongoing construction of a new building (to be finished end 2005). Additional copies will be posted upon completion of the areas. | Inspection  | Completed in the old areas; pending in the new areas being constructed | Copies of the CoC with reporting channel for non-compliance are posted at existing production areas. There is ongoing construction of a new building (to be finished end 2005). Additional copies will be posted upon completion of the areas. | Inspection                     | New buildings still not completed but other portions already operational; copies of Code of Conduct with sticker labels posted at these operational building; copies to be provided at other portions upon completion  | Inspection                     | Pending  | Puma CoC posters are posted (2 posters at Puma Sewing floor, One in finishing floor and at office stair) However no poster on the production floor (Basic floor and Orange floor) found temporary working floor for PUMA production. Management informed that full PUMA production will be shifted to the newly constructed building where every facility will be ensured. | Visual observation and management interview                       | New building still not completed but some floors are already operational. Some copies of the Code of Conduct were found in these operational areas.  | Inspection                              |
| Worker/Management Awareness of Code               |  | <b>FLA Principle of Monitoring, Obligation of Companies:</b> Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis. | Workers do not know regarding CoC   | Worker interview                           | a) Provide briefing to management & supervisory staff and workers on the contents of CoC. b) make CoC a part of the topics in briefing new workers.   | June 30, 2005       | a) Management, supervisors and worker-members of the Welfare Committee are aware of the contents of CoC. b) Contents of CoC will be included in the new employee handbook. Factory will brief old and new workers on the new handbook.         | Interview/ review of documents  | Pending  | a) Management, supervisors and worker-members of the Welfare Committee are aware of the contents of CoC. b) Contents of CoC will be included in the new employee handbook. Factory will brief old and new workers on the new handbook.         | Interview/ review of documents | Items in the CoC are included in the new employee handbook. Briefings to workers were conducted (welfare committee). Brand to monitor briefing of new workers on the contents of the new handbook in subsequent visits | Interview/ review of documents | on going   | Both workers and supervisors are not aware about the contents of CoC. Workers did not under go a systematic training programme. Workers remain unaware on CoC  | Worker and supervisor interview, records and management interview | Briefings on CoC were conducted with supervisors and the newly expanded Welfare Committee. Not all workers were briefed, but all were provided copies of handbook. Factory will institute a new training plan for new workers that covers these items. | Interview/ review of documents          |
| Confidential Non-Compliance Reporting Channel     |  | <b>FLA Principle of Monitoring, Obligation of Companies:</b> Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on non-compliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.                        | Company has not put in place any confidential non compliance reporting mechanism  | Visual inspection and Management interview | Puma will place sticker label on every copy of CoC indicating the contact information for any inquiry or for reporting any violation of the CoC.  | June 30, 2005       | missed by Puma in first follow up audit, completed in July 2005 (checked during the follow up audit on Sept. 26-27, 2005)  | Inspection  | Pending  | completed in July 2005   | Inspection                     | Completed  | Completed                      | Sticker with Puma contact person number and email address is labeled on every copy of CoC for any inquiry or for reporting of any violation of the CoC<br>Staff and workers are not aware about the contact person and number. | Visual observation   |   |  |   |
| Other   |  |  | From the first factory visit (31. August 2004) the auditors were prohibited to take pictures. On second factory visit on 2nd September 2004, the auditors are not allowed to continue with their audit as it was unannounced. LIFT Standards Ltd. faxed the access letter to the head office but as the local representative of Puma didn't know the procedure of FLA unannounced audit and he did not support the access to the factory. Consequently auditors were kept waiting for 3 hours. Later the management talked to Puma head office and allowed the auditors to continue the audits. There was lack of co-operation from the factory-side compared to the first day factory visit. |  | Puma will brief its local representative and the auditors about the FLA audit, its unannounced nature, purpose and scope, and the cooperation that the factory should extend to the FLA auditors. Factory will also be asked to sign the FLA access letter. | June 30, 2005       | All local PUMA staff and factories were made aware of potential FLA visits, including its international/local monitors and unannounced nature of FLA audits. Factory already signed FLA access letter.   |   | Completed  | All local PUMA staff and factories were made aware of potential FLA visits, including its international/local monitors and unannounced nature of FLA audits. Factory already signed FLA access letter.   |                                | Completed  | Completed                      | Access in the factory and working throughout the audit was easy.   | Experienced throughout the audit.  |   |  |   |

| Findings  |                             | Remediation  |  | Company Verification Follow up |   | Company Follow up      |   | Company Follow up   |           | Company Follow up  |   | Third-Party Verification   |  | Company Verification Follow up |  |   |   |   |  |
|---|-----------------------------|--|--|--------------------------------|---|------------------------|---|---|-----------|--|---|--|--|--------------------------------|--|---|---|---|--|
| FLA Code/ Compliance Issue  | Country Law/Legal Reference | FLA Benchmark  | Monitor's Findings   | Documentation                  | PC Remediation Plan   | Target Completion Date | Company Follow up (Site date of planned or follow up visit, if appropriate)   | Documentation   | (Status)  | Company Follow up (follow up visit done on September 26-27, 2005)  | Documentation   | Company Follow up (follow up visit done on January 24, 2006)   | Documentation  | (Status)                       | External Verification (16 - 17) May 06   | Documentation   | Company Follow up (August 28 & 29 2006)   | Documentation   |  |
| <b>2. Forced Labor</b>  |                             |  |  |                                |   |                        |   |   |           |  |   |  |  |                                |  |   |   |   |  |
| There will not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise   |                             |  |  |                                |   |                        |   |   |           |  |   |  |  |                                |  |   |   |   |  |
| Freedom in Employment   |                             | All workers will have the right to enter into and to terminate their employment freely.  | Workers are not allowed to resign on their will. No proper termination procedure exists, rather forced to give resignation. There is no procedure for resignation/termination. Workers are provided with gate pass where the date is mentioned to come take the dues. Workers are forced to resign or verbally terminated by issuing the gate pass without indicating any reasons. But in the register, false causes of termination is shown like, indiscipline, inattentive, under-age, resignation, non-productive, etc. | Worker interview               | a) Formulate guidelines and procedures for resignation. Guidelines should include reasonable time for giving notice for resignation, which should not be shorter than the period provided for by law, getting clearance for accountabilities and ensuring the payment of remaining wages and other benefits of the resigning worker. b) Inform all workers and other personnel involved in the implementation of the new guidelines. c) Post guidelines on the bulletin boards. d) For cases of termination, please refer to line 28 on disciplinary practices. |                        | a) Employee Handbook is being developed will contain these items. First draft to be submitted to PUMA staff by September 30, 2005 for verification of content prior to translation to local language. Final Handbook should be ready for distribution by October 31, 2005. b) Workers have to be informed both through written and verbal means in consideration of the high level of illiteracy among factory workers. Compliance staff will design a training program for old and new workers that includes all the new guidelines. c) Current guidelines posted. | new materials and old materials seen  | Pending   | a) New factory policies include notice period for resignation and clearance procedures. Still to be included is procedures in payment to worker of remaining salary and unused leaves. Grounds for termination have been established but clear description is required on "physical incapacity" as ground for termination. It should be supported by a medical finding and should be in accordance with law. b) Employees will be briefed on these new policies / procedures once they are finally approved. Target date is November 30, 2005                                  |   | a) Procedures for payment of remaining salary and unused leaves to resigning worker already included. Clearance form includes factory but not signed by the authority. b) workers and staff are not informed and aware about the policy c) no training records found for new and existing employees on the issue. d) the policy is only posted in the factory. | Review of old document is and revised proposed handbook; management and workers' interview | Completed; Pending; On-going   | a) The resignation guideline and procedure are not included in the Employee Handbook. A separate resignation policy is developed by factory but not signed by the authority. b) workers and staff are not informed and aware about the policy c) no training records found for new and existing employees on the issue. d) the policy is only posted in the factory.   | Document review and management interview; worker and staff                        | a) Resignation procedures and guidelines including payment of remaining salary and unused leave of resigning worker were developed and completed though not bearing the signature of management b) Briefings on CoC were conducted with supervisors and the newly expanded Welfare Committee. Not all workers were briefed, but workers were provided copies of handbooks. Factory is planning to institute a new training plan for new workers that covers the CoC and handbook. | Interview; review of document                               |  |
| <b>3. Child Labor</b>   |                             |  |  |                                |   |                        |   |   |           |  |   |  |  |                                |  |   |   |   |  |
| 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   |                             | Employers will maintain proof of age documentation for all workers, such as a birth certificate, which verifies date of birth.   | Blank certificate of age verification signed by the doctor is found in the admin department. During recruitment process, these certificates are filled by admin department fill up the age and date etc.   | Document review                | Issue instruction to administrative department to stop using the blank forms of age verification and to require applicants to submit age documents from the government or age verification certificate from licensed doctors  | June 30, 2005          | New doctor employed by factory has standard blank forms for age verification which he signs only upon examining patients. Factory has stopped use of ready form with doctor's signature from a previous medical facility.   | management and doctor's interview; document review                          | Completed | New doctor employed by factory has standard blank forms for age verification which he signs only upon examining patients. Factory has stopped use of ready form with doctor's signature from a previous medical facility.  | management and doctor's interview; document review                          | There are still inconsistencies in the age certification documentation used by the factory, i.e. age as indicated in contracts, medical certificate do not match, age indicated in medical certificates and contracts of current workers are not sequential across their old and new contracts.  | management and doctor's interview; document review   | pending                        | a) No case of using blank form for age proof is identified but no instruction was issued to administrative department to stop the practice of using blank form b) New factory doctor issue the age and fitness certificate to new employee. c) However the age certificate is issued by doctor back dated as it takes 2 to 3 weeks to open the personnel file and the documentation procedure. This implies the risk of juvenile or child not to be identified at the time of recruitment. | Process review; document review; factory doctor                                   | Age verification form is no longer pre-signed by the doctor. It is the doctor or his assistant who signs the form after examination of the applicant. As a step further, the factory will implement a new screening procedure that entails the doctor to be present during receiving of applicants. Only applicants who pass the age verification by the doctor will go through the other recruitment procedures  | management interview  |  |
| <b>4. Harassment or Abuse</b>   |                             |  |  |                                |   |                        |   |   |           |  |   |  |  |                                |  |   |   |   |  |
| Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment or abuse.  |                             |  |  |                                |   |                        |   |   |           |  |   |  |  |                                |  |   |   |   |  |
| Physical Abuse  |                             | Employers will not use physical discipline, including slaps, pushes or other forms of physical discipline. Employers will prohibit scolding, threatening, or demeaning verbal language | Physical and verbal abuse were found while talking with workers.   | Worker interview               | a) Formulate policy prohibiting any form of harassment or abuse and set up a system for reporting cases of such nature. b) Include policy of no-retaliation whether for reporting any case or for raising any issue or complaint. c) Inform all workers and other personnel involved in the implementation of the new guidelines d) Post guidelines near suggestion boxes.  |                        | a) Employee Handbook being developed will contain these items. First draft to be submitted to PUMA staff by September 30, 2005 for verification of content prior to translation to local language. Final Handbook should be ready for distribution by October 31, 2005. b) Workers have to be informed both through written and verbal means in consideration of the high level of illiteracy among factory workers. Compliance staff will design a training program for old and new workers that includes all the new guidelines. c) Current guidelines posted.    | review of old documents and revised proposed handbook; management interview | Pending   | a) New policy on harassment or abuse includes reporting mechanism but still needs to include guarantee of no-retaliation for worker b) Employees will be briefed on these new policies / procedures once they are finally approved. Target date is November 30, 2005   | Review of old documents and revised proposed handbook; management interview | Welfare committee members briefed on harassment and abuse reporting mechanism. Management briefing for other workers on new policies ongoing. New handbook on new policies and regulations, including guarantee of no-retaliation, has been distributed.   | Review of old document is and revised proposed handbook; management interview              | On going                       | a) Policy on prohibiting harassment and abuse is formulated and included in the Employee Handbook b) Policy on non-retaliation is also included in the handbook. c) Workers are not communicated or trained on these new policy d) guidelines not posted near the suggestion box e) Case of physical abuse has reduced but still one individual case of physical abuse has been identified   | Document review; management interview and worker interview and visual observation | Welfare committee was expanded to cover more sections. All committee members, heads of units and supervisors were briefed on the harassment and abuse reporting mechanism (briefing included evaluation test) Posters about the functions of the committee were installed in August and were visible at different working areas. Workers seemed to be more  | Document review; interview of committee members, inspection |  |
| Disciplinary Practices  |                             | Employers will utilize consistent written disciplinary practices that are applied fairly among all workers   | The management spontaneously throwing out the workers without a procedure to investigate the reasons which possibly lead to disciplinary action.   | Worker interview               | a) Formulate rules on discipline together with a list of offenses and their respective penalties in graduated manner. Specify which offenses are punishable by termination. Include the procedures for investigating the offense charged in such a way that the erring worker is given due process and an opportunity to question the propriety of the penalty imposed. b) Brief all management staff and existing workers on this. c) Include this topic in briefing new workers.  |                        | a) Workers' Handbook being developed will contain these items. First draft to be submitted to PUMA staff by September 30, 2005 for verification of content prior to translation to local language. Final Handbook should be ready for distribution by October 31, 2005. Documentation must be complete throughout the process to insure that due process is applied. b) & c) Ensure that Compliance staff design a training program for old and new workers that includes all the new guidelines.   | review of proposed handbook; management interview                           | Pending   | a) Factory had already established the grounds for termination but still needs to make a clear description of "physical incapacity" as ground for termination. It should be supported by a medical finding and should be in accordance with law. It has also established procedures for investigation of the offense including an opportunity for worker to answer the charges and the procedure to follow if he did not agree to the penalty b) Employees will be briefed on these new policies / procedures once they are finally approved. Target date is November 30, 2005 | Review of proposed handbook; management interview                           | "Physical incapacity" as ground for termination will be determined by doctor with date of commencement of incapacity stipulated. New handbook on factory policies and regulations distributed to all employees, with worker briefings geared towards welfare committee members. Briefing for supervisors on disciplinary practices are ongoing.                | review of proposed handbook; management interview  | On going                       | a) Detail rules and steps on disciplinary system is formulated and included Employee Handbook and distributed among the workers (who have passed the probation period) b) & c) No briefing / training system for staff, new and old employee on the policy and procedures  | Document collected and reviewed; Management, staff and worker interview           | Factory is planning to institute a new training plan for new workers that covers the CoC and handbook   | Interview; document review                                  |  |

| Findings  |   | Remediation  |  | Company Verification Follow up       |   | Company Follow up      |   | Company Follow up                                 |  | Company Follow up   |   | Third-Party Verification   |   | Company Verification Follow up        |  |  |   |  |
|---|---|--|--|--------------------------------------|---|------------------------|---|---|--|---|---|--|---|---------------------------------------|--|--|---|--|
| FLA Code/ Compliance Issue  | Country Law/Legal Reference   | FLA Benchmark  | Monitor's Findings   | Documentation                        | PC Remediation Plan   | Target Completion Date | Company Follow up (Site date of planned or follow up visit, if appropriate) (2nd follow up visit done on September 26-27, 2005)   | Documentation                                     | (Status) Completed; Pending; On-going  | Company Follow up (follow up visit done on September 26-27, 2005)   | Documentation                                     | Company Follow up (follow up visit done on January 24, 2006)   | Documentation                                     | (Status) Completed; Pending; On-going | External Verification (16 - 17) May 06   | Documentation  | Company Follow up (August 28 & 29 2006)   | Documentation  |
| Access to Facilities  |   | Access to food, water, toilets, medical care or health clinics or other basic necessities will not be used as either reward or punishment  | They are not allowed to go to the toilet at their own will.  | Worker interview                     | a) Formulate guidelines on the reasonable use of toilets for which no restriction should be imposed on the workers. b) Brief all supervisors and workers on these guidelines. c) Post guidelines on the bulletin boards.  | June 30, 2005          | Factory currently uses single toilet cards to control the flow of toilet use, especially in the production areas with light fabrics. Factory will use multiple toilet cards in order to ensure less queuing time, to be finalized by September 30, 2005   | Toilet cards inspection; interview                | Pending  | Factory has discontinued the use of toilet cards and workers only have to inform supervisors verbally.  | Toilet cards inspection; interview                |  |   | Completed                             | a) Formulated guidelines on the reasonable use of toilets for which no restriction should be imposed on the workers. b) Briefed supervisors and workers on these - previous practice has stopped. c) Posted guidelines on the bulletin boards. The issue has been resolved and no toilet restriction is practiced.   | Document is collected and reviewed; worker interview and observe practice                | No new findings on this   |  |
| Monetary Fines and Penalties  |   | Employers will not use monetary fines and penalties for poor performance   | Deduction is done due to rework, failure to achieve targets and being late of 3 days in a month.   | Worker interview                     | a) Issue instruction to stop monetary penalties and that all penalties should be in accordance with the rules on discipline to be formulated. b) Brief all management staff and workers about this new instruction.   | June 30, 2005          | Factory denied having deductions for rework and failure to achieve targets, but admitted to deductions for tardiness. a) Factory agreed to issue instruction to stop monetary penalties and that all penalties should be in accordance with the rules on discipline to be formulated and finalized by October 2005. b) Staff had already been informed of this verbally.  | interview   | Pending  | Factory denied having deductions for rework and failure to achieve targets, but admitted to deductions for tardiness. a) Factory agreed to issue instruction to stop monetary penalties and that all penalties should be in accordance with labor law in the rules on discipline as found in the Employee Handbook to be distributed in October 2005 b) Staff had already been informed of this verbally.   | interview   | New factory handbook including newly clarified disciplinary penalties were distributed to workers. Monetary penalties have been removed from the new rules and regulations. Continued monitoring will be done on this.               | interview   | on going                              | a) No instruction / copy found that penalties should be in accordance with the rules on discipline. b) workers are not communicated on the instruction. But OT deduction is still done in case of doing wrong work in the floor.   | Management interview and request for document is. Worker interview and witness interview | No disciplinary cases found. Welfare committee members and supervisors were given briefings on the disciplinary procedures  | interview, review of document s  |
| Other   |   |  | The factory does not have a Harassment and abuse policy or procedures  | Management interview                 | a) Formulate policy prohibiting any form of harassment or abuse and set up a system for reporting cases of such nature. include policy of no-retaliation whether for reporting any case or for raising any issue or complaint. b) Brief all workers and staff on these policies. c) Post the policy at or near the suggestion boxes   | June 30, 2005          | a) Workers' Handbook being developed will contain these items. First draft to be submitted to PUJMA staff by September 30, 2005 for verification of content prior to translation to local language. Final Handbook should be ready for distribution by October 31, 2005. b) All workers should be briefed on new policies, particularly worker representatives in the Worker Welfare Committee (see section below).   | review of proposed handbook; management interview | Pending  | a) Factory already formulated policy on harassment or abuse but still has to include an assurance that no retaliation shall be taken against the worker making the report and the procedure how workers can report cases of abuse. b) Employees will be briefed on these new policies / procedures once they are finally approved. Target date is November 30, 2005   | review of proposed handbook; management interview | Guarantee of non-retaliation already provided for in the new employee handbook. All employees were provided copies of new handbook. .  | review of proposed handbook; management interview | completed                             | a) Harassment and abuse policy formulated b) staff and workers are not communicated / briefed through training c) policy is not posted near the suggestion box   | Document s collected, staff and workers interview; visual observation                    | Welfare committee was expanded to cover more sections. All committee members, heads of units and supervisors were briefed on the harassment and abuse reporting mechanism (briefing included evaluation test) | Posters about the functions of the committee were installed in August and were visible at different working areas. Workers seemed to be more aware of the existence of the Welfare Committee |
| <b>5. Non-discrimination</b>  |   |  |  |                                      |   |                        |   |   |  |   |   |  |   |                                       |  |  |   |  |
| 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. |   |  |  |                                      |   |                        |   |   |  |   |   |  |   |                                       |  |  |   |  |
| Pregnancy Dismissal   | Maternity leave is permissible for 6 weeks before and 6 weeks after the delivery with payment. No worker will be terminated due to pregnancy. | Employers will not, on the basis of a woman's pregnancy, make decisions that result in dismissal, threat to dismiss, loss of seniority, or deduction of wages  | Maternity leave & benefits are not paid to the workers. Workers are told to give resignation during their advance stage. For skilled workers, they are assured to be re-employed after the delivery of the child.  | Document review and worker interview | a) Formulate policy for the payment of maternity leave in accordance with legal requirements including assurance that after maternity leave worker will be restored to her employment status prior to maternity leave. b) Brief all management staff and workers about this. Include this topic in briefing new workers.  | June 30, 2005          | not yet done. Updated maternity leave policy is to be included in the new Employee Handbook (see below). To supplement the record of maternity leave payment, factory was instructed to keep record of pregnant women including the expected dates of delivery.H52  | interview, maternity leave payments               | pending  | a) Policy already formulated but worker will be accepted when she returns back to work with the same status and benefits prior to the leave. b) Employees will be briefed on these new policies / procedures once they are finally approved. Target date is November 30, 2005. Note: Members of Workers Welfare Committee who were interviewed (out of 23 worker-members) knew that workers can return back to work.  | review of proposed handbook; management interview | New handbook on factory policies and regulations distributed to all employees. Regulations include assurance of acceptance and return to previous status. Welfare committee members and some regular workers were provided briefing. | review of proposed handbook; management interview | completed                             | a) Developed policy for the payment, leave and benefit and maternity record is maintained b) No briefing or training for the new workers on this issue and workers are not aware about the facility. One isolated case of non payment of maternity leave is identified   | Document s collected, staff and workers interview; visual observation                    | In June 2006, the factory started tracking of pregnancy cases for the purpose of monitoring availment of maternity leave benefit. Identified maternity cases were paid  | Document review, interview of committee members, inspection  |
| <b>6. Health and Safety</b>   |   |  |  |                                      |   |                        |   |   |  |   |   |  |   |                                       |  |  |   |  |
| 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  |   |  |  |                                      |   |                        |   |   |  |   |   |  |   |                                       |  |  |   |  |
| Document Maintenance/ Accessibility   |   | All documents required to be available to workers and management by applicable laws (such as policies, MSDS, etc.) shall be made available in the prescribed manner and in the local language or language spoken by majority of the workers if different from the local language                     | Machinery, equipment, chemical safety and fire safety policies and procedures are not updated  | Document review                      | a) Update safety policies and procedures according to government requirements and suitable to factory's needs. b) Prepare and implement regular safety inspection and maintenance schedule and document each activity   | June 30, 2005          | Factory has already updated all safety policies and standards. Regular safety inspection is being done.   | interview and document review                     | Completed  | Factory has already updated all safety policies and standards. Regular safety inspection is being done.   | interview and document review                     |  |   | Completed                             | a) Policies and procedure on machinery, chemical and fire safety is prepared b) regular inspection is conducted and documented   | Management and staff interview and document check and visual observation                 | No new findings on this   |  |
| Evacuation Procedure  |   | All applicable legally required or recommended elements of safe evacuation (such as 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 | The evacuation plan is not clear to the workers. The aisle width is not as per the factory act. No light in the exit door & the width of the exit door is not as per standard. The fire alarm is not controlled centrally. No procedures are posted that deal with first aid. Only 4 first aid boxes for 1500 workers on the entire floor. | Visual inspection                    | a) Prepare evacuation plan that matches with the arrangement of the workplace; brief workers and use it in conjunction with a fire drill. b) Primary aisles should be at least 1.1 meters and secondary aisles at least 0.8 meter wide. c) Provide exit sign and emergency light leading to the exits; check both items regularly. d) Exit door should be swing out type and width should at least be equal to the width of aisle leading to exit. e) Provide central fire alarm with switches at every section; use fire alarm in conjunction with every fire drill. f) Prepare emergency procedures for first aid cases, brief workers about them and post on bulletin boards; conduct regular first aid training. g) provide first aid box for every section on each floor of the factory. | June 30, 2005          | a) Evacuation plan is provided at all existing facilities. b) old facilities complied c) Factory agreed to provide lighted exit signs and emergency lights and these were found in most areas of the existing facility. d) some doors in existing facility still sliding type. e) switches have been provided at all sections f) First aid cases have summary procedures stored nearby and there is evidence of regular first aid training. g) All sections inspected have first aid kits but are missing sterile scissors for gauze. | inspection  | a) completed for old facilities; pending for new facilities b) completed for old facilities; pending for new facilities c) pending d) pending e) pending f) completed g) pending | a) Evacuation plan is provided at all existing facilities. b) old facilities complied c) Factory agreed to provide lighted exit signs and emergency lights and these were found in most areas of the existing facility. d) some doors in existing facility still sliding type. e) switches have been provided at all sections f) First aid cases have summary procedures stored nearby and there is evidence of regular first aid training. g) All sections inspected have first aid kits but are missing sterile scissors for gauze. | inspection  | c) Some fire doors are still sliding type. g) scissors and gauze laready provided in first aid kits  | inspection  | Completed                             | a) Evacuation plan is prepared but (I am here) sign is not mentioned in it, workers are not acquainted with the evacuation plan b) aisles are marked properly c) Some exits lights found not functioning. d) One exit door (basic floor at the back side found narrow) e) Fire drill is not effective (fire alarm tested during the audit but workers did not give any attention to the alarm.) f) completed g) Insufficient first aid box in the PUJMA floor, according to the number of workers the floor require one more first aid box to be placed. | Visual observation; workers interview; fire fighter interview and practical test         | Exit lights were functioning. Emergency lights, however, were regular lights only. The narrow exit door was widened   | inspection   |

| FLA Code/ Compliance Issue                  | Country Law/Legal Reference   | FLA Benchmark   | Findings   |   | Remediation   |                        | Company Verification Follow up   |  | (Status)   | Company Follow up                        |   | (Status)                                 | Third-Party Verification |  | Company Verification Follow up  |   |   |
|---|---|---|--|---|---|------------------------|--|--|--|--|---|--|--------------------------|--|---|---|---|
|   |   |   | Monitor's Findings   | Documentation                             | PC Remediation Plan   | Target Completion Date | Company Follow up (Site date of planned or follow up visit, if appropriate) (2nd follow up visit done on September 26-27, 2006)  | Documentation                            |  | Completed; Pending; On-going             | Company Follow up (follow up visit done on September 26-27, 2006)   |  | Documentation            | Completed; Pending; On-going   | External Verification (16 - 17) May 06  | Documentation   | Company Follow up (August 28 & 29 2006) |
| Safety Equipment                            | Occupational Safety and Health is to be maintained as per The factories Act, 1965 | 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  | Number of fire extinguishers are inadequate. 2 of them were not charged. Medical room has only one bed for entire factory.   | Visual inspection                         | a) Provide fire extinguisher for every 40 sq. m. area, inspect and clean all units regularly and provide inspection tag for each unit; units to be inspected also by outside professional team at least once a year. b) Provide at least three additional beds for the clinic, assign a part-time doctor and full-time nurse  | June 30, 2005          | a) Production areas seen had appropriate number of fire extinguishers. Inspections done were on a monthly basis. b) Factory now has a full time doctor and part-time nurses. Number of beds not yet increased.   | Inspection                               | a) completed b) pending for number of beds   | Inspection; interview                    | No progress yet on the clinic expansion. Construction of new building not yet completed   | Inspection; interview                    | Pending                  | a) Completed sufficient fire extinguishers provided and inspected regularly b) full time doctor is employed but only 1 additional bed is added with the previous single bed (now total - 2 beds) | Visual observation and check documentation  | Once the construction of the new building is completed, the factory will transfer the medical facility to a one story building near the gate that is presently used as resting area by the construction workers | Inspection                              |
| PPE   |   | Workers shall wear appropriate protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to hazardous elements including medical waste. | All cutter man were not wearing Mesh gloves  | Visual inspection                         | a) Provide metal gloves for all cutters. b) Brief workers and supervisors on the importance and proper use of protective equipments and enforce consistent use of PPEs.   | June 30, 2005          | a) Cutters were provided with metal gloves. b) PPE training documentation was shown to auditors; nevertheless factory was instructed to include this as part of a regular annual training plan.  | Inspection, documents                    | Completed  | Inspection, documents                    | PPE Training is part of regular monthly trainings, however no formally schedule training plan was presented to auditors. Needs further verification   | Inspection; documents                    | Pending                  | a) Metal glove is provided to the cutters b) They are using the metal gloves properly  | Visual observation  | No new findings on this   |   |
| Chemical Management                         |   | 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 the safe use of chemicals and other hazardous substances                                | No MSDS was present in the local language.   | Visual inspection                         | a) Post copy of MSDS in local language at areas where chemicals are used or stored. b) Brief workers and supervisors on MSDS and c) provide training on the dangers and proper handling of chemicals.   | June 30, 2005          | a) Factory agreed to translate all MSDS (chemical suppliers do not have a local language version of MSDS, this was confirmed by another factory), and will post local translations in areas of chemical storage and use. To be done by July 30, 2005 b) current supervisors briefed on volatile substances c) training to be included in Annual Training Plan  | Interview, documents                     | a) pending b) completed c) pending   | Interview, documents review              | a) MSDS is fully translated for most chemicals except for a few other chemicals c) Chemicals handling training was the same as before including recording of trainings (minutes only say that managers talked about safety considerations) No specific MSDS training included.                            | Interview, documents review              | Pending                  | a) Copy of MSDS is posted in local language b) Related workers and supervisor are informed about on MSDS c) No annual training plan found  | Document collected and worker interview with visual observation, Management interview | Factory was told that its training plan should be documented and improved to integrate all trainings on productivity, rules and regulations and compliance concerns   | Interview                               |
| Ventilation/Electrical/Facility Maintenance |   | All ventilation, plumbing, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility   | In the iron section, temperature was 35 degree C. The chemical room, painting and dyeing section are not ventilated.   | Visual inspection and thermometer reading | Provide proper ventilation at all areas.  | June 30, 2005          | No factory response to this item. Inspection indicated that ventilation was not problematic.   | Inspection                               | Completed  | Inspection                               | Ventilation/air temperature was not a problem during the visit in most production areas. Some operations were moved to other buildings. All ventilation ducts were open. Printing section was also moved to the second floor of another building with adequate ventilation (except in the storage areas). | Inspection                               | On going                 | Iron and finishing section still need more ventilation as during the summer the temperature and humidity gets higher (temperature measured 34 -36 degree C, during different time of 17 May'06)  | Measured and observed during the audit  | Temperature was tolerable during the visit Other operations to be transferred to new building once completed  | Inspection                              |
| Record Maintenance                          |   | All safety and accident reports shall be maintained for at least one year, or longer if required by law   | No documentation on factory accidents, medical emergencies were found in the factory   | Documentation review                      | a) Implement documentation program for all accidents and medical emergencies; documentation should include determination of the cause of accident and preventive actions to avoid repetition of same accident. b) Provide individual record for workers in the clinic and prepare regular report and annual summary of cases. | June 30, 2005          | a) Factory produced documentation for all accidents and medical emergencies under the supervision of the doctor, however preventive action analysis is not effectively done. Factory agreed to change their system to include preventive action. b) It was noted that accident statistics were not regularly done and factory agreed to a monthly reporting. Individual record for workers were seen | Documents (accidents and clinic records) | Completed except for the aspect of determining the causes and suggested preventive actions | Documents (accidents and clinic records) | Preventive action still not included in accident records, though monthly statistics were made available.  | Documents (accidents and clinic records) | Pending                  | a) Completed except determining the causes of the accident   | Records review and interview the medical assistant and factory doctor                 | Preventive actions were noted in the accident records, however the level of analysis for most accidents noted were not adequate.  | Document review                         |
| Sanitation in Facilities                    |   | All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws  | Toilets are not clean & adequate. There is no water supply in the toilets. There is no safe water to drink. The bathrooms are not adequate according to local law. | Visual inspection, worker interview       | a) Provide additional toilets and regular supply of water, to all toilets. Observe a regular schedule for cleaning and disinfection. b) Provide drinking water stations at all production floors; provide portability testing for water, with samples taken from every drinking station, at least every six months            | June 30, 2005          | a) Factory believes the number of toilets is sufficient. Areas inspected had adequate toilets for number of current occupants. It was noted that the toilet card system impacts on the effective use of available toilets so this was dealt with. b) Drinking water stations seen in some production areas   | Inspection                               | Completed, except for test of drinking water which has not yet been done                   | Inspection; document review              | Drinking water test provided to auditors showed that it passed inspection, which was conducted recently. No further inquiries were made as to the cause of the change in coliform count. Eeds further verification  | Inspection                               | Pending                  | a) Completed, except the water test  | Visual observation and worker interview   | Cleaning schedule seemed to be maintained in most areas. Toilets were found to be clean. Slippers were provided inside the toilets. Water test was available but from only one source                           | Inspection                              |
| Sanitation in Dormitories                   |   | All dormitories shall be kept secure, clean and have safety provisions (such as fire extinguishers, first aid kits, unobstructed emergency exits, emergency lighting etc.). Emergency evacuation drills should also be conducted at least annually                                      | Minimum entitlement of health and hygiene is not ensured   | Visual inspection                         | Observe a regular schedule for cleaning and disinfection  | June 30, 2005          | There is a factory toilet cleaning schedule in areas visited   | Inspection                               | Completed  | Inspection                               | Factory cleaning schedule needs to be improved as toilet areas visited were still odorous. Internal plumbing needs to be reviewed as waste is disposed not through public sewerage but in the "lake" outside the building.  | Inspection                               | Completed                | Observed and checked the records   |   |   |   |

| Findings   |   | Remediation   |   | Company Verification Follow up           |   | Company Follow up      |   | Company Follow up  |                                       | Company Follow up   |  | Third-Party Verification              |   | Company Verification Follow up   |  |   |   |  |   |
|--|---|---|---|--|---|------------------------|---|--|---------------------------------------|---|--|---------------------------------------|---|--|--|---|---|--|---|
| FLA Code/ Compliance Issue   | Country Law/Legal Reference   | FLA Benchmark   | Monitor's Findings  | Documentation on                         | PC Remediation Plan   | Target Completion Date | Company Follow up (Site date of planned or follow up visit, if appropriate) (2nd follow up visit done on September 26-27, 2005)   | Documentation  | (Status) Completed; Pending; On-going | Company Follow up (follow up visit done on September 26-27, 2005)   | Documentation  | (Status) Completed; Pending; On-going | External Verification (16 - 17) May 06  | Documentation  | Company Follow up (August 28 & 29 2006)  | Documentation   |   |  |   |
| <b>7. Freedom of Association and Collective Bargaining</b>   |   |   |   |  |   |                        |   |  |                                       |   |  |                                       |   |  |  |   |   |  |   |
| Employers will recognize and respect the right of employees to freedom of association and collective bargaining  |   |   |   |  |   |                        |   |  |                                       |   |  |                                       |   |  |  |   |   |  |   |
| Other  |   |   | There is Workers' Welfare Committee to oversee the welfare of workers but no worker is the member of that committee. It is headed by Administrative Manager and all the members are selected from management. | Documentation on review and interview    | Include member-workers of at least one from each section. Member-workers should be chosen by the workers and shall serve for a specified period until replaced through another selection process  | June 30, 2005          | Factory has already included 2 worker representatives from the sewing section. However, factory must have other representatives from other departments as the different departments are located in different buildings.   | Worker Welfare Committee meetings, attendance, personnel files | on-going                              | Factory initially included 2 worker representatives from the sewing section but upon further advise and as found during the visit, factory had included 23 worker representatives out of a total of 27 committee members, each with a 6-month term. However, very little briefing was given to these worker-members. Thus, they are not clear about their duties. Factory was instructed to define their duties and train workers in these. | Worker Welfare Committee meetings, attendance, personnel files, interview  | On-going                              | Members of joint management-worker council were briefed on their duties. Needs further monitoring on the actual functioning of this council   | Worker Welfare Committee meetings, attendance, personnel files, interview  | On-going   | Ineffective WWC: a) No written guidelines, policy b) No training of WWC on their roles and responsibilities, limitation, reporting channel, reporting period etc. c) Workers do not know about the selected members of WWC and the members are not also clear about their roles. Posters about the functions of the committee were installed in August and were visible at different working areas. Workers seemed to be more aware of the existence of the Welfare Committee | WWC members interview, worker interview, management interview | Welfare committee was expanded to cover more sections. All committee members were briefed on the harassment and abuse reporting mechanism and disciplinary procedures. | Document review, interview of committee members and workers, inspection |
| <b>8. Wages and Benefits</b>   |   |   |   |  |   |                        |   |  |                                       |   |  |                                       |   |  |  |   |   |  |   |
| 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. |   |   |   |  |   |                        |   |  |                                       |   |  |                                       |   |  |  |   |   |  |   |
| Pay Statement  |   |   | Employers will provide workers a pay statement each pay period, which will show earned wages, regular and overtime pay, bonuses and all deductions  | 3 months payroll, overtime payment sheet | Provide copy of slip to workers and keep signed stub on file.   | June 30, 2005          | Copy of pay slip not yet provided. Workers sign the wage register and is verified with a "tax" stamp. It was suggested to provide extra copy of the wage register, cut it up and use as payslip. Factory reps said they would still bring this up with management since many workers cannot read and the pay slip would not serve the intended purpose.   | documents, interview   | pending                               | Copy of pay slip already provided. Interviewed workers said that they would get the copy one day before payday. Workers sign the wage register and is verified with a "tax" stamp. Factory representatives said that the pay slip does not serve the intended purpose to workers who cannot read.   | Documents, interview   | Completed                             | Pay slip is provided to workers but in the month of May 06 it was not distributed among the workers. Management informed that as the attendance bonus has started from this month April 06, they could not provide the pay slip in this month and will provide from next month onward.  | Management and worker interview  | Pay slip was provided to workers   | Interview, document review  |   |  |   |
| Timely Payment   | Monthly salary & overtime payments are to be paid together by 10th of each month. | All compensation shall be paid in a timely manner   | Salary is paid not before 15th of the month   | Document review                          | a) Formulate guidelines regarding wages and benefits, wage deductions and the time for the payment of wages. Guidelines should ensure that: (1) wages and legal benefits, including overtime are in accordance with law (2) computations are mathematically correct; (3) no deductions are made other than those specified or allowed by law and (4) payment of wages and other earnings including overtime, is made not later than the time prescribed by law. b) Brief workers and other personnel involved in the implementation of the guidelines. c) Post on the bulletin boards these guidelines and a sample computation of how wages, overtime and legal benefits are paid. | June 30, 2005          | Factory denied this issue, but agreed to include this in the Employee Handbook. First draft of Employee Handbook that will contain all policies will be submitted to PUMA by September 30, 2005 for verification of contents prior to translation to local language. This will be managed by the Compliance staff and will be the basis for training  | interview  | Pending                               | Factory management denied this issue. Interviewed workers said that they receive the wages before the 15th of each month. (Note: The question asked was not a direct question to be answered by "yes" or "no" but to be answered with the date that they received the last pay.)  | Interview  | On-going                              | Policy is formulated regarding wages and benefit and included in the hand book and distributed among the permanent workers (after probation period) b) Workers are not briefed on the policy. Excessive OT (after regular 2 hours OT) is not paid with the regular wages and payment for the extra OT sheet paid in the first week of the second month. | Records review and worker interview, management interview  | Workers were given copy of the handbook which contained the policies. The new electronic time keeping system which was installed in August 2006 will generate only one record of all working hours for which only one payroll will be prepared and to be paid not later than the 10th of each month.                       | Interview, document review, inspection  |   |  |   |
| False Payroll Records  |   | Employers will not use hidden or multiple payroll records in order to hide overtime, to falsely demonstrate hourly wages, or for any other fraudulent reason.   | Time cards are filed by time keeping section on a daily section and not by the workers. Time card is used only for all type of workers. Supervisors and other staff need to sign in the attendance register.  | Visual inspection and interview          | a) Provide Bundy clocks for recording workers' attendance. b) Issue instruction that workers should punch their time cards at the start and end of the working hours.   | June 30, 2005          | a) Factory remained uncertain as to the provision of Bundy clocks considering the literacy level in the factory. The case of false Bundy clock records in other factories came up (e.g. one staff punching the time card of another). The factory claimed it is unsure how they can implement the Bundy clock.  | interview, documents   | Pending                               | a) Factory committed to provide Bundy clocks in line with customer pressure. This is expected to be installed in the factory by November 2005 b) Factory committed to institute this after installation of Bundy clocks.  | Factory still to install Bundy clocks in the facility.   | Pending                               | Still the same practice is ongoing: workers don't have the control on the time card, and time card does not reflect complete record of working hours. It is controlled by the time keeping section.   | Visual observation and management interview  | Six electronic time keeping machines were installed in August 2006 at the ready made garments factory. Units for other areas will be installed by November. During the visit, however, the results were not yet as desired as there were still errors noted in the attendance reports that were generated from the system. | Interview, document review  |   |  |   |
| Record Maintenance   |   | 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, 941s and supporting material) | Factory management informed that most of the workers records are kept at head office which is about 2 hours drive from factory. It was due to poor storage facility.  | interview, documents                     | a) Keep payroll, attendance and related records at the factory site for at least one year and make available to monitors. b) Brief payroll and administrative staff on this policy.   | June 30, 2005          | Records are kept separately under the Compliance staff. The factory still expressed concern over storage issues and admitted that they would still keep a number of records in the Central Office for security purposes though they agreed that they will keep one year's worth of some records in the factory. With the completion of the new facility under construction, storage problems would be lessened. | interview, documents   | On-going                              | Records are kept separately under the Compliance staff. The factory still expressed concern over storage issues and admitted that they would still keep a number of records in the Central Office for security purposes though they agreed that they will keep one year's worth of some records in the factory. With the completion of the new facility under construction, storage problems would be lessened.                             | Factory records are still kept at the head office.   | Pending                               | a) One year records are kept in the factory   | Papers found available and experienced during the audit  | Records were made available to the auditors as needed  | interview, document review  |   |  |   |
| Other  |   |   | Increment is very low. No promotion & increment policy is followed in the factory.  | Worker interview                         | a) Develop a performance evaluation system that can be used as guide when giving increases in rates or promotions. b) Brief management staff, supervisors and workers on the rating system.   | June 30, 2005          | Currently, the factory employs salary grades for workers but the performance evaluation system is still not fully in place (in process as part of the new guidelines to be released in September 2005). Factory still deliberating on the implementation of an incentive scheme for workers and supervisors based on failure of previous attempts.  | Salary grade sheet, interview                                  | Pending                               | Currently, the factory employs salary grades for workers but the performance evaluation system is not fully in place. During the visit, the factory had already developed a proposed rating system but more improvements were suggested for clarity and fairness. The rating system will be included in the Employee Handbook.  | improved rating system is already included in the new factory rules and regulations, which have been distributed to workers through the handbook. Monitoring to be done on actual implementation of this evaluation system | interview, document review            | On-going  | a) Performance evaluation system is developed and included in the handbook. But it is not followed / practiced by the factory and the increment of 2006 is not done according to the new policy; assessment is not done accordingly. | Document review, personnel files and worker and management interview   | Rating system not yet implemented. The new HR Manager will oversee the implementation of policies. He developed a "Retention Program" that includes upgrading of wages and benefits to stop migration of workers. However, this and other major items in the program are still for implementation   | interview, document review                                    |  |   |

| Findings  |   |  | Remediation   |  | Company Verification Follow up   |                        | Status  |                           | Company Follow up   |  | Status                    |                              | Third-Party Verification               |   | Company Verification Follow up   |   |   |  |
|---|---|--|---|--|--|------------------------|---|---------------------------|---|--|---------------------------|------------------------------|--|---|--|---|---|--|
| FLA Code/ Compliance Issue  | Country Law/Legal Reference   | FLA Benchmark  | Monitor's Findings  | Documentation                              | PC Remediation Plan  | Target Completion Date | Company Follow up (Site date of planned or follow up visit, if appropriate)   | Documentation             | Completed; Pending; On-going  | Company Follow up (follow up visit done on September 26-27, 2005)  | Documentation             | Completed; Pending; On-going | External Verification (16 - 17) May 06 | Documentation   | Company Follow up (August 28 & 29 2006)  | Documentation   |   |  |
| <b>9. Hours of Work</b>   |   |  |   |  |  |                        |   |                           |   |  |                           |                              |  |   |  |   |   |  |
| 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 day period |   |  |   |  |  |                        |   |                           |   |  |                           |                              |  |   |  |   |   |  |
| Other   |   |  | Actual overtime is not recorded in the time card. Night work also happens as per the workers. These two however could not be verified as no documents regarding excessive overtime were found so far.   | Worker and Mid-level management interview  | a) Properly document all working hours, whether regular or overtime and pay in accordance with legal requirements. b) Brief all workers and payroll & administrative staff on this.  | June 30, 2005          | Factory denied the FLA finding. Factory will still maintain current time recording system in the interim till management finalizes decision on providing Bundy clocks.  | Id/time record, interview | Pending   | Factory denied the FLA finding. Factory will still maintain current time recording system in the interim prior to installation of Bundy clocks.  | Id/time record, interview | Pending                      |  |   | Time card is not showing all the working hours (only the legal part is recorded); Double record keeping practiced and not presented to auditors to verify. Extra hours work was observed and production records found which are not reflected / maintained in the time card.   | Visual observation in and document collected and worker interview   | The new electronic time keeping system which was installed in August 2006 will generate only one record of all working hours for which only one payroll will be prepared and to be paid not later than the 10th of each month. Factory already admitted the payment of extra overtime but details were not available.   | Interview, document review             |
| <b>10. Overtime Compensation</b>  |   |  |   |  |  |                        |   |                           |   |  |                           |                              |  |   |  |   |   |  |
| 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 rate.  |   |  |   |  |  |                        |   |                           |   |  |                           |                              |  |   |  |   |   |  |
| Accurate Recording of OT Hours Worked   |   | Employees will be paid for all hours worked in a workweek. Calculation of hours worked must include all time that the employer allows or requires the worker to work | Night work is not counted as overtime and no payment is done.   | Worker interview                           | a) Formulate guidelines regarding proper documentation and to ensure payment of all working hours. b) All working hours, whether regular or overtime should be properly documented and paid in accordance with legal requirements. c) Brief all employees on these guidelines  | June 30, 2005          | a) and c) Guidelines to be included in Employee Handbook and an information dissemination scheme be developed in consideration of the literacy of workers. First draft of Handbook to be submitted to PUMA staff by September 30, 2005 for verification of content prior to translation to local language. Final Handbook should be ready for distribution by October 31, 2005. b) Working hours documentation is dependent on factory's finally deciding to provide Bundy clocks | Id/time record, Payroll   | Pending   | Factory denied the FLA finding. Factory will still maintain current time recording system in the interim prior to installation of Bundy clocks.  | Id/time record, interview | Pending                      |  |   | a) Guideline regarding proper documentation is formulated and included in the Handbook. b) But all working hours (OT hour) are not recorded accurately. Factory denied about any work of excessive OT. Production records were collected and shown to the however management did not provide any documents to review that at least the workers are paid for those excessive OT. Daily one hour OT (7 pm to 8 pm) is not recorded and not paid by the factory - general practice raised by all workers. | Document s collected and checked; Visual observatio n and worker interview  | The new electronic time keeping system which was installed in August 2006 will generate only one record of all working hours for which only one payroll will be prepared and to be paid not later than the 10th of each month. Factory already admitted the payment of extra overtime but details were not available. With the new time keeping system, the other set of payroll will be eliminated | Interview, document review             |
| Other   | Monthly salary & overtime payments are to be paid together by 10th of each month. Actual overtime earned out by workers must be paid. Woman workers are not allowed to work in the factory beyond 2000 hrs. | The factory shall comply with applicable law for premium rates for overtime compensation   | Overtime wages is paid separately not before 25th of the month. Workers are only paid for 2 hours overtime. No payment is done beyond 2 hours. During night work, no hourly payment is done. A lump sum money is paid for the meal only.  | Document Review                            | a) Formulate guidelines regarding the proper documentation and to ensure payment of all working hours. b) All working hours, whether regular or overtime should be properly documented and paid in accordance with legal requirements. c) Brief all employees on these guidelines  | June 30, 2005          | a) and c) Guidelines to be included in Employee Handbook and an information dissemination scheme be developed in consideration of the literacy of workers. First draft of Handbook to be submitted to PUMA staff by September 30, 2005 for verification of content prior to translation to local language. Final Handbook should be ready for distribution by October 31, 2005. b) Working hours documentation is dependent on factory's finally deciding to provide Bundy clocks | Id/time record, Payroll   | Pending   | a) and c) Guidelines are included in the Employee Handbook to be revised and distributed by October 2005. An information dissemination scheme is to be developed in consideration of illiterate workers. b) Working hours documentation will be switched to Bundy clocks by end of 2005. | Id/time record, Payroll   | Pending                      |  |   | a) Guideline regarding proper documentation is formulated and included in the handbook b) Working hour is not calculated accurately c) workers are not aware or briefed about the documentation and payment guideline  | Document s collected and checked; Visual observatio n and worker interview  | The new electronic time keeping system which was installed in August 2006 will generate only one record of all working hours for which only one payroll will be prepared and to be paid not later than the 10th of each month. Factory already admitted the payment of extra overtime but details were not available. With the new time keeping system, the undeclared                              | Interview, document review, inspection |
| <b>Miscellaneous</b>  |   |  |   |  |  |                        |   |                           |   |  |                           |                              |  |   |  |   |   |  |
| Other   | Internal Grievance Procedure  |  | The factory does not have an effective grievance procedure. No grievance has been documented in the factory for past 2 years  | Visual inspection and management interview | a) Formulate rules on discipline together with a list of offenses and their respective penalties in graduated manner. Specify which offenses are punishable by termination. b) Include the procedures for investigating the offense charged in such a way that the wrong worker is given due process and an opportunity to question the propriety of the penalty imposed. c) Brief all management staff and existing workers on this. d) Include this topic in briefing new workers. | June 30, 2005          | a) and b) Complete all new guidelines in an employee handbook under the monitoring of factory Compliance staff. First draft of Handbook to be submitted to PUMA staff by September 30, 2005 for verification of content prior to translation to local language. Final Handbook should be ready for distribution by October 31, 2005. c) and d) Ensure that Compliance staff design a training program for old and new workers that includes all new guidelines.                   | Pending                   | a) and b) Grievance procedure is included in the revised employee handbook under the monitoring of factory Compliance staff. It generally follows the grievance process described in the local labor law, however factory was advised to include worker welfare representatives in the judgement process. c) and d) Factory compliance staff was instructed to design a training program for old and new workers that includes all new guidelines, including complete records and evaluation of training conducted. | Interview, document review   | On-going                  |                              |  | a) b) Rules on disciplinary system is formulated and included in the handbook which is distributed among the workers (to permanent workers after probation period). c) However rules on disciplinary system are not communicated to the factory staff and workers through training. Not functional Grievance system: suggestion box is kept in a open place, without pen and paper. No suggestion is found in the suggestion box and workers are not aware about the usefulness of the suggestion box. Factory Management informed that disciplinary system is only maintained for the staff and not on worker level. | Document s collected and staff and worker interview  | Heads of units and supervisors were briefed on the disciplinary procedures. No update on disciplinary cases and grievance system  | Interview, document review  |  |
| Other   | Record Maintenance  |  | * No letter of confirmation is given to the workers. * Appointment letter was found in the personnel file without any sign from the management * Increment letter was not found in one relevant personnel files. * No termination letter was found in the personnel file. * No show cause letter, warning letter was found. | Document review.                           | a) Provide individual employment file for each worker where all documents pertaining to the worker's employment status, changes in position or rate, availment of benefits, disciplinary actions are kept on file. b) All of the mentioned documents must be signed by the responsible officer of the factory.   | June 30, 2005          | a) and b) Factory agreed to provide and store all documents in appropriate manner by July 3, 2005. Factory expressed concern over resignation letters of illiterate workers as these could still be construed by external auditors as prefabricated.  | Pending                   | a) and b) Factory agreed to provide and store all documents in appropriate manner by July 3, 2005. Files checked during the visit were in conformity with this. Factory expressed concern over resignation letters of illiterate workers as these could still be construed by external auditors as prefabricated.   | Document review  | On-going                  |                              |  | All personnel files reviewed were complete with contract, letter of confirmation, increment/adjustment sheets. No resignation letters were found in many resigned personnel. Termination letters were available for resignation letters of illiterate workers. To be monitored in subsequent visits   | Document s and personnel files   | No update on this parties. However no increment letter and promotion letter is maintained in the respective personnel files. (Disciplinary system (showcause letter, warning letter, termination etc.) still not practiced for the workers. Service book is not issued for worker and copy of the service book is not kept with the worker. |   |  |
| Other   | Record Maintenance  |  | Regarding leave, there are some discrepancies found in the personal file and worker's interview. It could not be verified as the filing system is very poorly maintained.   | Document review and Workers Interview      | Availment by workers of the leaves and other benefits, whether legal or company provided, should be in accordance with legal requirements or company guidelines, properly documented and kept on file.   | June 30, 2005          | Filing system is under improvement under the current Compliance Staff and would be finalized by July 30, 2005   | Pending                   | Filing system, including new forms, is undergoing improvement under the current Compliance Staff.   | Interview, document review   | On-going                  |                              |  | Filing system still need improvement - like leave benefit and increment review factory could not provide the related required personnel file on the spot. To be monitored in subsequent visits  | Experienc ed during document s review and observatio n   | The system of tracking of earned leaves (together with pregnancy cases) started in June. Tracking record of leave availment was seen in some employment files. No record of wage increment noted  | Document review   |  |