

FLA Audit Profile	
Country	Thailand
Factory name	36007459D
Site	Kaeng Insubhok Aja
Date(s) in facility	21-22 September 2005
PCA	Puma
Number of workers	2,033
Product(s)	Slippers
Production processes	Sole Rubber mixing-pressing, Cutting, Sewing, Assembly, Packing

FLA Code/Compliance Issue	Country/Legal Reference	FLA Benchmark	EM Findings					Remediation	Company follow-up (February 7, 2006)	Documentation	Company follow-up (June 27, 2006)	Documentation	Company follow-up (November 16, 2006)	Documentation	Company follow-up (December 13, 2007 & August 18, 2008)	Documentation	Company follow-up		
			Non-compliance	Existence of Non-compliance (re-compliance)	Not corroborated, explain	Non-compliance Documented	FC Remediation plan												
4 Code Business																			
Code posting/information	According to Labor Protection Act B.E.2541 Chapter 9 Section 108 which stated that "An employer shall distribute and affix the work rules in a prominent position in the workplace available employees to know and read."	FLA Principle of Monitoring, Obligation of Companies: Establish and articulate clear, written workplace standards. Formally convey those standards to Company factories as well as to contractors, subcontractors and suppliers.	No factory regulations and notification of updated wages are posted on a prominent board			Visual inspection	1) Information about factory regulations and minimum wages, including new legislations and guidelines pertaining to wage issues should be routinely posted on prominent boards in the production areas. wages, overtime and other benefits should form part of written company policies and to be included as part of employees' briefing. 2) Sample computation of wages and benefits should likewise be posted on the bulletin boards.	December 2005	Factory regulations and wage information are posted. Briefing of workers on these items to be monitored	Inspection	Factory regulations and wage information are posted. Another notice which mentions guaranteed minimum wage is also posted. No record of briefing provided to workers	Inspection, interview	pending	Discussion of the changes needed in response to the remediation, the factory provided the rules and regulations and submitted it to the Ministry of Labor for approval. No formal record of briefings were available but workers confirmed training during orientation. Factory was given a sample of evaluation test for briefing of workers	Rules and regulations with stamp of receipt by MCL, copy of one pocket manual	pending	Revised rules and regulations already with approval by the Ministry of Labor	document review, workers' interview*	Completed
Work/management awareness of Code		FLA Principle of Monitoring, Obligation of Companies: 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 proactively seek efforts to educate employees about the standards on a regular basis.	Most workers are not aware of factory's standards and codes of conduct although these were provided during orientation upon hiring. The posting of standards is in a prominent accessible place.			Workers interview	Design detailed and clear briefing guides about key factory policies and buyers' Code of Conduct's include. Include as part of the briefing process and evaluation of the participants' retention of the briefing materials	December 2005	No briefings were conducted yet on key factory policies and CoC issues. No evaluation system included for the effectiveness of training.	interview and document review	No progress on this	pending	Factory was given a sample of evaluation test for briefing of workers	Management interview	pending	Guides for orientation of new employees already made. According to interviewed workers, orientation would take about two hours. Brief evaluation tests after orientation have been devised, one for social standards and another about health and safety.	document review, workers' interview	Completed	
5 Forced Labor																			
Employment Records	There will not be any use of forced labor, whether in the form of prison labor, bonded labor or otherwise	Employees will maintain sufficient hiring and employment records to demonstrate and verify compliance with this Code provision		The employer did not provide a copy of contract to the employees		Personal records review and workers interview	Provide copy of signed working contracts and all other personnel action documents to the workers	December 2005	Copy of contracts provided to employees starting in January 2006	interview and document review			interviewed workers confirmed getting a copy of the contract	interview	completed				
6 Child Labor																			
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.																		
8 Discrimination at Work																			
Discrimination at Work	Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment or abuse.																		
Monetary Fines & Penalties	The Labor Protection Act B.E.2541, Chapter 8, section 75 which stated that "An employer shall not make any deductions from wages, overtime pay, holiday pay and holiday overtime pay..."	Employees will not use monetary fines and penalties for poor performance				Payroll records, Leave records, Personnel records	Revise rules such that workers are correctly paid based on the actual hours worked and to discontinue with the practice of monetary penalty for violation of company rules and regulations. Inform all employees about the said revision of rules. Post copy of the new rules on bulletin boards.	December 2005	Factory will stop old practice regarding deductions to salaries. New regulation to be issued on Feb. 16, 2006. Practice of monetary deductions to be stopped effective February 15, 2006. Minutes follow up	interview and document review	Regulations issued on Feb. 13, 2006 but to take effect on Feb. 15 was posted on the bulletin boards. Instead of the deductions, the rules on discipline (warning, etc.) will apply.	interview, copy of regulation, inspection of bulletin board	completed	Training guide not yet developed					
Other			No harassment and abuse policy is established			Management interview and document review	Formulate written policy on harassment or abuse and guidelines to prevent it. Guidelines should include sanctions against those who violate the policy (including management and supervisors). Brief all employees on the policy and guidelines and include the same in the briefing of new employees.	December 2005	Not yet done	interview and document review	Policies and guidelines not yet formulated. Briefing of employees to be done once formulation of policies / guidelines is completed	interview	pending	Policies not yet formulated	management interview	pending			
9 Non-discrimination																			
Hiring Discrimination Practices	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.	Employment decisions will be made solely on the basis of education, training, demonstrated skills or abilities. All employment decisions will be subject to this provision. They include hiring, job assignment, wages, bonuses, allowances, and other forms of compensation, promotion, discipline, assignment of work, termination of employment, provision of retirement	The employment application form has questions about nationality, race, religion and military service status			Personnel records and employment application form review	Remove such questions in the application form. Prepare a separate form to get these data after the applicant has been employed	December 2005	Not yet done	interview and document review	Nationality, race, religion and military service issues have been removed from the new application form devised in March 2006	copy of new application form	Completed						
Hiring Discrimination Practices		Employment decisions will be made solely on the basis of education, training, demonstrated skills or abilities. All employment decisions will be subject to this provision. They include hiring, job assignment, wages, bonuses, allowances, and other forms of compensation, promotion, discipline, assignment of work, termination of employment, provision of retirement	Factory's rules and regulations describe that the maximum employment age of employee is not over 35 years old			Factory's rules and regulations review	Revise rules and regulations to remove age limit for applicants. Inform all people involved in the recruitment process about the revision of the rules	December 2005	Not yet done	interview and document review	This provision was crossed out only in the rules and regulations because according to factory, approval by the Ministry of Labor will take a long time. Recruitment personnel have been informed about this. One worker was found to be over 35 years old when hired	copy of rules and regulations; interview; employment record	completed	The revised regulations submitted to the Ministry of Labor no longer contained the age limit for applicants.	rules and regulations with stamp of receipt by Ministry of Labor	completed			
Other			No non-discrimination policy is established			Management interview and document review	Formulate written policy and guidelines pertaining to non-discrimination. Brief all employees on the new policy and guidelines and make them part of the topics in briefing new employees	December 2005	Not yet done	interview and document review	Policies and guidelines not yet formulated. Briefing of employees to be done once formulation of policies / guidelines is completed	interview	pending	Policies on non-discrimination (together with freedom of association) already formulated and were included in the revised rules and regulations submitted to the Ministry of Labor for approval	Rules and regulations with stamp of receipt by Ministry of Labor	pending	Revised rules and regulations already with approval by the Ministry of Labor	document review, workers' interview	Completed

FLA Code/ Compliance Issue	County Law/Legal Reference	FLA Benchmark	Non-compliance	EVA Provisions				PC Remediation plan	Remediation		Company follow-up		Documentation	Company follow-up	Documentation	Completed Payroll On logs	Company follow-up		Documentation	Completed Payroll On logs
				Existence of Non-compliance	If not corroborated, explain why	Source/Documents	Target Compliance Date		Company follow-up (February 7, 2006)	Documentation	Company follow-up (June 27, 2006)	Documentation					Company follow-up (November 10, 2006)	Documentation		
Payment of Legal Benefits	The Labor Protection Act E.E.2541, Chapter 2, Section 30 which stated that "An employee who has worked for an uninterrupted period of one year, is entitled to annual holidays of not less than six working days in one year, and the employer is obliged to fix the holiday in advance for the employee or as agreed by the employer and employee. In the following year, the employer may fix annual holidays for the employee of more than six working days. The employer and the employee may agree in advance to accumulate and postpone any annual holiday that has not yet been taken in a year to be included in the following years."	Legally mandated benefits will be provided or paid in full within legally defined time periods	The employer will not pay wages to an employee who volunteers, nor to take annual holiday as well as will not accumulate any annual holiday that the employee does not take in a year for the following years			Review of payroll records, leave records, factory's rules and regulations. Management interview	Payment of earned annual or vacation leave should follow local labor regulations and guidelines, based on fairness and equity.	December 2005	Unpaid leave will be paid starting 2006. Written memo to be released February 16, 2006	Interview and document review	Written memo not yet done though management claimed that supervisors had been informed about the change in policy. This was confirmed by two supervisors during separate on-site interviews when they were asked what would happen to the annual leave if not used. Supervisors had also verbally informed the workers. -Written memo on new policy still needs to be issued and all employees be informed about it.	Management and on-site interview of supervisors and workers	pending	Memorandum on this subject was issued on September 14, 2006 and was posted on the bulletin board. Interviewed workers explained the new regulation in the same way as it was in the memorandum.	copy of the memorandum, inspection, interview	Completed				
Legal Compliance for holiday/leave	The Labor Protection Act E.E.2541, Chapter 2, Section 40 which stated that "Whereas an employee receives wages calculated on a piece rate basis, the employer shall pay wages for holiday or leave equivalent to the average wages of working day received by the employee during the period of payment before such holiday or leave.	Workers will be paid for holidays and leave as required by law	The employer does not pay wages for holiday or leave equivalent to the average wages of working days received by the employee during the payment period prior to such holiday or leave			The factory uses target rate by group or individual to pay workers. Most workers receive more than the minimum wage. Their wages are guaranteed at the minimum wage when producing lower than target. However, the auditors are concerned that the factory calculates the wages from work units performed on working days. The method should be called piece rate to be accurate.	Payment of wages and all legally mandated benefits should follow local labor laws and guidelines	December 2005	Payment of wages on this matter conforms with local law.	document review and visual inspection	Payment of wages conforms with local law requirements	payroll and attendance records	completed	Payment of wages conforms with local law requirements	payroll and attendance records	completed	Payment of wages conforms with local law requirements	payroll and attendance records	completed	
Accurate benefits compensation	The Labor Protection Act E.E.2541, Chapter 2, Section 75 which stated that in the cases that is necessary for the employer to temporarily halt its operations wholly or partially for any cause other than for force majeure, the employer shall pay the employee at least 50 per cent of the normal working day's wages that the employee received before the cessation of operations for the entire duration of the period during which the employer does not allow the employee to work. The employer shall give notice to the employee and the labor inspection official in advance prior to the halting of operations under paragraph one.	All employees will be credited with all time worked for an employer for purposes of calculating length of service to determine the benefits to which workers are entitled	The employment contract which specifies a definite period from no. PNF-2102) states that "If the employer orders days off to the employee due to necessary circumstances, such as no raw materials, etc., the employee will not demand wages for those days off"			Personal records and employment contracts review	Wages of all workers should not suffer due to management imposed day-offs due to no fault of the workers	December 2005	Factory will correct old practice to conform with the law starting February 16, 2006	interview and document review	Memo was issued on June 23, 2006 regarding 50% wage for "no work" on June 24, 2006" for EVA and not for making sections. This still has to be checked against subsequent payroll, which was not yet due at the time of the visit. - A specific policy on this matter should be issued and circulated to all employees.	copy of memorandum	pending	50% wage for "no work" on June 24, 2006 was checked against the payroll. This is in accordance with Art. 75 of the Thai Labor Law. Workers knew that they would be paid 50% for days with no work. If no work is due to the fault of the company".	payroll, interview	completed	Workers get 50% of wage if there is "no work" available	workers interview	completed	

FLA Code/ Compliance Issue	County/Legal Reference	FLA Benchmark	EM Findings					Remediation		Company follow-up (February 7, 2006)		Company follow-up (June 27, 2006)		Company follow-up (November 10, 2006)		Company follow-up (December 13, 2007 & August 18, 2008)		
			Non-compliance	Risk of Non-compliance	Evidence of Non-compliance (unsubstantiated)	If not corroborated, explain why	Source/Document/Interview	PC Remediation plan	Target Completion Date	Documentation	Documentation	Documentation	Documentation	Documentation	Documentation	Documentation	Documentation	
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 (ii) the limits on regular and overtime hours allowed by the law of the country of manufacture or, when the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (i) be entitled to at least one day off in every seven-day period.																		
Overtime Limitation																		
		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 (ii) the limits on regular and overtime hours allowed by the law of the country of manufacture or, when the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (i) be entitled to at least one day off in every seven-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.	It was found that, during the last 8 months (Jan. to Aug. '05), all 5 randomly selected employees worked overtime in excess of 12 hours per week. Details are as follows: The overtime for the 5 selected samples were 26.5-38 hours per week in Jan. '05, 32.5-35.5 hours per week in Feb. '05, 38.5-43 hours per week in Mar. '05, 30-41 hours per week in May '05, 20-25 hours per week in Jun '05, 17-25 hours per week in 7-10-05, and 13-20 hours per week in 11-05.		Time records, review and workers' interview	Management should initiate systems and procedures to limit overtime working hours to prescribed OOC Standards through better scheduling and planning of resources, response and activities, implement a voluntary overtime form.	Immediately	Factory plans to add another shift to minimize excessive overtime. Requires follow up.	Interview	Attendance records from February to May 2005 still showed overtime work of 3 to 6 hours on certain days.	Attendance records	pending	Long overtime hours and work on Sundays still found. No action plan done to reduce overtime and eliminate work on Sundays. Work shifts still the same.	Attendance records; management interview	pending	Long overtime hours and work on Sundays still found. No action plan done to reduce overtime and eliminate work on Sundays. Workers confirmed they can refuse to work overtime although they also prefer to have more overtime work.	Attendance records; management interview	pending
Overtime Limitation	The Labor Protection Act B.E. 254, Chapter 2, Section 27 which states that "On a working day, an employer shall arrange a rest period during work for an employee of not less than one hour per day after the employee has been working for not more than five consecutive hours."	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 (ii) the limits on regular and overtime hours allowed by the law of the country of manufacture or, when the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (i) be entitled to at least one day off in every seven-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.	It was found that, during the last 8 months (Jan. to Aug. '05), all 5 randomly selected employees worked on Sunday without at least one day off in every seven-day period. Details are as follows: all the samples worked on Sunday for 1.2 times in Jan '05, 2 of the overtime; 5 samples worked on Sunday once in Feb. '05, 1 of the 5 samples worked on Sunday once in Mar. '05, all 5 samples worked on Sunday once in Apr. '05, 3 of the 5 samples worked on Sunday once in May '05, 3 of the 5 samples worked on Sunday once in Jun '05, 1 of the 5 samples worked on Sunday once in 7-10-05.		Time records, workers' interview	Management should ensure that there is one day off in every seven days, in case work on a rest day cannot be avoided, a substitute rest day must be provided immediately in the following week.	December 2005	Factory plans to add another shift to minimize excessive overtime. Requires follow up.	Interview	No Sunday work noted in the attendance records that were checked.		pending	Long overtime hours and work on Sundays still found. No action plan done to reduce overtime and eliminate work on Sundays.	Attendance records; management interview	pending	Long overtime hours and work on Sundays still found. No action plan done to reduce overtime and eliminate work on Sundays. Workers confirmed they can refuse to work overtime although they also prefer to have more overtime work.	Attendance records; management interview	pending
Overtime Limitation	According to Minister Regulation No. 3 B.E. 2541 under the Labor Protection Act B.E. 2541 which states that "On a working day, an employer shall arrange a rest period during work for an employee of not less than one hour per day after the employee has been working for not more than five consecutive hours."	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 (ii) the limits on regular and overtime hours allowed by the law of the country of manufacture or, when the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (i) be entitled to at least one day off in every seven-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.	Some employees worked overtime and holiday in excess of 36 hours per week (37-49 hours) during Jan. and May '05.		Time records, employees' interview	See Row 64 above	December 2005	See Row 64 above	document review and interview	See Row 64 above		pending	Long overtime hours and work on Sundays still found. No action plan done to reduce overtime and eliminate work on Sundays.	Attendance records; management interview	pending	Long overtime hours and work on Sundays still found. No action plan done to reduce overtime and eliminate work on Sundays. Workers confirmed they can refuse to work overtime although they also prefer to have more overtime work.	Attendance records; management interview	pending
Legal compliance with protected workers	The Labor Protection Act B.E. 2541, Chapter 2, Section 27 which states that "On a working day, an employer shall arrange a rest period during work for an employee of not less than one hour per day after the employee has been working for not more than five consecutive hours."	The factory will comply with all applicable laws governing work hours, including those regarding or limiting the nature and volume of work performed by women or workers under the age of 18.	Working times are recorded only for men and out 2 times per day. Thus, the workers stated that they were given 1 hour for lunch break and 30 minutes before starting overtime work.		Time records, review and workers' interview	Workers should be required to punch time cards before and after long breaks. Hence, cards should be punched during lunch break and during break before overtime work.	December 2005	To be implemented by factory.	Interview	Factory still implements the old practice of only one "time in" and one "time out" entries in the time records.	Time records	pending	Factory still implements the old practice of only one "time in" and one "time out" entries in the time records. Interviewed workers confirmed lunch break of one hour and another break of 30 minutes before overtime.	Time records	pending	To allow punching of cards during lunchbreak will require change of program. PM's believe change is not necessary as long as the required breaktimes are observed "in" and "out" entries are properly recorded and recorded time is paid correctly. Workers confirmed breaktimes and payroll showed correct computation of wages based on attendance record.	Interview, attendance and payroll records	completed
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 by the country of manufacture or, in those countries where such laws will not exist, at a rate or rates equal to their regular hourly compensation rate.																		
OT Issues																		
	The Labor Protection Act B.E. 2541, Chapter 2, Section 27 which states that "On a working day, an employer shall arrange a rest period during work for an employee of not less than one hour per day after the employee has been working for not more than five consecutive hours."	Employees will receive reasonable meal and rest breaks which, at a minimum, must comply with local laws.	Stipendium, some employees in evening and packing sections were requested to work overtime until midnight, but the factory provided them only 20-minutes break. They worked overtime continuously for 6-8 hours from 17:20 to 24:00. They were not given the required 1-hour rest period after working for five consecutive hours.		Workers' interview and time records review	Follow local labor regulations regarding night shift work and break periods.	December 2005	Factory management will include changes to be implemented in February 2006	Interview	no progress on this		pending	Still the same practice followed by factory. This finding had been contested by Puma before as an issue. Based on the provisions of the law, there was no violation as to breaktimes of rest periods. According to Sec. 27 of the Labor Law "... the employer shall arrange for the employee to have a rest period of not less than one hour per day during the work after the employee has been working for not more than five consecutive hours ... this shall not be less than one hour of rest during each day. When overtime is to be performed continuously for not less than two hours ... the employer must arrange for the employee to have a <u>rest period of not less than twenty minutes to be given before working overtime</u> if overtime is at least two hours. The issue here is not about the provision of rest period before overtime but the long overtime hours.		completed			
Other Contracts																		
			All employees have to sign an additional contract called Employment Termination without Severance-Pay contract. This contract states that "The employee had never signed and/or call the signature before applying for this job. The employee will not smoke during work in the factory. The employee has never been addicted to drugs and/or will not distribute drugs when working in the factory. If the employee violates the contract, the employee agrees to termination without severance pay."		Review of personnel records and employment termination-discipline without severance pay contract	Discontinue the implementation of the said additional contract. The offenses subject of this additional contract can be included in the company regulations and the rules on discipline and grievance procedures shall apply in case of violation of the rules.			Interview	Factory claimed that the implementation of this kind of contract had been discontinued in March 2006. But this has not yet been verified through other means.	management interview	pending	According to new workers, there is no such kind of contract	Interview	completed	This contract was still found in old employment files but on such kind of contract in new employment files	review of employment files	completed