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 14 in.) paper. To print the charts, please make sure to select “legal” size paper from Print properties.
IEM Findings
Remediation
FLA Audit Profile
AUGUST 10-11, 2005
PC(s) REEBOK INTERNATIONAL LTD & Puma AG
Number of workers 776
Products PANTS, JACKETS

<table>
<thead>
<tr>
<th>FLA Code/Standard</th>
<th>FLA Benchmark</th>
<th>FLA Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.4.1 Principle of Monitoring, Obligation of Companies</td>
<td>Clearly and accurately written workplace standards. Formally convey those standards to factory as well as to workers, contractors, and suppliers.</td>
<td>No code training provided to workers. Reebok CoC was posted in the factory in Korean and Vietnamese.</td>
</tr>
<tr>
<td>4.1 Principle of Monitoring, Obligation of Companies</td>
<td>Develop a system in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company an immediate awareness of the workplace standards, with security that they shall not be punished or prejudiced for doing so.</td>
<td>Factory has put in place a hotline. Factory has a hot line to PC. Other PCs do not have such a system.</td>
</tr>
<tr>
<td>4.1 Principle of Monitoring, Obligation of Companies</td>
<td>Developing a system for management to report their own complaints, and for employees to report any workplace standards violation.</td>
<td>Visual inspection, Management interview,</td>
</tr>
<tr>
<td>5.2 Principle of Monitoring, Obligation of Companies</td>
<td>Every employee will be trained in proper safety, first aid, and evacuation procedures.</td>
<td>Factory has procedures and policies in its internal regulations that includes disciplinary practices. No training records were maintained, but minutes of meeting with the supervisors and managers were shared.</td>
</tr>
<tr>
<td>5.3 Principle of Monitoring, Obligation of Companies</td>
<td>Every employee shall be trained in proper safety, first aid, and evacuation procedures.</td>
<td>Factory has put in place the evacuation training plan.</td>
</tr>
<tr>
<td>6.2 Principle of Monitoring, Obligation of Companies</td>
<td>The implementation of health and safety policies and procedures in accordance with the requirements of safety and health laws and regulations; the implementation of safety and health policies and procedures eventually, to the extent that no practice is subject to occupational injuries.</td>
<td>Factory has put in place the health and safety policies and procedures.</td>
</tr>
<tr>
<td>6.3 Principle of Monitoring, Obligation of Companies</td>
<td>The implementation of health and safety policies and procedures in the internal regulations that includes disciplinary practices. No training records were maintained, but minutes of meeting with the supervisors and managers were shared.</td>
<td>Factory has put in place the evacuation training plan.</td>
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</table>

In February of 2005, PC Reebok’s agent reported both business and human rights compliance challenges at the factory. As a result, Reebok is considering ending our business relationship with the factory. By the time of an internal verification audit by Reebok’s Human Rights monitor early August 2005, the factory had either put up or mandated to human rights and human resources staff. Reebok designated it “Not Approved” for production, and agreed with our agents that our business with the factory would end by the close of August 2005. Reebok’s agents agreed to continue to work with the factory to reduce the impact that this line of business would have on workers. In mid-August 2005, when the Fair Labor Association’s Independent External Monitoring unit took place, our agents found the factory was almost complete. Since the factory knew of our new strategy, Reebok found ourselves in a position of having very little leverage to address the non-compliance issues identified in the FLA report.

In order to address the non-compliance issues identified in the report, the PCs developed a remediation plan and communicated it to the factory. In the FLA report, our recommendation that they fully implement our recommendations and obtain progress reports, and the factory refused to further engage with us. We were unable to take any further action.
Edumacation Procedure
Article 117 of Labor Code
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, etc., to hazardous elements including medical waste.
Cutting workers do not wear PPE (gloves, eyewear, hearing protection) instead they turned off machines and pretended to do something else when monitor entered the room.
Activity shall develop and communicate to workers a clear policy on PPE. The policy shall include, but not be limited to: a) when and type of PPE must be used in each location, b) who dispenses PPE, c) how to understand MSDS, and d) consequences for not implementing the PPE policy, including discipline for workers and their supervisors.

Chemical Management
Decree No. 85/2006/ND-CP dated May 28, 2006
Chemicals and hazardous substances should be properly labeled and stored in accordance with applicable regulations. Workers shall receive training, appropriate to their job responsibilities, in the safe use of chemicals and other hazardous substance.
Safety procedures regarding storage and use of chemicals in factory. Workers observed using solutions for spot cleaning without adequate ventilation or PPE.
Activity shall develop and communicate to workers a clear policy on chemicals. The policy shall include, but not be limited to: a) when and type of PPE must be used in each location, b) who dispenses PPE, c) how to understand MSDS, and d) consequences for not implementing the PPE policy, including discipline for workers and their supervisors.
<table>
<thead>
<tr>
<th>IEM Findings</th>
<th>Remediation</th>
</tr>
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<tbody>
<tr>
<td>Visual inspection</td>
<td>history, HSE conditions are always poor. The manager noticed that there was no full-time staff in charge of HSE in the factory. Factory shall develop its HSE program and assign a full-time HSE officer who will be held accountable for any HSE infractions.</td>
</tr>
<tr>
<td>Visual inspection</td>
<td>history shall require the technician or service provider to maintain the boiler on a regular basis. Records must be maintained on site.</td>
</tr>
<tr>
<td>Visual inspection</td>
<td>history must install pulley guards and needle guards on all machines.</td>
</tr>
<tr>
<td>Visual inspection</td>
<td>history shall ensure all gas cylinders, and maintain them in safe conditions thereafter. A staff member shall be assigned to supervise the food supplier and be held accountable if any infraction is identified.</td>
</tr>
<tr>
<td>Visual inspection</td>
<td>history shall require the food supplier to follow HSE procedures to prepare and keep food. A staff member shall be assigned to supervise the food supplier and be held accountable if any infraction is identified.</td>
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<tr>
<td>Visual inspection</td>
<td>history shall ensure safety committees are formed as required.</td>
</tr>
<tr>
<td>Visual inspection</td>
<td>history shall ensure annual health checks are performed this year (year of inspection).</td>
</tr>
<tr>
<td>Visual inspection</td>
<td>history was able to sign the IIE with the union chairperson as required. The union could collect signatures of more than 50% of the union members (workers) as required by law.</td>
</tr>
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</table>

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<thead>
<tr>
<th>Remediation plan</th>
<th>Remarks</th>
</tr>
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<tbody>
<tr>
<td>Record review</td>
<td>Factory shall arrange annual environment test for 2005 and 2006.</td>
</tr>
<tr>
<td>Mgt interview</td>
<td>Factory shall arrange annual health checks for the workers.</td>
</tr>
<tr>
<td>Mgt interview</td>
<td>Factory shall form its safety committees as required.</td>
</tr>
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</tr>
<tr>
<td>Mgt interview</td>
<td>Factory shall ensure that safety committees have not been formed or withdrawn.</td>
</tr>
<tr>
<td>Mgt interview</td>
<td>Factory was able to sign the CBA with the union chair-person as soon as the union could collect signatures of more than 50% of the union members (workers) as required by law.</td>
</tr>
<tr>
<td>Mgt interview</td>
<td>Safety and health legal compliance</td>
</tr>
<tr>
<td>Mgt interview</td>
<td>Employment of a representative of a trade union in the enterprise</td>
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</tr>
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</table>
Employers recognize that wages are essential to meeting employees’ basic needs. Employers will pay employees, at least, at the minimum wage required by local law or the prevailing industry wage, whichever is higher, and will provide legally mandated benefits.

**Wages and Benefits**

**Article 141 of the Labor Code:**

Wages shall be paid to employees directly, in full, at the due time and at the workplace.

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.

Factory did not pay social insurance on time and is months behind in payments. As a result workers do not receive their benefits.

Timely Payment Article 59 of the Labor Code:

Working hours must be tracked accurately through a time-keeping system.

If not corroborated, evidence of non-compliance (uncorroborated)

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 falsifies time card

**Remediation**

History shall develop a wage scale system, register it with the labor office, and communicate it to all employees.

**FLA Code/Compliance Issue:**

Factory was found maintaining manual time sheets. Overtime hours on Sunday were not recorded in the time cards, but those overtime hours displayed in the time sheets and payroll records. Workers confirm that OT hours were properly paid.

**Sources/Documentation**

Evidence of non-compliance (uncorroborated)

Factory posted and submitted the revised policy last year (March 2004). However, the policy was posted in the bulletin board located in the clinic/office area.

History shall re-communicate the policy via loud speakers.

**Remediation plan**

Factory posted and submitted the revised policy last year (March 2004). However, the policy was posted in the bulletin board located in the clinic/office area.

History shall re-communicate the policy via loud speakers.

**PC Internal audit findings**

Factory was found maintaining manual time sheets. Overtime hours on Sunday were not recorded in the time cards, but those overtime hours displayed in the time sheets and payroll records. Workers confirm that OT hours were properly paid.

**PC Remediation plan**

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History shall re-communicate the policy via loud speakers.

**FLA Benchmark**

Factory shall develop its wage scale system, register it with the labor office, and communicate it to all employees.

**PC Comments**

History shall develop a wage scale system, register it with the labor office, and communicate it to all employees.

**Remediation**

History shall develop a wage scale system, register it with the labor office, and communicate it to all employees.

**PC Recommendations**

History shall develop a wage scale system, register it with the labor office, and communicate it to all employees.
### Hour of Work

According to the factory, business circumstances allow employees to work overtime. The factory does not exceed 4 hours a day. 16 hours a week. 12 hours in 4 consecutive days and 300 hours a year.

#### Remediation Actions

<table>
<thead>
<tr>
<th>Compliance</th>
<th>Risk of Non-compliance</th>
<th>Evidence of Non-compliance</th>
<th>Cause/Non-compliance (uncorroborated)</th>
<th>Measures implemented by Factory Management in Company</th>
<th>PC Internal audit findings (Excluded)</th>
<th>PC Remediation plan</th>
<th>Remarks</th>
<th>PC Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factory has repeated frequent and serious OT violations, well in excess of code and law standards and legal limits.</td>
<td>Fabricated overtime hours not exceeding 4 hours a day, 16 hours a week, 12 hours in 4 consecutive days and 300 hours a year. Factory to track yearly overtime hours.</td>
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#### Factory Compliance

A. FLA Code and Circular No 14/2003/TT-BLDTBXH dated May 30, 2003: Factory shall not allow female employees who are seven months or more pregnant or are nursing a child under 12 months of age to work overtime, at night or in distant places.


C. FLA Code and Circular No 109/2003/ND-CP: Factory must commit in writing to comply with the legal requirement, i.e. Factory shall submit a plan to control overtime work to ensure that at least one day off in seven is given.

### Overtime Compensation

According to the factory, compensation for overtime hours will be compensated for overtime hours at a 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.

#### Record review

- Factory was found maintaining manual time sheets. Overtime hours on Sundays were not recorded in the time cards, but those overtime hours displayed in the time sheets and payroll records. Workers confirm that OT hours were properly paid.
- Factory paid short for OT: factory paid 185% (150% + 35%) instead of 195% (150% x 130%) as required by Circular 14/2003/TT-BLDTBXH dated May 30, 2005. Overtime night-work pay = Actually paid hourly wage x 130% x 150% or 200% or 300% x Number of overtime night-work hours.

#### Miscellaneous

- Factory was found maintaining manual time sheets. Overtime hours on Sundays were not recorded in the time cards, but those overtime hours displayed in the time sheets and payroll records. Workers confirm that OT hours were properly paid.
- Factory must cease hiding excessive overtime hours. Working hours must be tracked accurately through time-keeping systems.
- Factory was found maintaining manual time sheets. Overtime hours on Sundays were not recorded in the time cards, but those overtime hours displayed in the time sheets and payroll records. Workers confirm that OT hours were properly paid.

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