

*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.

| FLA Monitoring Visit Profile |   |
|------------------------------|---|
| Country                      | INDIA                                       |
| Factory name                 | 120032136B                                  |
| IEM                          | T-GROUP SOLUTIONS PVT. LTD                  |
| Date of audit                | OCTOBER 7 & 8, 2003                         |
| Days in the facility         | TWO   |
| PC(s)                        | REEBOK INTERNATIONAL LTD.                   |
| Number of workers            | 40  |
| Product(s)                   | T - SHIRTS                                  |
| Production                   | CUTTING, STITCHING, FINISHING, INSPECTION & |

| FLA Code/ Compliance Issue  | Legal Reference | Benchmark reference   | Findings   |   |               |  | Remediation  |  |   |                 | UPDATES   |  |  |
|---|-----------------|---|--|---|---------------|--|--|--|---|-----------------|---|--|--|
|   |                 |   | Monitor's Findings   | Documentation                                   | Best Practice | PC remediation plan  | Target Completion Date   | Documentation Requested  | Factory Response  | Completion Date | Documentation Submitted   | PC Follow-Up & Verification (September 2004)   |  |
| <b>1. Code Awareness</b>  |                 |   |  |   |               |  |  |  |   |                 |   |  |  |
| Worker/management awareness of Code   |                 | FLA Principles of Monitoring, Obligations 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 undertake other efforts to educate employees about the standards on a regular basis.   | Reebok's code of conduct posters in the local language are posted in production areas. However, workers interviewed were not aware of the COC as they had not read them. They were also not made aware of the COC. Nor has the factory conducted any training for the managerial and supervisory staff about code awareness. | Visual inspection and interview with workers    |               | An essential part of achieving factory compliance is creating an informed workplace, whereby employees are familiar with the practices and procedures of a factory, their rights and obligations. Factory must undertake efforts to create an informed workplace, which should, at a minimum, include the following: (1) All factory managers and supervisors must receive regular training in the Reebok Standards. (2) Workers must know their rights. New employees should receive an orientation at the time of hiring on the Reebok Standards and how to contact Reebok directly. Orientation should also include explanations on the factory rules, policies, worker obligations, worker rights, as well as benefits and other entitlements. (3) Workers must receive written information on all factory rules and policies, worker obligations, and worker rights, in a worker handbook of some form. Factory must develop and submit to Reebok a worker's handbook that details all of the factory's policies and regulations. The handbook should include the factory's disciplinary policies and procedures.<br><br>The handbook should be written in terms that are easy to understand by workers, and must be provided to workers and management in their local language. (4) The handbook should also be announced to workers in an open forum. Factory must submit a plan by February 15, 2004 on how it will meet 1 & 2, and must meet 1-4 by March 2004. | Plan for meeting requirements to be completed by February 2004. Training, worker orientations, worker handbook, and worker forum to be in place by March 2004. | Please submit to Reebok the following documents (1) a plan for how the factory plans to meet requirements 1 & 2 outlined herein; (2) A copy of the comprehensive worker handbook once completed. Please detail how the worker handbook was communicated to both workers and management; (3) Objective proof that factory managers and supervisors have been trained on Reebok's Standards, once training has been completed; and (4) Copies of the materials to be provided to employees on Reebok Standards during employee orientations, once materials are completed. | (1 & 2) As some workers are semi illiterate, they may not have read the Reebok Standards' poster, but the workers are aware that these standards are followed through the facility's own policies. To increase awareness and understanding, the workers were trained on the Reebok Standards. We shall continue to conduct meetings to educate them about the Reebok Standards from time to time, currently on an every-other month basis, or as needed. A follow-up training, scheduled as a one hour program, on the Reebok Standards will be required to be attended by the workers and the staff of the facility. Managers and supervisors are also to be included in the ongoing trainings. Next month our meeting shall focus on HEALTH AND SAFETY. (2) Information on the Reebok Standards and the factory rules are to be incorporated into worker orientations. (3&4) Worker handbook pending. | Still Pending   | Factory has submitted training schedules and workers handbook.  | Factory was visited on three occasions since the IEM, on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Factory has conducted training sessions for all workers and staff. Discussions with workers confirmed that these sessions included discussions on factory policies and procedures and Reebok standards. |  |
| Other   |                 |   | Personnel Policies of the factory including disciplinary practices are not available   | Visual inspection and interview with management |               |  |  |  |   |                 |   |  |  |
| <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   |                 |   |  |   |               |  |  |  |   |                 |   |  |  |
| Employment Records  |                 | Employers will maintain sufficient hiring and employment records to demonstrate and verify compliance with this Code provision.   | 1. Worker's files of workers employed through Agents are not maintained.<br>2. Appointment letter issued to workers hired directly by the factory, does not provide details of wages payable and benefits that the workers are entitled to.<br>3. Progressive wage increase is not maintained on worker's file.              | Review of worker's files                        |               | Factory should develop clearly documented hiring policies and procedures, which include guidelines on what is considered appropriate and inappropriate conduct in the hiring and termination of workers, with special protection to migrant workers. Guidelines should outline what documentation from the hiring process is necessary to be maintained in employee personnel files. At a minimum, personnel files (whether hired through agents, or directly from the factory) shall include appointment letters and employee contracts with employment terms (including wages). Personnel files for all workers must be maintained on factory premises at all times. Hiring policies should be included in the newly developed worker handbook.  | Feb-04   | Factory should submit copies to Reebok of all appointment letters issued to contract workers regularized into factory employment. Factory must also submit to Reebok a copy of the factory's recruitment policies and procedures. Finally, a copy of workers handbook distributed to factory workers should be submitted to Reebok.  | As of January 1st the company directly employs all workers - and their files are maintained on site. However, if in the future workers are engaged through agents, their files will also be retained in the factory. We have been giving a hand out to individual workers (with hiring information) to carry home with them, and are in the process of revising it to include additional provisions and policies effecting workers. In one month's time we shall have the policies and the handbook ready for distribution to the workers. Factory will also maintain information in employee's personnel files.  | Still Pending   | Factory maintains complete record of all workers. Personnel files reviewed show that all workers are regular employees. | Factory was visited on three occasions since the IEM, on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Factory has submitted sample copies of appointment letters issued to former contract workers. These were reviewed during factory visit. Copy of handbook was provided.                                  |  |
| Accessible Records/Documents  |                 | Employers will provide, at employee request, secure storage for employee documents. Such storage will be freely accessible to workers.  | Worker documents are filed in workers personnel files which are maintained by the Personnel office. However, Factory does not maintain personnel files of workers provided by Agents.  | Review of worker's files                        |               | At a minimum, employee contracts, which include employment terms, should be included in all employee personnel files. These policies should be applicable to workers hired directly by the factory, as well as through an agency. As part of these policies and procedures, factory must include a system for maintaining the proper personnel files for workers hired through agents on site. In addition, the employment terms for all contract workers must be defined in the worker handbook distributed to all employees.   | Feb-04   | Factory should submit all contracts for workers hired through an agency, as well as a copy of the worker handbook.   | As of January 1st the company directly employs all workers - and their files are maintained on site. However, if in the future workers are engaged through agents, their files will also be retained in the factory.  | Mar-04          | Same as above   | Same as above.   |  |
| Recruitment Contracts   |                 | There can be no employment terms [including contracts, recruitment arrangements, or any other instruments] which specify that employees can be confined or be subjected to restrictions on freedom of movement, allow employers to hold wages already earned, provide for penalties resulting in paying back wages already earned, or, in any way punish workers for terminating employment. [It is acceptable to provide bonuses to workers who stay for a term of contract and meet reasonable conditions, such as regular attendance, punctuality, good quality, etc.] | Appointment letters are not issued to workers provided by agents.  | Interview with management and workers           |               | (1) All workers, including those hired through agencies, should receive a copy of their labor contract. Contract should include terms of employment (e.g., applicable wage rate, work hours, etc). Factory must issue copies of contracts to all workers. (2) Include a copy of the contract in personnel files.   | Jan-04   | Please submit to Reebok copy of the appointment letters provided to all workers at the factory.  | There were 4 instances of oversight. These have since been corrected. We have been giving appointment letters handout to individual workers (with hiring information) to carry home with them, and are in the process of revising it to include additional provisions and policies effecting workers. Their files are being retained by the company in the worker's personnel files.  | Mar-04          | Same as above   | Same as above.   |  |
| <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. |                 |   |  |   |               |  |  |  |   |                 |   |  |  |

| FLA Code/ Compliance issue  | Findings   |  |   |                                   |               | Remediation   |                              |  |  |                 | UPDATES   |   |
|---|--|--|---|-----------------------------------|---------------|---|------------------------------|--|--|-----------------|---|---|
|   | Legal Reference  | Benchmark reference  | Monitor's Findings  | Documentation                     | Best Practice | PC remediation plan   | Target Completion Date       | Documentation Requested  | Factory Response   | Completion Date | Documentation Submitted   | PC Follow-Up & Verification (September 2004)  |
| <b>4. Harassment or Abuse</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. |  |  |   |                                   |               |   |                              |  |  |                 |   |   |
| Training of Management in Disciplinary Practices  |  | Employers will provide training to managers and supervisors in appropriate disciplinary practices  | No formal training is provided to management or supervisors in disciplinary practices.  | Interview with factory management |               | (1) Factory must document its criteria and procedures for the discipline and termination of workers. (2) Once documented, factory must train supervisors and managers on the factory's disciplinary policies and procedures. Training should include examples of what is and is not considered appropriate behavior.  | (1) Feb - 04<br>(2) Mar - 04 | Please submit to Reebok the following documents: (1) copies of the factory's policies and procedures for discipline, and (2) objective proof that managers & supervisors have been trained on factory's policies and disciplinary practices. | Point noted. Although workers and supervisors have been briefed on appropriate behavior, we shall work on developing written policies and conducting formal trainings. Training materials currently under development.   | Still Pending   | Factory handbook and training schedule provided.                  | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Factory has provided copy of workers handbook which includes its disciplinary policy. Factory training program was reviewed and schedule provided during factory visit. |
| <b>5. Nondiscrimination</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. |  |  |   |                                   |               |   |                              |  |  |                 |   |   |
| <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  |  |  |   |                                   |               |   |                              |  |  |                 |   |   |
| Fire Safety Health and Safety legal compliance  | Factories Act, 1948. Chapters III ( Health ) & IV ( Safety ) | Employer will comply with applicable health and safety laws and regulations. In any case where laws and code of conduct are contradictory, the higher standards will apply. The factory will possess all legally required permits.   | (i) Accident register as required by law is not maintained.   | Management Interview              |               | Factory responded that it maintains monthly reports which are submitted to Reebok by the first week of every month. A copy of these reports are available in the file. However, Reebok requires that all safety and accident reports must be kept on site for one year. Factory should maintain the following documentation: (1) a list of all injuries and illnesses that are treated in the factory, including minor events such as small cuts. The list should include the date/time of the accident, names of the persons treated, their jobs, and what activity they were doing at the time of the injury or illness. If a factory does have a clinic and is able to offer on-site treatment of minor problems, clinic staff shall maintain a list of all illnesses and injuries that are treated. This list shall be kept on site for inspection.<br><br>(2) a Serious Injury Log that lists information on every injury requiring outside medical treatment and/or resulting in lost work time. Factory must conduct a full investigation of any serious injury and keep an accident report form on file as well. Please develop the appropriate forms and logs, and submit a sample to Reebok. A sample log is provided in Reebok's Guide for your use.                       | Feb-04                       | Please submit to Reebok photocopy of a sample page from the accident/injury logs.  | We have retained monthly reports which are submitted to Reebok by the first week of every month since Sept.2000. A copy of each of these reports is available in the files on site. In fact, there is also a register dating back to Jan.2003 which was not produced before the audit team due to oversight.   | N/A             | Copy of accident log register.                                    | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Factory's accident log register was shown during visit.   |
| Fire Safety Health and Safety legal compliance  | Factories Act, 1948. Chapters III ( Health ) & IV ( Safety ) | Employer will comply with applicable health and safety laws and regulations. In any case where laws and code of conduct are contradictory, the higher standards will apply. The factory will possess all legally required permits.   | (ii) Factory does not have a "No - objection" certificate from the fire department.   | Management Interview              |               | Factory must determine what the local law requirements are, and then comply with local law. Please report back to Reebok on the requirements and the factory's response.  | Jan-04                       | Please submit to Reebok a copy of the "no-objection certificate" if required by local law.   | The National Building Code of India does not make it mandatory to have the specified certificate unless the covered area on the ground floor is greater than 400 sq m (ours is less than 400 sq m). Nevertheless, there are 16 fire extinguishers installed on the premises.   | N/A             | N/A   | N/A   |
| Fire Safety Health and Safety legal compliance  | Factories Act, 1948. Chapters III ( Health ) & IV ( Safety ) | Employer will comply with applicable health and safety laws and regulations. In any case where laws and code of conduct are contradictory, the higher standards will apply. The factory will possess all legally required permits.   | (iii) Consent letter from the Pollution Control Board for Air and Water pollution is not available.   | Management Interview              |               | Factory states that local law does not require such a consent letter, as garment manufacturing is considered a non-polluting industry. No additional activity required by the factory.  | N/A                          | N/A  | [The city] where this facility is located, does not permit any polluting industry. The garment industry is a non polluting industry. A consent letter from the Pollution Control Board, is unnecessary as the garment industry is not listed as a Pollution Industry under the act. Moreover, we are registered under the Factory Act and before issuing the factory license, the Assistant Director of Factories duly inspected our facility and found it suitable to run the unit under the provisions of Factory Act. After inspecting our factory the department approved the facility and issued the necessary Factory License. | N/A             | N/A   | N/A   |
| 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 | 1. MSDS is not posted in the Chemical Storage area and in stain removing area.<br><br>2. Factory policies/procedures on Machinery & Equipment safety is not posted. | Visual Observation                |               | (1) Factory must maintain a current list of Material Safety Data Sheets (MSDS) in the local language of the workers for chemicals in use in the factory. Factory should investigate which chemicals are in use in the factory, and whether MSDS are missing for any hazardous chemicals. If missing, factory must develop the MSDS. Sample MSDS forms are available in Reebok's Guide on page 46. (2) MSDS should be made accessible to all workers handling chemicals. Please post all MSDS in the Chemical Storage Area. (3) Factory must assign an individual to maintain this system, to ensure MSDS are appropriately current and posted. Please provide the name of the individual responsible for the MSDS system.<br><br>(1) Factory must regularly inspect and service production machinery on a regularly scheduled basis. Inspection logs and service records must be kept on site at the factory for review. (2) Factory must post any procedures on how to use production machinery safety by the respective machine. (3) Factory must assign an individual to be responsible for inspecting and maintaining machinery, as well as for developing and communicating machine safety procedures. Please provide the name of the individual responsible for machine safety. | Jan-04                       | Please submit to Reebok the following documents: (1) a list of all chemicals in use in the factory, and (2) copies of MSDS for all hazardous chemicals listed. (3) A picture of the MSDS posted in the Chemical Storage area.                | All MSDS for chemicals in use in the factory have now been posted in the specified areas.  | Jan-04          | List of chemicals in use; MSDS; photograph of safety precautions. | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Postings were seen.   |
|   |  |  |   | Visual Observation                |               |   | Feb-04                       | Please submit to Reebok the following documents: (1) Sample machine inspection and service logs/documents; (2) pictures of all posted operational safety procedures  | The factory provides an orientation to all workers about required safety and operational precautions. Operational safety postings have been made.  | Apr-04          | Machine inspection record.  | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Factory was able to show record of machine safety inspections, and postings.  |

| FLA Code/ Compliance Issue | Findings                                  |  |  |                    |               | Remediation   |                        |  |   |                 | UPDATES                     |  |
|----------------------------|---|--|--|--------------------|---------------|---|------------------------|--|---|-----------------|-----------------------------|--|
|                            | Legal Reference                           | Benchmark reference  | Monitor's Findings   | Documentation      | Best Practice | PC remediation plan   | Target Completion Date | Documentation Requested  | Factory Response  | Completion Date | Documentation Submitted     | PC Follow-Up & Verification (September 2004)   |
|                            |   |  | 3. Signs & Diagrams in local language indicating use of PPE in appropriate work areas are not posted.  | Visual Observation |               | (1) Factory must post its PPE policy in all areas where PPE use is required. Visual aids, such as diagrams, should be included in the PPE poster as much as possible. The postage must also be in the local language of the workers. (2) Factory must assign an individual to be responsible for maintaining PPE policies and their postings. Please provide the name of the individual responsible for PPE policies.   | Feb-04                 | Please submit to Reebok the following documents: (1) a copy of the factory's PPE poster, and (2) pictures of all areas in the factory where the PPE poster has been posted. Please indicate on the picture where in the factory the PPE poster is located.                           | We are in the process of creating/obtaining these PPE policies, diagrams and posters. All postings will be in place by the end of this month.   | Apr-04          | Photos                      | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Postings were seen.  |
|                            |   |  | 4. Procedures dealing with first-aid are not posted in work areas  | Visual Observation |               | Factory must post first aid procedures in prominent locations throughout work areas. Please note that the factory must have written emergency procedures for serious injuries that cannot be treated by factory staff or by factory medical personnel. These procedures should include "who takes whom where, when and how." These must also be communicated to workers.  | Feb-04                 | Please submit to Reebok the following documents: (1) a copy of the factory's first aid procedures and (2) pictures of all areas in the factory where first aid procedures have been posted. Please indicate on the picture where in the factory the first aid procedures are posted. | While we have always had a trained worker to handle first aid, first aid procedures have now been posted in the facility. A person was assigned for the ongoing maintenance of first aid procedures and first aid kits.               | Feb-04          | Photographs                 | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. First Aid procedures were seen posted.   |
| Evacuation Procedure       | FACTORIES ACT, 1948 CHAPTER - IV - SAFETY | 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 | 1. Few emergency exits did not have emergency lights. Evacuation paths do not have emergency lights. Exits signs are not lit with an internal light with a battery back-up. Some exits are not marked. | Visual Observation |               | (1) All emergency exits from the factory must be clearly marked, well illuminated and fitted with emergency lights. Emergency lights are required and should be located above exits and in stairwells. (Emergency lights are generally battery-operated units that operate automatically when power fails and have a 1.5 hour capacity and 1 foot candle intensity). Please install appropriate lighting at any emergency exits which already do not have it. (2) In case of fire, evacuation paths must be clearly under Reebok's Standards. Workers must be able to easily find exit routes in a smoke filled factory. Indicate exit routes on the floors with photo luminescent safety materials such as paint, panels and strips. A series of photo luminescent arrows running along the floor is a simple, cost-effective way of communicating to workers the way to safety when emergency exits are not visible due to smoke. | Feb-04                 | Please submit to Reebok the following documents: (1) pictures of all emergency exits, with emergency exit lights installed. Please indicate on the picture where the exit is located inside the factory. (2) Pictures of factory with the evacuation paths clearly marked.           | All exits are now fitted with emergency lights. Guidelines have been requested from Reebok on the need for evacuation path markings.  | Mar-04          | Photographs                 | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Factory has made adequate evacuation markings on production floors.                            |
|                            |   |  | 2. There are no evacuation signs posted in the factory. Evacuation plans are not accurate, nor prominently displayed.  | Visual Observation |               | The production floor must have an evacuation diagram posted that shows evacuation routes from each area, gathering areas outside, fire extinguisher locations, alarm pull box locations, and if applicable the location of fire fighting equipment for factory fire brigade or local firefighters.  | Feb-04                 | Please submit to Reebok the following documents: (1) copy of the factory's evacuation diagram, and (2) picture of where its posting inside the factory.  | We have created and posted the required diagram.  | Feb-04          | Photographs                 | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Factory has posted evacuation plan on production floors.                                       |
|                            |   |  | 3. Aisles are not marked in the production areas on ground floor.  | Visual Observation |               | See above.  | Feb-04                 | See above.   | All aisles have been marked.  | Feb-04          | Photographs                 | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Factory has posted evacuation plan on production floors.                                       |
|                            |   |  | 4. Two fire-extinguishers in cutting and one in finishing section were blocked with furniture.   | Visual Observation |               | Machinery, workstations or production material should not block access to extinguishers. It is recommended to paint a yellow box on the floor underneath extinguishers, extending one meter out from the wall, to keep anything from being placed there. It is also recommended to train everyone that nothing is allowed to be stored in those areas.  | Feb-04                 | Please submit to Reebok pictures of fire extinguishers in the cutting and the finishing section, demonstrating unobstructed access.  | Fire extinguishers are no longer blocked.   | Feb-04          | Photographs                 | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Factory has cleared access to extinguishers.   |
|                            |   |  | 5. One exit at the sewing-hall on first floor opens inwards.   | Visual Observation |               | Every worker must have access to at least two exits safely distant from each other. The exits should be far enough apart that in case of a fire near one, workers could evacuate safely through the other one. OSHA recommends that the distance from the most remote interior area to an exit be no more than 60 meters (200 feet) in a general industrial building without sprinklers. If the factory has two exits meeting this standards outside of the sewing hall exit, then no further action is required. However, the door should not be mistaken for an emergency exit, and should be marked "Not An Exit." If the sewing hall exit is one of the two fire exits, then the door must be able to swing outward. All exit doors in the factory, other than sliding doors, should open outward. Workers cannot exit quickly if they become jammed against a door that opens inward.  | Feb-04                 | Please submit pictures of exits to Reebok demonstrating how they meet Reebok's requirements.   | The door in question leads to a stairway and therefore must open inwardly. To correct the problem, we have latched the door open. This door will remain open during all hours of operation.   | Feb-04          | Photographs                 | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Doors were latched open.   |
| Safety Equipment           | FACTORIES ACT, 1948 CHAPTER - IV - SAFETY | 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   | First-aid boxes are not adequately stocked.  | Visual Observation |               | (1) First aid kits must be stocked as specified in Reebok's Standards. A list of basic first aid supplies to be included is listed in Reebok's Guide. Factories must inspect each first aid kit and fill it with supplies that are missing. (2) Factory must develop a policy and procedure for the regular inspection and restocking of first aid kits. Factory should assign a qualified person to be responsible for this. Please submit the name of the person assigned to Reebok. Please note: first aid kits should be each labeled with a list of minimum contents and quantities, so that the kit can be easily checked and restocked.  | Jan-04                 | Please submit to Reebok (1) a report on the first aid kits in the factory, and their contents, and (2) a copy of the factory's first aid inspection policies.  | We maintain the stock as instructed in the Reebok guidelines - bandage, gauze, cotton, burnol, dettol, band aid, scissors. Medication is kept in the office.  | Apr-04          | First Aid Listing provided. | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Factory maintains record of content of first aid kit - and a log sheet for replenishing stock. |
| PPE                        | FACTORIES ACT, 1948 CHAPTER - IV - SAFETY | 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.              | 1. Generator operator did not have ear plugs.  | Visual Observation |               | (1) Factory must supply, at no cost to workers, PPE of the correct type for activities identified to need PPE. (2) The person assigned with the responsibility of maintaining MSDS (see above) should also be responsible for general chemical safety policies and procedures inside the factory.   | Feb-04                 | (1) Please submit objective documentation (purchase receipts, pictures, etc) that PPE has been provided to workers where needed. (2) Please submit information on the person assigned to manage chemical safety and PPE in the factory   | The noise level exceeds 90 decibels in the generator room, but the operator is rarely inside the room for more than a couple of minutes at a time on any day. Nevertheless, appropriate ear muffs have been provided to the operator. | Feb-04          | Photos.                     | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Factory personnel manager **** is charged with reviewing safety needs of factory.              |
|                            |   |  | 2. PPE is not provided to workers in stain removing operations.  | Visual Observation |               | See Above   | Feb-04                 | See Above  | Gloves and masks have been provided to the workers in the stain removing area, and cutting and over-lock operations areas.  | Feb-04          | As above                    | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Workers were found wearing PPE's.  |

| Findings                                    |   |  |   |  |               |   |                        |   |   |   | Remediation  |   |  | UPDATES |
|---|---|--|---|--|---------------|---|------------------------|---|---|---|--|---|--|---------|
| FLA Code/ Compliance Issue                  | Legal Reference   | Benchmark reference  | Monitor's Findings  | Documentation                                    | Best Practice | PC remediation plan   | Target Completion Date | Documentation Requested   | Factory Response  | Completion Date   | Documentation Submitted  | PC Follow-Up & Verification (September 2004)  |  |         |
|   |   |  | 3. Workers in cutting and over-lock operations are not provided with masks to prevent them from breathing in floating fabric fibers.  | Visual Observation                               |               | See Above   | Feb-04                 | See Above   |   | Feb-04  | As above   | As above  |  |         |
| 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 | Liquid detergents, benzene and high-speed diesel are stored in the facility. The names of the contents are not labeled on the containers. This area is not fenced, and no 'no-smoking' sign or fire extinguisher is installed. A container of benzene was found under the table in the finishing section. | Visual Observation                               |               | Factory clearly states that it does not have benzene in the factory, and will provide Reebok with a list of all chemicals in use in the factory for Reebok verification. However, the factory must (1) ensure that chemical containers are properly labeled with the name(s) of the chemical(s) and appropriate hazard symbols. (2) Chemical storage rooms are to be in an area with a posted "no smoking" sign. (3) The person assigned with the responsibility of maintaining MSDS (see above) should also be responsible for general chemical safety policies and procedures inside the factory. | Feb-04                 | Please submit to Reebok the following documents: (1) a list of all chemicals in use in the factory; (2) copies of MSDS for all hazardous chemicals listed; (3) The person assigned with the responsibility of maintaining MSDS (see above) that is also responsible for general chemical safety policies and procedures inside the factory. (4) Pictures of chemical containers with the proper labels on them, and pictures of the non-smoking signs in the chemical storage room. | There was no benzene available or ever used in the facility, it was solvent and incorrectly identified as benzene. The containers have been labeled, 'no smoking' sign has been posted, MSDS has been put in place and a fire extinguisher is already in place in it's proximity. | Feb-04  | (i) Factory maintains no chemicals - other than solvents - in use; (ii) MSDS; (iii) Personnel Manager **** named; (iv) No chemicals - other than solvents - in use         | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Factory showed container which was incorrectly identified as benzene during audit. Only solvents were in evidence.                            |  |         |
| Ventilation/Electrical/facility maintenance | FACTORIES ACT, 1948, CHAPTER - IV - SAFETY                | 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  | 1. Wiring of the vertical cutting equipment crosses the passage in cutting section.   | Visual Observation                               |               | The wiring must be covered so as to not interfere with workers movement.  | Jan-04                 | Please submit pictures demonstrating that the wiring has been sufficiently covered.   | All wiring is now covered.  | Feb-04  | Photographs  | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. No exposed wirings were seen.   |  |         |
|   |   |  | 2. Taped joints on electric wires were noticed throughout the facility.   | Visual Observation                               |               | Electrical wiring must be well insulated and installed not to interfere with workers' movements. If the taped joints accomplish this, then no additional action required by the factory. Please submit pictures to Reebok for determination.  | Jan-04                 | Please submit to Reebok pictures for determination  | All electric wiring is now insulated and installed as suggested.  | Feb-04  | As above   | As above  |  |         |
|   |   |  | 3. Lighting levels at the needle point on sewing machines are inadequate ranging from 250 to 350 lux. Should maintain at least 500 lux.   | Visual Observation                               |               | Lighting over production lines and in other work areas provides illumination for the safe performance of all tasks. Background lighting in general areas of the factory should be at least 200 lux. Lighting of various production tasks should be 500 to 1500 lux or higher, depending upon the nature of the task, color of materials, speed of operation, and demand for accuracy.   | Jan-04                 | Please provide documentation which demonstrates additional lighting has been added per requirements. Please provide statement of readings from light meters.  | Feb-04  | The positioning of the machines has been changed to provide adequate light. | Photographs  | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Overhead lights have been lowered to increase illumination, which appears adequate.   |  |         |
|   |   |  | 4. Ventilation is poor in the 'stain removing section'.   | Visual Observation                               |               | Please relocate stain removing section to a well ventilated area within the factory.  | Mar-04                 | Please submit photos of location where stain removing has been moved.   | We are in the process of relocating this process to a well ventilated area.   | Photographs   | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Spot removal area relocated near open space with free ventilation. |   |  |         |
|   |   |  | 5. Exhaust pipe of power generating-set is not insulated.   | Visual Observation                               |               | Please provide proper insulation for all generator pipes.   | Feb-04                 | Please submit photos documenting proper insulation of all generator pipes.  | All pipes are now insulated.  | Photographs   | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. All pipes were insulated.  |   |  |         |
| Record Maintenance                          |   | All safety and accident reports shall be maintained for at least one year, or longer if required by law  | Record of minor-injuries is not maintained.   | Visual observation and interview with management |               | See requirements above on accident reports.   | Jan-04                 | See above.  | Records of all minor injuries are now being maintained.   | Jan-04  | Copy of accident log register.   | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Accident log register was shown.  |  |         |
| Machinery Maintenance                       | FACTORIES ACT, 1948, CHAPTER - IV - SAFETY                | All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner  | 1. None of the sewing machines have needle-guards while a few do not have under-motor pulley guards.  | Visual Observation                               |               | All sewing machines inside the factory must have needle guards and pulley guards. (1) Factory must conduct an inspection of all sewing machines to determine which machines are missing (or have broken) safety devices, and then equip any machines needing new guards with the necessary guards. (2) Factory should also develop and document a process for the regular inspection of sewing machines by a qualified person to ensure that machines are equipped with the proper safety devices on an ongoing basis. Please submit to Reebok a copy of this documented process/plan.              | Feb-04                 | Please submit to Reebok (1) a list of the total number of machines needing safety guards and documented proof (purchase receipts, pictures, etc.) that the guards were installed. (2) Please submit to Reebok a copy of this operational safety documented process/plan.  | All machines have needle guard and under motor pulley guards.   | Feb-04  | Photographs  | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. All sewing machines had pulley-guards and needle guards installed.  |  |         |
|   |   |  | 2. Boiler located near the pressing stations is not fenced.   | Visual Observation                               |               | Please surround the boiler with fencing to prevent workers from coming in contact with the boiler.  | Jan-04                 | Photograph of fenced area.  | A fence has been installed around the boiler near the pressing stations.  | Feb-04  | Photographs  | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Fencing was seen around boiler.   |  |         |
| Sanitation in Facilities                    | FACTORIES ACT, 1948, CHAPTERS - III - HEALTH & V- WELFARE | All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws   | There was no towel provided in the hand-wash area.  | Visual Observation                               |               | (1) Factory must provide workers with towels or hand driers so that workers can dry their hands before going back to work. Please supply toilet facilities with towels. (2) Factory should also develop and document a process for the regular inspection and restocking of toilet supplies, and assign a person to be responsible for its implementation.  | Jan-04                 | Please provide a photo of the adequately supplied toilet area.  | Continuous cloth towel has been provided as advised by FLA auditor. Workers carry their own personal handkerchiefs and towelettes in any case.  | Feb-04  | Photographs  | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Hand towels were seen on towel rack, and workers confirmed this was routinely available - although they prefer to use their own handkerchief. |  |         |

| FLA Code/ Compliance Issue  | Findings   |   |   |  |               | Remediation  |                        |  |   |                 | UPDATES   |   |
|---|--|---|---|--|---------------|--|------------------------|--|---|-----------------|---|---|
|   | Legal Reference  | Benchmark reference   | Monitor's Findings  | Documentation  | Best Practice | PC remediation plan  | Target Completion Date | Documentation Requested  | Factory Response  | Completion Date | Documentation Submitted                           | PC Follow-Up & Verification (September 2004)  |
| Sanitation in Dining Area   | FACTORIES ACT, 1948, CHAPTER - V - WELFARE   | All food preparation shall be prepared, stored, and served in a sanitary manner in accordance with applicable laws. Safe drinking water should be available in each building.   | Drinking water station is located next to the toilet.   | Visual Observation   |               | Please relocate drinking station in accordance with legal provisions to the extent practical.  | Jan-04                 | Please submit photos of relocated drinking station once completed.   | We shall endeavor to relocate it to a different location, further from the toilet area.   | Still Pending   | Action Pending                                    | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Relocation of water dispenser does not appear to be a feasible option, given limited space.   |
| Worker Participation  |  | Workers should be involved in planning for safety, including through worker safety committees   | Factory does not have its Health & Safety committee duly represented by workers and management  | Interview with workers and management                          |               | Reebok, nor local law, do not require a worker Health and Safety Committee. However, Reebok holds factory management responsible for full implementation and enforcement of all safety procedures and recommends that management involve workers in all aspects of the process.<br><br>Factory must conduct regular internal health and safety audits to ensure that there is a management system to ensure long-term compliance.  | Jan-04                 | Please submit documentation on the factory's internal audits.  | Due to the fact that our factory only has 32 people, health and safety is effectively managed by the management, and we have a worker's forum where any issues can be discussed and any issues investigated.  | Apr-04          | Minutes from workers forum                        | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Forum minutes indicate discussion on health & safety issues.  |
| <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   |  |   |   |  |               |  |                        |  |   |                 |   |   |
| <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 |  |   |   |  |               |  |                        |  |   |                 |   |   |
| Minimum Wage  | Unskilled=Rs.2174, Semi-Skilled=Rs.2404, Skilled=Rs.2634 & Highly Skilled= Rs.3016 | Employers will pay workers the legal minimum wage or the prevailing industry wage, whichever is higher.   | 1. One worker on semi-skilled operation ( packer ) is being paid wages of the unskilled grade.  | Payroll records, workers interview and visual observation      |               | (1) Factory should define and document the levels or grades of workers and worker skills and their corresponding applicable wage rates. This information should be included in the worker handbook requested above.<br><br>(2) Factory should determine whether the packer is in the correct grade. If he was misclassified, factory must make immediate payment to worker of any higher wages he would have received in the higher grade. Please report to Reebok the results of your investigation, and your response. | Feb-04                 | Please submit to Reebok following documents: (1) factory descriptions of grades, (2) records from investigation, AND (3) payroll records demonstrating packer was properly paid.   | Worker handbook under development.<br><br>After having consulted the industrial advisor we are told that the packing worker falls in the category of unskilled worker and not semi- skilled. Factory will conduct follow-up investigation to determine whether worker was properly paid back wages. If found to be required by management's investigation, workers will be paid accordingly.  | Feb-04          | Worker handbook                                   | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Factory payroll records indicate payment was made at unskilled workers' wage level.   |
|   |  |   | 2. Review of pay records of an agent M/s M.K. Finishing revealed that 3 of the workers were not being paid the applicable minimum wage.   |  |               | (1) Factory reports that the workers are being paid the applicable minimum wage. Please submit to Reebok copies of payroll records for workers from this agent, demonstrating that the proper wages have been paid. (2) So that workers understand their wages, each worker must receive an individualized pay slip showing a breakdown of earned income, regular and overtime pay, hours worked, and all legal or agreed upon deductions. Please provide Reebok a copy of a sample pay slip.                            | Feb-04                 | Please submit to Reebok the following documents: (1) copies of payroll records for workers from this agent, demonstrating that the proper wages have been paid, (2) Copy of a sample pay slip  | The workers identified were being paid the prevailing minimum wage or more. In the month of August DA was increased by Rs23/- (Twenty three only). The misunderstanding occurred when the workers stated that they had gotten the basic wage for the month of August and that they had not received the increased part - DA for the month. The workers were paid the actual wages along with the revised DA for the month of September on October 7th. Arrears for the month of August were paid by the contractor the following day. | Feb-04          | Payroll record                                    | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Workers confirm that payment was indeed effected in October. All workers have since been enlisted as regular employees.                   |
| Wage Benefits Awareness   |  | Employers will communicate orally and in writing to all employees in the language of the worker the wages, incentive systems, benefits and bonuses to which all workers are entitled in that company and under the applicable law | Appointment letter issued to workers does not provide details of wages payable and benefits that the workers are entitled to.   | Review of personal files and interview with workers            |               | See requirement above regarding wage information dissemination to workers. Workers must have access to understandable information about their wages and benefits. Information provided should also contain information that allows workers to calculate their wages and allowances, including lawful and reasonable deductions. Please include this information in the worker handbook requested above.  | Feb-04                 | See above. Also, provide Reebok with a copy of the factory's wage policy, which is included in the worker handbook   | Worker handbook under development.  | Apr-04          | Worker handbook and copies of appointment letter. | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Personnel files show appointment letters issued now include wage and other benefits payable to worker.                                    |
| Wage and Benefits Posting   |  | All notices that are legally required to be posted in the factory work areas will be posted. All legally required documents, such as copies of legal code or law, will be kept at the factory and available for inspection        | 1. Applicable Minimum wage notification issued by the local Government is not available in the factory.   | Visual Observation   |               | Factory should post the applicable Minimum Wage Notification issued by the local Government in a prominent location inside the factory.  | Jan-04                 | Please submit a picture of its posting inside the factory, and indicate on the picture where it is posted in the factory.  | The notification is now is posted on the notice board.  | Feb-04          | Photographs                                       | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Minimum wage notification is posted prominently on factory wall.  |
|   |  |   | 2. Some of the national and local laws that are posted are in the enclosure of the security-guards. This is not a prominent area accessible to workers.                               | Visual Observation   |               | Please post the national and local laws in an area accessible to workers on the production floor. Factory can also include information that is relevant for workers inside the worker handbook, which was requested above.   | Jan-04                 | Please submit a picture of its posting inside the factory, and indicate on the picture where it is posted in the factory.  | As was recommended they have been posted now in the working halls for the workers to have easy access to the specified notifications.   | Feb-04          | Photographs                                       | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Posters have been relocated into prominent spot on factory wall.  |
|   |  |   | 3. Payment of wages and payment of gratuity acts are posted in English and not in the local language. Payment of bonus act is not posted.   | Visual Observation   |               | (1) Reebok requires that understandable information on wages be incorporated into the worker handbook. (2) Information on payment of wages must be posted in a prominent location inside the factory in the local language(s) of the workers.  | Feb-04                 | Please submit the following documents (1) copies of the wage notice, and (2) pictures of its posting inside the factory.   | Payment of wages and bonus act, in the local language have been put in the facility, but gratuity act is not available in the local language. We shall post this document as soon as it is available. We are consulting with the industrial advisor and will include this in the handbook.  | Apr-04          | Photographs. Workers handbook.                    | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Factory has prepared and posted a translation of the gratuity act has also been posted.   |
| Wage and Benefits Information Access  |  | In general, workers will have access to understandable information about their wages and benefits, and will not express dissatisfaction with their ability to get information   | 1. Statement of wages is issued only to workers hired directly by the factory at the end of each wage period. Workers employed through agents are not provided with a wage statement. | Visual Observation, Review of records & interview with workers |               | (1) Individualized pay slips, and information on wages, which were requested to be provided to workers above, must be provided to all workers, including workers hired through agents. (2) The factory must provide training to all workers (direct hires and agent hires included) regarding the wages and benefits they should receive, how to calculate their wages on their own, and how to read their pay slips.  | Feb-04                 | Please submit the following documents (1) copies of the information provided to workers on wages, as well as information on how they were communicated to workers. (2) objective proof (training materials, attendee lists, etc) that training for workers on wages was conducted. | This will no longer be an issue since all workers are now employed directly through the factory. Worker handbook and materials for workers on wages under development.  | Apr-04          | Handbook. Pay slips.                              | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Factory has issued pay slip on a new format that includes overtime details. Workers confirm discussion of wages during training sessions. |
|   |  |   | 2. Wage statement provided to workers does not include overtime details and date of payment.  | Visual Observation, Review of records & interview with workers |               | As required above, each worker must receive an individualized pay slip showing a breakdown of earned income, regular and overtime pay, hours worked, and all legal or agreed upon deductions.  | Feb-04                 | Please submit to Reebok a sample pay slip.   | The standard official pay slip format does not have any sections to document overtime. To supplement this we shall issue separate pay slips for overtime worked beginning next month.   | Apr-04          | Handbook. Pay slips. Training schedule            | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Factory has issued pay slip on a new format that includes overtime details. Workers confirm discussion of wages during training sessions. |

| Findings                   |   |   |   |  |               |  |                        |   |   |                 | Remediation                           |   |            |  | UPDATES |
|----------------------------|---|---|---|--|---------------|--|------------------------|---|---|-----------------|---------------------------------------|---|------------|--|---------|
| FLA Code/ Compliance Issue | Legal Reference   | Benchmark reference   | Monitor's Findings  | Documentation  | Best Practice | PC remediation plan  | Target Completion Date | Documentation Requested   | Factory Response  | Completion Date | Documentation Submitted               | PC Follow-Up & Verification (September 2004)  |            |  |         |
|                            |   |   | 3. Progressive wage increase is not maintained on worker's file.  | Visual Observation, Review of records & interview with workers                   |               | See requirements above on maintaining contract information in personnel files.   | See above.             | See above.  | See above.  | See above.      | See above.                            | See above.  | See above. |  |         |
| 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                                | Statement of wages is issued only to workers hired directly by the factory, at the end of each wage period. Workers employed through agents are not provided with a wage statement.   | Review of payroll records and stubs issued to workers and interview with workers |               | See requirement above regarding wage information dissemination to workers.   | See above.             | See above.  | See above.  | See above.      | See above.                            | See above.  | See above. |  |         |
|                            |   |   | Factory does not include information on overtime earnings in the wage statement issued to workers.  | Review of payroll records and stubs issued to workers and interview with workers |               | See requirement above regarding individualized pay slips.  | See above.             | See above.  | See above.  | See above.      | See above.                            | See above.  | See above. |  |         |
| Time-recording system      |   | Time worked by all employees, regardless of compensation system, will be documented by time cards or other accurate and reliable recording systems such as electronic swipe cards | Factory has a manual time recording system which is maintained by the factory staff. This system is inaccurate and not reliable as the actual hours worked are not correctly recorded. Regular working hours and overtime hours up to 2 hours are recorded officially. Factory maintains a second set of time record for recording overtime in excess of 2 hours and late night work. | Review of records and interview with workers and management.                     |               | (1) Factory must have established policies and management systems to accurately and reliably record and report all hours worked, including overtime. Accurate and reliable recording systems, such as electronic swipe cards or time cards, shall document time worked by all employees. Please establish an accurate and reliable time record system. (2) All work, including overtime hours, must be recorded on the regular time record and payroll record. Factory must establish and implement a policy to meet this standard.  | Feb-04                 | Please submit to Reebok the following documents: (1) information on your time record system, (2) factory policy to record all hours worked in the time record keeping system  | In order to address an exceptional circumstance, a separate set of records was maintained. After 1st of March 2004 this will no longer be a problem since an automated time slot machine will be installed. In interim period, exact time of the workers in and out is being recorded and counter signed by the workers.  | Apr-04          | Photograph of time recording machine. | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Factory workers use automated time recording machine. Workers confirmed that they swipe cards personally at check-in and check-out.   |            |  |         |
| Record Maintenance         | Payment of Wages Act - 1936   | All compensation records will be maintained accurately and should be acknowledged by the employee as accurate.  | 1. Pay records for overtime compensation for work done in the night is not maintained.  | Review of compensation records and interview with workers                        |               | As indicated above, all work, including overtime hours, must be recorded on the regular payroll record. The factory must have an accurate and reliable payroll system, which is directly linked to the time recording system. Under no circumstances can workers work off the clock, and no payments to workers are permitted outside of payroll. Please develop a policy on this, and procedures for its implementation.  | Feb-04                 | Please submit to Reebok the following documents: (1) information on your payroll system, (2) and a copy of the factory's payroll policy   | Pay records for piece rate workers are available on file. Pay records for overtime are recorded separately. Separate recording systems catch all hours worked.  | Apr-04          | Handbook. Payroll record              | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Review of payroll indicates all workers are regular employees and paid wage and overtime. Handbook records factory policy regarding wage and overtime.  |            |  |         |
|                            |   |   | 2. Pay records of [**** Agent] was not available for review.  | Interview with management.   |               | Factory must maintain all files onsite from the past 12 months.  | Feb-04                 |   | All payroll from the last 12 months is now available on site.   | Feb-04          |                                       | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Payroll records of past 12 months were available on site.   |            |  |         |
| Legal benefits             | The Employees' Provident Fund & Miscellaneous Provisions Act, 1952. The Employees State Insurance Act, 1948. Payment of Bonus Act, 1965. Factories Act, 1948 - Chapter-VIII - Annual Leave with Wages | Employers will provide all legally mandated benefits to all eligible workers  | All mandated benefits like Employees provident fund & state insurance, annual bonus and leave with wages are not provided to eligible workers provided by the Agents.   | Review of records and interview with workers                                     |               | All legally mandated benefits (such as social security, retirement, severance, and medical), must be offered to all eligible employees. These benefits must be calculated correctly and paid in a timely manner to all eligible employees as required by law. To meet this requirements: (1) Factory must outline in the worker handbook all benefits to be provided to workers. (2) Factory must investigate, for the past six months, what benefits should have been provided to employees, and calculate payments owed to workers. Factory must then make back payments to workers for any missing benefits from the past six months. | Feb-04                 | Please submit to Reebok the following documents: (1) copies of the factory's benefits policies. (2) Information on the results of your investigation, including list of all workers owed benefits and the amount owed. (3) copies of payroll records demonstrating benefits payments. | Factory will conduct follow-up investigation to determine whether worker provided by agents were being properly paid minimum wage rates. If found to be required by management's investigation, factory management will work with agents to ensure workers will be paid accordingly. All workers are on company's payroll now so this issue has been resolved. Henceforth if we hire workers through agents we shall take measures to ensure that agent payments are made in the presence of management's representative. | Feb-04          | Workers handbook. Payroll record      | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Based on inconclusive findings from factory's investigation of benefits extended to contract workers hired by agents, factory has enlisted all workers on its payroll w.e.f. Jan 2004. Factory currently ensures that all workers receive legal benefits. |            |  |         |
| Payment of wages           | Payment of Wages Act, 1936 & Payment of Bonus Act, 1965   | Legally mandated bonuses (e.g. 13th month payments and severance payments) will be paid in full and in a timely manner)   | Factory complies as far as workers hired directly are concerned.  | Review of records and interview with workers                                     |               | As stated above, all legally mandated benefits must be provided to ALL eligible employees, even those hired by agents if they are eligible under local law. Please include information on eligibility of workers hired through agents in the factory's benefits policy. Also, include agent workers in the investigation of payments owed, and back-payments.  | Jan-04                 | See above.  | See above   | See above       | See above                             | See above   | See above  |  |         |
| Payment of wages           | Contract Labor ( Regulation and Abolition) Act, 1970  | Legally mandated bonuses (e.g. 13th month payments and severance payments) will be paid in full and in a timely manner)   | The Agents hand over salaries of the employees to one particular worker and asks him to distribute the same to others. This is an incorrect practice.   | Interview with workers.  |               | All payments must be made directly to the individual for which such payments are intended.   | Jan-04                 | See above.  | See above   | See above       | See above                             | See above   | See above  |  |         |
| Payment of Legal Benefits  | The Employees' Provident Fund & Miscellaneous Provisions Act, 1952. The Employees State Insurance Act, 1948. Payment of Bonus Act, 1965. Factories Act, 1948 - Chapter-VIII - Annual Leave with Wages | Legally mandated benefits will be provided or paid in full within legally defined time periods.   | Provided to direct employees of the factory, however, not provided to the workers out-sourced through agents.   | Review of records and interview with workers                                     |               | See requirements above regarding benefits to all eligible employees.   | Jan-04                 | See above.  | See above   | See above       | See above                             | See above   | See above  |  |         |



| FLA Code/ Compliance issue  | Findings  |  |   |  |               | Remediation  |                        |   |  |                 | UPDATES                                  |  |
|---|---|--|---|--|---------------|--|------------------------|---|--|-----------------|--|--|
|   | Legal Reference   | Benchmark reference  | Monitor's Findings  | Documentation  | Best Practice | PC remediation plan  | Target Completion Date | Documentation Requested   | Factory Response   | Completion Date | Documentation Submitted                  | PC Follow-Up & Verification (September 2004)   |
| 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.  | Factory maintains a second set of time records for work done in excess of 2 hours per day and late night work undertaken. Payroll records to demonstrate accurate compensation were not available.  | Overtime records cross checked with workers statements during interview. |               | Factory explained that the second set of records was established for a particular business purpose. While Reebok does not forbid double records, it does require at least one set of accurate and reliable time records and pay records. See standards above on accurate timekeeping and payroll systems. Also see standards above, on how employers will not use hidden or multiple payroll records in order to hide overtime, to falsely demonstrate wages, or for any other fraudulent reason.  | Jan-04                 | See above.  | See above  | See above       | See above                                | See above  |
| 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   | Overtime records maintained are inaccurate.   | Review of records  |               | See requirements above, which require the factory to establish policies and management systems to accurately and reliably record and report all hours worked, including overtime.  | Jan-04                 | See above.  | See above  | See above       | See above                                | See above  |
| Other   |   |  | Mandatory benefit of earned leave is not provided to Security guards.   | Interview with security guards.  |               | As stated above, all legally mandated benefits must be provided to ALL eligible employees, even security guards if they are eligible under local law. Please include information on eligibility of security guards in the factory's benefits policy. Also, include security guards in the investigation of payments owed, and back-payments.   | Jan-04                 | See above.  | Security guards are not factory employees and an external security agency provides this service. This agency has agreed to comply.   | Jan-04          | Copy of contract with security company.. | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Security guards at factory claimed that agency now allows leave mandated by law.         |
| <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 |   |  |   |  |               |  |                        |   |  |                 |  |  |
| Overtime Limitations  | Factories Act, 1948, Chapter VI ( Working Hours of Adults ). No adult worker shall be required or allowed to work in a factory for more than 48 hours in any week or for more than 9 hours on any day. Overtime is limited to 2 hours per day and 12 hours per week with a restriction of 50 hours per quarter ( 3 months ) | 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. An extraordinary business circumstance is a temporary period of extra work that could not have been anticipated or alleviated by other reasonable efforts | 1. Since time records maintained by this facility are inaccurate and unreliable, it is difficult to ascertain the actual number of working hours per week. Overtime records maintained manually are inaccurate and workers have also worked late night at times and also on days of rest. | Review of records and interview with workers                             |               | (1) See requirements above, which require the factory to establish policies and management systems to accurately and reliably record and report all hours worked, including overtime.<br><br>(2) Workers must have one day off of rest within every seven-day period. Factory must develop a rest day policy, and procedures for its implementation.<br><br>(3) Factory must develop a working hours policy, to be included in the worker handbook, which outlines the factory's regular working hours, the factory's policy on the right to refuse overtime, and the factory's rest day policy. | Jan-04                 | Please submit to Reebok a copy of the factory's working hour policy, including the rest day provisions. | Shall install an automated time slot machine by March 1st. In this interim period exact time of the workers in and out is being recorded and countered signed by the workers.<br><br>Other items pending.  | Apr-04          | Handbook                                 | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Handbook includes working hours policy. Working hours are recorded in automated machine. |
|   |   |  | 2. Few workers have worked on rest days on few occasions during the past 3 months.  | Review of records and interview with workers                             |               | Please note requirement above to develop a rest day policy.  | See above.             | See above   | See above  | See above       | See above                                | See above.   |
|   |   |  | 3. Instances of workers working continuously for 21 days without a day of rest.   | Review of records and interview with workers                             |               | Please note requirement above to develop a rest day policy.  | See above.             | See above   | See above  | See above       | See above                                | See above.   |
| Reduce Mandated OT  |   | The employer will demonstrate a commitment to reduce mandated overtime and to enact a voluntary overtime system to meet unforeseen situations  | Factory does not have a formal system in place to ensure that overtime is voluntary   | Review of records and interview with workers                             |               | The factory must have a written policy on voluntary overtime, and systems for its implementation and enforcement. The policy must indicate the conditions under which workers may exercise their right to refuse overtime without threat of punishment, penalty, dismissal, change of work assignment, deductions from earned income, or denial of the opportunity to work overtime in the future. Workers and managers should be trained on this new policy and procedures, to ensure its effectiveness.  | Jan-04                 | Please submit to Reebok a copy of the factory's voluntary overtime policy.                              | Voluntary overtime policy shall be communicated to the workers through the hand book.  | See above       | See above                                | See above  |
| Explanation of continued required OT  |   | If the employer repeatedly requires overtime in order to respond to the same situation, the employer will explain why it will not have sufficient staff on hand to avoid the necessity of overtime.  | Can be determined when a reliable time recording system is introduced.  | Visual observation, review of records and interview with workers         |               | Reebok requires that workers work less than 60 hours in a week, except in extraordinary circumstances, or for the factory to abide by applicable law on working hours, whichever is stricter. Please provide information on the average work week worked in the past six months.   | Jan-04                 |   | The time recording system will be in place by the mid March 2004.  | See above       | See above                                | See above  |
| Overtime Explanation  |   | Employers shall be able to provide explanation for all periods when the extraordinary business circumstances exception has been used. Employers shall take reasonable steps to inform workers about the nature and expected duration of the circumstances.   | No records available, no formal system in place.  | Review of records and interview with workers                             |               | Please include in the factory's working hours policy, which was requested above, information on the factory's work week, and definitions of what the factory considers "extraordinary circumstances" allow work beyond the regular work week.  | Jan-04                 | Please provide Reebok with a copy of the factory's working hours policy.                                | The workers have been informed about the extraordinary circumstances wherein if required additional working hours are acceptable. Nevertheless, it is managements intention to see that even in such a situation no extra overtime is required. These policies will be included in the worker handbook, and are under development. | Apr-04          | Workers handbook.                        | Factory was visited on three occasions since the IEM - on Jan 21, 2004, Mar 4, 2004 and April 27, 2004. Factory handbook indicates working hours policy.   |
| Voluntary OT  |   | Overtime hours worked in excess of code standard will be voluntary   | No system in place to monitor this. Moreover time records are not accurate.   | Interview with workers   |               | Please note requirements above on recording all hours (including overtime) and on the voluntary overtime policy.   | Jan-04                 | See above.  | Overtime is always voluntary and by March time recording machine will be installed to substantiate the actual time worked and accuracy of the records.   | Apr-04          | See above                                | See above  |

| FLA Code/ Compliance issue   | Legal Reference   | Findings   |   |  |               | Remediation  |                        |   |  |                 | UPDATES                 |  |
|--|---|--|---|--|---------------|--|------------------------|---|--|-----------------|-------------------------|--|
|  |   | Benchmark reference  | Monitor's Findings  | Documentation  | Best Practice | PC remediation plan  | Target Completion Date | Documentation Requested   | Factory Response   | Completion Date | Documentation Submitted | PC Follow-Up & Verification (September 2004) |
| Other  |   |  | Security guards work 7 days a week on 12 hourly shifts.   | Interview with Security Guard provided by an external agency           |               | Please note the requirements on maximum working hours, and on rest days, which were noted above.   | Jan-04                 | See above.  | Security guards are provided by an external agency. Nevertheless, since Nov 2003 the guards work an eight hour shift and also get a weekly rest day.   | Jan-04          | See above               | See above                                    |
| <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 | Overtime hours worked up to 2 hours per day are recorded officially. Overtime hours worked beyond 2 hours a day are not recorded. However, an unofficial record of overtime worked in excess of 2 hours and late night work was found in the security guard's cabin. This record was not produced for review along with other time records.   | Workers statement during interview compared with the overtime records. |               | Please note the requirements above on maximum working hours, rest days, and on recording all hours in accurate time record and payroll systems.  | Jan-04                 | See above.  | This point has been noted, and these were agent workers. To have better control all workers have been recruited directly by the factory. Soon the time system will be automated to allow for a clear and accurate payroll system.                                      | See above       | See above               | See above                                    |
| <b>Miscellaneous</b>   |   |  |   |  |               |  |                        |   |  |                 |                         |  |
| Others   | The Contract Labor (Regulation and Abolition) Act, 1970 |  | 1. Factory employs workers through agents who do not hold a valid license as required by law.<br><br>2. Factory is not registered with the local government authorities to employ workers provided by agents.<br><br>3. Agents hand-over the wages of workers to one of the workers to distribute to the others. This is an improper practice, all payments made to workers provided by agents must be made in the presence and under the supervision of a responsible representative of the factory. | Interview with management and workers                                  |               | Factory reports that it only works with licensed agents. Factory must submit to Reebok a copy of the agent's license.  | Jan-04                 | Please submit to Reebok a copy of the agent's license.  | Factory does not employ labor through agents anymore, all labor is directly employed by the factory. Also, agents with less than 20 workers - as was the case in this factory, do not require a license. Sec 1(3) of Contract labor regulation and abolition Act 1970. | N/A             | N/A                     | N/A  |
|  |   |  |   |  |               | Factory must meet local law requirements in regards to registration. Please submit documentation from the local authorities demonstrating that all local registration requirements are in compliance with local law. | Jan-04                 | Please submit documentation from the local authorities demonstrating that all local registration requirements are in compliance with local law. | Factory does not employ labor through agents anymore, all labor is directly employed by the factory. Also, agents with less than 20 workers - as was the case in this factory, do not require a license. Sec 1(3) of Contract labor regulation and abolition Act 1970. | N/A             | N/A                     | N/A  |
|  |   |  |   |  |               | See above requirements on wages and distribution to workers.   | See above.             | See above.  | See above.   | See above.      | See above.              | See above.                                   |