

FLO-Cert GmbH, Bonner Talweg 177, D-53129 Bonn

██████████
FLO ID ████████
Attention: ██████████

24th June 2008

Bonner Talweg 177
53129
Bonn/Germany

Re: Social Assessment Decision – Follow-up audit to verify compliance

Tel: +49 228 2493-0
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Geschäftsführer:
Rüdiger Meyer,
Amtsgericht Bonn,
HRB 12937

Dear ██████████

Based on the social audit conducted at your premises on 29th/30th of April/5th/6th of May we have evaluated your case on 09.06.08 and have found some areas where improvements and corrective action can be taken by ██████████. Areas that are not mentioned appear to be performing well and comply with Fairtrade standards and policies.

Issues

The following non-compliances were raised during the closing meeting. The management of ██████████ did not agree to all non-conformities. Please find beneath a summary of non-compliances, the corrective actions suggested by ██████████ as well as the decisions taken by FLO-CERT for the non-compliances ██████████ did not propose any corrective actions for. Compliance with corrective actions will be verified during a follow-up audit. Certification of ██████████ can only be granted on the basis of the evaluation of this follow-up audit.

NC1: DOCUMENT ORGANIZATION: Rec.: the company keeps the hiring and employment records in its Personal Dept (HR dept). There is a suspended folder for each employee, in which the documents are kept in a not well organized manner. For example, there is a small document with approx 10 cm x 10 cm signed by the supervisor which serves to document the workers lateness. Such small piece of paper is just put inside the folder and can easily be lost (in one case of checking documents, such doc, which could prove the data presented in the time sheet, was lost).

CA 1 : The documents will be organized.

NC2: HIRING AND EMPLOYMENT RECORDS FROM SERVICE PROVIDERS: The hiring and employment records of service providers (empresas terceirizadas), from which employees work in the factory premises, were not in place (██████████).

CA2: List of subcontracted employees, age, start date, proof of regular payment and amount for workers and contracts with subcontractors will be provided.

NC3: NO ACTIVE WORKERS REPRESENTATIVE: There is a union representative in the factory, part of union's board (elected in 2004) who is not active as a company's workers representative. Having more a bureaucratic role, in fact ~~Organ Glass~~ workers do not have an internal representative who can dialogue with the management and require that their rights are accomplished.

CA3: Workers will be informed about the policy of the company in writing and signed by the management, saying that management will not restrict workers to establish their own choice of association or to join with existing workers' organizations to negotiate their working conditions with management.

NC4: MANAGEMENT INTERFERES IN THE ELECTIONS OF WORKERS REPRESENTATIVES: both interviewed representative and ex-representative said that they were chosen by the union president (together with the company's management) to be part of the board and could not explain why they were chosen.

CA4: According to the management, the union culture is inexistent, besides the relationship between management and the workers is open, and if they do not indicate the workers names to be part of the union board, they will not have a representative of the company in the union.

FLO-CERT decision: FLO-CERT will further evaluate this issue and inform ~~Organ Glass~~.

NC 5: NO WORKERS MEETINGS ON REPRESENTATION. There are no records on regular meeting schedule in place (no planning and no minutes).

CA5: a) Minutes of the GA of the union with workers will be provided and sent to FLO-CERT.

b) There are no minutes of meetings between management and union because the relationship is good and on an informal basis.

FLO-CERT decision: Meetings between management and union must be implemented and minutes must be kept.

NC6: THERE IS NO POLICY IN PLACE, in writing and signed by the management, saying that management will not restrict workers to establish their own choice of association or to join with existing workers' organisations to negotiate their working conditions with management.

CA6: Workers will be informed about the policy of the company in writing and signed by the management, saying that management will not restrict workers to establish their own choice of association or to join with existing workers' organizations to negotiate their working conditions with management.

NC7: ADEQUATE VENTILATION: According to interviews with workers, in the summer, the workplace is too hot and the ventilation is not effective in the whole production hall (especially in the middle of the production lines). There is no mechanical ventilation in place where necessary.

CA7: Install the central mechanical ventilation. Pictures on the compliance should be sent to FLO-CERT.

NC8. ESCAPE ROUTES PLAN: The available plan indicating all fire exits and escape routes does not show all the floors (there are 3 and it shows 2 floors).

CA8: Update the plan.

NC 9: FIRE EXITS: In the 3rd floor (mezanino), product storage, there is only one fire exit through a ladder (should have at least 2 at each floor).

CA9: The company will study and it will implement what is needed. Results of the study and implementation proof (pictures) should be sent to FLO-CERT.

NC10: FIREFIGHTING EQUIPMENT: In the 3rd floor, only one fire extinguisher was found which it is not sufficient (product storage). Moreover, the factory does not have a hydrant and according to the local law on H&S (NR 23), it would be necessary to have one for those factories with more than 50 employees. The written proof of the fire extinguishers inspections could not be provided. One fire extinguisher was blocked with boxes.

CA10: a) Place another fire extinguisher in the 3rd floor.

b) About the hydrant, want to make a study with engineer and budget.

c) Written proof of the fire extinguishers inspections will be provided.

d) The H&S will implement a raising awareness to supervisors and workers in order to avoid such situations.

NC11: ESCAPE ROUTES OBSTRUCTED: Many escape routes (both emergency exits and aisles) were obstructed with boxes, machines etc. Some exits were so high that one can fall down as they are at the same time delivery point for trucks and there are no stairs to arrive at the level of the ground.

CA11:

a) Raising awareness with supervisors on the need of non obstructed routes will be made. Document on the raising awareness signed by the employees will be sent to FLO-CERT.

b) A study (planning with deadline) will be done in order to know if it is better to close that doors or indicate the risk.

NC12: EMERGENCY SIGNALS: Some emergency exits are not indicated with arrows (especially downstairs, 3rd floor and partly on the ground floor). Not all exit doors are signalled appropriately. Some arrows and aisle marks in the ground were indicating the wrong direction or not present at all.

CA12: Signals indicating the exit doors will be implemented as well as the arrows where appropriate.

NC13: EMERGENCY LIGHTING: By the time of the audit, emergency lighting for evacuation in case of power failure was not implemented yet. According to the H&S responsible, the factory was about to replace those lights, having removed the old ones.

CA13: Emergency lighting will be implemented.

NC14: H&S TRAINING RECORDS: Training on fire and emergency was provided some days before the audit. Such training does not have an attendance list though. The document provided for proof of the fire drill is not enough to show the compliance. According to documents the last fire drill took place in 2004.

Additionally, fire drills do not take place on a regular basis (should take place every 6 months).

CA14: Attendance list will be implemented. Fire drills will take place regularly (each 6 months).

NC15: TRAINING RECORDS EXTERNAL WORKERS: There are no training records in place for the workers working for an external company.

CA15: Training will be done and all the service provider workers will be included.

NC16: USE OF PPE: According to the risk analysis presented, the workers who handle hazardous chemicals (glue, solvent) do not need to use the PPE because of the low exposition risk. Nevertheless, according to the Data Sheets, those handling with the solvent based glue have to use masks and goggles.

The person handling the chemicals in the chemicals warehouse was not using any protective equipment at all. The workers working at the cylinder sometimes use PPE and sometimes not.

During the audit, the H&S responsible mentioned that an air quality test had been carried out and that according to this test, no masks need to be worn. However, the results of this test were not available at the time of the audit.

CA16: Lab test on toxicology of products was done and results will be presented. According to H&S responsible, the use of PPE is recommended. If the level is low (of the lab test), then the PPE will not be used.

FLO-CERT decision: If the lab test is not presented to FLO-CERT, the workers must wear the PPE recommended in the Material Safety Data Sheets.

NC17: MATERIAL DATA SHEETS: Although the Material Safety Data sheets were provided to the auditors, such documents were not with the storage department (or with those responsible for the hazardous chemical handling).

CA17: Material Safety Data sheets will be placed in the storage department (or with the workers responsible for the hazardous chemical handling)

NC18: NON LABELLED CONTAINERS: In the production line, the glue to be used by the workers is in small glass containers with no labels. The workers can use water base or solvent base glues. Most of the used glues were solvent base (including in the Veja leather shoes). All the workers knew what type of glue they were using.

CA18: Provide the indication on the containers, and will implement the non use of solvent based glue

NC19: PROPER STORAGE OF HAZARDOUS MATERIALS: Some big solvent containers (flammable) were found standing in various points of the workplace, including near drink water sources, and machines.

CA19: It was said that the BR law on H&S NR 15, that there is a certain quantity of product that is allowed to be placed in the production site. Law will be sent to FLO-CERT.

NC20: EYE WASHES: No eye washes in the workplace (near production lines) where workers apply the glue on the shoes.

CA20: A study will be done on the subject. The law will be provided.

NC21: VOLATILE CHEMICALS: There is no proper ventilation (both natural and mechanical) at the production lines where the glue is used. It is difficult especially in the summer, as all the workplace is hot.

CA21: Install the central mechanical ventilation. Pictures on the compliance should be sent to FLO-CERT.

NC22: MACHINERY MAINTENANCE: There is a maintenance responsible for all the machinery of the factory. According to interview, he does a check up in all machines every 3 months. There is no maintenance plan or reports in place to prove that maintenance has taken place.

CA22: Documentation will be implemented.

NC23: PROTECTION FROM MOVING PARTS OF MACHINERY: In the cylinder machine, the moving part is not yet suitably guarded/protected.

CA23: It is to be provided soon.

NC24: MACHINERY INSPECTION: Only the oven "auto-clave" is inspected by externals. All the other machinery, fire alarm, elevators and services are inspected and maintained by the responsible person, and no inspection or maintenance records are in place.

CA24: It was said that in the case of there is lack of knowledge, the company calls external professionals. Elevators are inspected by external professionals. Inspection documents on elevators will be provided.

NC25: ACCIDENTS PREVENTION: In the 3rd floor (storage floor) there are 2 unprotected and not signaled holes used to put the finished products boxes down with a ladder. Such holes are big enough for one to fall down.

CA25: Protection bars and warning signals will be implemented.

NC26: ELECTRICITY MAINTENANCE: All the electricity is inspected and maintained by the responsible person, and no inspection or maintenance records are in place.

CA26: Documentation will be implemented.

NC27: PRIVACY ON TOILETS: The bathroom has a big glass window through which anyone who is in the line production can see what is happening inside the bathroom, not providing adequate privacy. Individual toilets have doors.

CA27: It was stated that on the other hand, it is a question of discipline, security and avoid the vandalism.

FLO-CERT decision: Bathroom privacy must be provided. The big glass window must be covered with a protection to avoid visibility.

NC28: MONITORING OF SUBCONTRACTORS PRACTICES: In the case of workers of subcontractors working in this facility, the company does not access to the age records of such employees.

CA28: List of subcontracted employees, age, start date, proof of regular payment and amount for workers and contracts with subcontractors will be provided. Copy of identity cards will be kept within the company.

NC29: RECRUITMENT POLICY: There is no recruitment policy with minimum working age reflected in place.

CA29: The policy will be developed and communicated.

NC30: PAYROLL INFORMATION / TIMECARD: Although employees are provided with written information of their pay in detail, some of the checked cases of working hours in holidays / Sundays, were referred to as overtime ("horas extra") in time sheets but not in the payrolls. In the payrolls, the overtime amount is part of "repouso remunerado" (remunerated rest) amount. It is possible that not all the workers understand the information given in the payrolls. They were paid correctly though.

Additionally, the compensation is always referred in the time sheet as compensation (even if it is positive or negative to the employee).

CA30: A study will be done on the subject. CA will be implemented accordingly.

NC31: PAYROLL INFORMATION SICK LEAVE: a mistake was found in the indication of the sick leave time of [REDACTED]. She had a medical certificate of 9.75 hours indicated as such

in the time sheet but it was indicated as 7.37 hours in the payslip. However, it was correctly paid.

CA31: A study will be done on the subject. CA will be implemented accordingly.

NC32: DISCIPLINARY MEASURES: Suspension is given for disciplinary purposes, incurring in not receiving the wage for the day for which the worker was suspended (at least one person had 2 suspension days since the end of 2007).

FLO-CERT decision: Suspensions and wage deductions for disciplinary purposes are not permitted and must be replaced by other measures.

NC33: MONITORING OF SUBCONTRACTOR PRACTICES: In the case of workers of subcontractors working in this facility, the company does not access to the contracts and payrolls records of such employees.

CA33: List of subcontracted employees, age, start date, proof of regular payment and amount for workers and contracts with subcontractors will be provided.

NC34: PUBLIC PAY RATES: Pay rate is not made public by management. It varies from worker to worker (independently if they have the same function or not. Also, there is no performance evaluation format).

CA34: They will implement the measure through the Cargos e Salarios implementation.

NC35: OVERTIME PAYMENT OF SUBCONTRACTORS: the workers of subcontractors are not paid the overtime rate more than the regular working hours rate (wages calculated according to the piece rate). In this case (of workers of subcontractors working in this facility), the company does not access to the contracts and payrolls records of such employees.

CA35: It was said that the subcontractors do not do overtime. Proof of time sheets signed by the workers will be provided.

NC36: OVERTIME PAYMENT In the records it was found that one worker was wrongly paid for the overtime. [REDACTED] was paid for 22h x+50% and 5h x + 100% although he should have been paid for 12h x + 50% and 6h x + 100%.

CA36: The company will check and if it is wrong, they will pay the employee accordingly.

NC37: TIME CONTROL: Not all workers use the installed electronic card system control and it is not possible to know how many hours they actually worked.

CA37: It will be provided accordingly.

NC38: TIME RECORDS EXTERNAL WORKERS: The company does not keep the time records of external workers from the subcontractor.

CA38: The company will check if it will be in accordance to the contract. FLO-CERT might decide on that.

FLO-CERT decision: The time records for external workers from the subcontractor must be kept at ~~Osage Street~~.

NC39: NECESSARY BREAKS: Besides the lunch break of 1 hour of duration, there are no other breaks for any of the workers (from Mon to Thu). On Fridays, the working time is between 7 AM to 12 PM (5 working hours), with no breaks. It is not in accordance to the local law, as the art 71, CLT, there should be at least 1 hour of lunch/break time if the working time exceeds 6 continued hours. If it is less than 6, from 4 working hours, should be given a break of 15 minutes.

CA39: The company has to check the implementation of the measure in a study. The results of the study will be sent to FLO-CERT.

FLO-CERT decision: Breaks must be provided according to the local law.

NC40: EXCESSIVE OVERTIME: Document check showed that overtime is regularly exceeding the limit of 12 hours. For instance, in December 2007, there are at least 138 working weeks with more than 60 hours (working time of 48 hours including the limit of 12 hours overtime) – those weeks both can be understood as the summed number of weeks performed by one worker as well as the working weeks performed by several workers. The usual overtime per day is of 3 hours (law requires 2 hours of overtime per day).

FLO-CERT decision: Regular overtime must be avoided and [redacted] must comply with local law.

NC41: VACATION YOUNG WORKERS: according to local law Art. 134, young workers should have 30 days of holidays in a row. The company is not complying with the law.

CA41: According to the company, the union permitted the situation. Proof document on it will be sent to FLO-CERT.

NC42: OVERTIME ON A REGULAR BASIS: According to interviews with workers in the cutting section, they have to generally work on Fridays afternoons, after the regular working time, and this time is considered compensation (it goes to the banking hours). Doc check of March 2008 found that at least 2-3 weeks had FRI with more than 9 working hours. In Dec 2007, 3 weeks had FRIDAYS with more than 9 working hours.

CA42: Banking hours of the cutting department will be provided.

NC43: REGULAR PERFORMANCE EVALUATION: Although the CoC defines that the workers will be selected, employed and promoted based on their qualifications and capabilities, employees complained that there is not a regular performance evaluation and the criteria of promotion are not transparent and known.

CA43: The performance evaluation questionnaire and system will be done.

NC44: JOANETA CONTRACTS: 34 workers in ~~Sugar Sheds~~ still hold the contract of the prior company, ~~Joaneta~~. Workers from ~~Joaneta~~ and from ~~Joaneta~~ do have the same rights and obligations within the production process. It was checked that at least 3 employees working for ~~Joaneta~~ were contracted in 2008 by ~~Joaneta~~ (holds ~~Joaneta's~~ contracts). The workers working at ~~Sugar Sheds~~ with a contract from ~~Joaneta~~ would have the right to receive compensation from ~~Joaneta~~ and a new contract with ~~Joaneta~~.

CA44: a) The company is in transition period so it will be fixed according to the cash flow. b) The 3 new contracts will be fixed and changed to ~~Sugar Sheds~~.

Deadline: a) **FLO-CERT decision:** The transition of the workers from ~~Joaneta~~ to ~~Joaneta~~ must take place within 1 year from the date of this decision b) 30.07.2008.

NC45: COPY OF CONTRACTS: Some interviewed workers declared that they did not retain a copy of the contract.

CA45: The company will guarantee that the document will be given (actually, the workers do have this copy, sometimes they do not gather it).

NC46: NO RECORDS SUBCONTRACTED WORKERS: As there were no records available it is not clear how many workers are subcontracted through ~~Joaneta~~, since when they are working at ~~Sugar Sheds~~ and the contract between ~~Sugar Sheds~~ and its subcontractors could not be checked.

CA46: List of subcontracted employees, age, start date, proof of regular payment and amount for workers and contracts with subcontractors will be provided.

NC47: NO APPRENTICESHIP SCHEME. The apprenticeship law (Decreto 5598) defines that every company has to hire as apprentices at least 5% of its workforce. ~~Sugar Sheds~~ does not have any apprentice as part of the workforce, although it has 40 young workers (many of them also study, having exhaustive working days – from 7 AM to 5,45 PM and school from 7 PM to 11 PM). 7 persons are in the technical school.

CA47: The company will study the case and follow up the results to FLO-CERT

FLO-CERT decision: The company will hire the amount of apprentices as required by law. FLO-CERT will evaluate the working hours of the young workers and inform ~~Sugar Shaws~~.

NC48: NO GRIEVANCE PROCEDURE IN PLACE. The Rights and Obligations defines that the employees has a suggestion box. It will be corrected that they are free to express anonymously.

CA48: There will be implemented the names of the persons to whom the workers can complain.

NC49: Complaints / grievances are not recorded and followed up.

CA49: From time to time the suggestion box is opened by the HR department and the problem is solved. They will record the complaints and its follow up.

NC50: NO WRITTEN DISCIPLINARY PROCEDURE IN PLACE.*

Suspension is given for disciplinary purposes, incurring in not receiving remuneration for the day for which he was suspended (at least one person had 2 suspension days since the end of 2007).

CA50: Disciplinary procedures will be written and communicated to workers.

NC51: NO SEXUAL HARASSMENT POLICY IN PLACE

CA51: The policy will be written and communicated to workers. The document will be sent to FLO-CERT.

NC52: NO PROCEDURES IN PLACE WHICH ENABLE FEMALE WORKERS TO COMPLAIN through a person of confidence about sexual harassment (work problems) to the management without being exposed to additional discrimination. (mentioning their identity.)

CA52: The procedures will be written and communicated to workers. The document will be sent to FLO-CERT.

Failure to take corrective action

If corrective action requests have been given and you do not demonstrate compliance before the deadlines outlined in this letter then you may be suspended or decertified.

Appeals and Complaints

If you do not agree with the above decision you can appeal in writing to the Quality Manager [REDACTED] within 15 calendar days after receipt of this decision. Attached is our Appeal Standard Operating Procedure.

Thank you very much once again for your participation in Fairtrade and for your assistance in improving our certification scheme. I hope you will agree that strengthening the credibility of Fairtrade will benefit all participants.

If you have any other questions please do not hesitate to contact us.

Yours sincerely,

[REDACTED]

Manager Trade Certification