



- Regular employment is provided: NC44, NC45, NC47,
- No harsh or inhuman treatment is allowed: NC50, NC51, NC52,

Additionally, NC39, regarding Necessary Breaks, was considered lifted by the auditor. This decision was taken because, according to the company's external lawyer, Mr. [REDACTED] the non compliance has a mistake of interpretation, as the art 71 from CLT is referred to the WORKING DAY and not a SHIFT, and in the case of Fridays, the workers have a SHIFT of work and not a working day (see doc), that's why the non compliance is not applicable. He stated that the Brazilian Court understands the law as such and would have documental evidence on the subject. See NC39 to have more information on that.

Place: PICADA CAFÉ, RS / report writing: BRASÍLIA, DF – BRAZIL  
 Date: 15 May 2009

## 2. SCOPE OF INSPECTION

Total number of semi structured interviews (individual interviews): 17  
 Interviews with<sup>1</sup>: 1 export manager, 1 production manager, 1 HR manager, 1 HR assistant, 1 workers supervisor, 1 maintenance responsible, 1 local union president, 1 workers representative, 2 chemical responsible, 1 H&S external consultant (service provider), 1 ex-[REDACTED] worker (currently SugarShoes worker), 1 [REDACTED] worker with old contract with [REDACTED] 4 regular workers.

+Initial meeting with: [REDACTED] export manager

+Closing meeting with: [REDACTED] industry director [REDACTED] production manager; M. [REDACTED] HR manager; [REDACTED] export manager.

Total number of focused group discussions (groups interviews)<sup>2</sup>: 1  
 Interviewed groups: subcontractor workers (2 persons).

Confidential talks with workers	<input checked="" type="checkbox"/> Possible	<input type="checkbox"/> Not-possible <sup>3</sup>
Comments:		

Activities and facilities checked: NCs related to factory activities, which comprise all production steps to produce leather and cotton shoes: rubber, cutting (some of the cutting activities are made by subcontractors who work at [REDACTED] site), sewing (most of the sewing is done by subcontractors outside the company's site), gluing, vulcanizing.

<sup>1</sup> Worker, Management etc. (no names)

<sup>2</sup> Groups of 8-10 workers, interviewed in a 'focussed group discussion' with the Questionnaire as a guideline

<sup>3</sup> If not possible, give details

Acceptance of Visit	<input checked="" type="checkbox"/> Well accepted	<input type="checkbox"/> Partly accepted	<input type="checkbox"/> Unsatisfactory <sup>4</sup>
Documentation	<input checked="" type="checkbox"/> Provided	<input type="checkbox"/> Partly provided	<input type="checkbox"/> Not provided <sup>5</sup>
Comments: Some NCs were fixed by the moment of the audit. The situation is described in the Observation/Comments field of this report, when occurred.			

**C. CERTIFICATION DECISION**

FLO-Cert evaluator of report: <b>30.03.09</b>	Evaluation of report finalised on date: <b>01.04.09</b>
Certification Decision made by: <b>Antje Kachen</b>	Date: <b>09.04.09</b>

<p><b>Follow up:</b></p> <p><input type="checkbox"/> Preconditions fulfilled</p> <p><input type="checkbox"/> Preconditions partly fulfilled</p> <p><input type="checkbox"/> Preconditions not fulfilled</p> <p><input type="checkbox"/> Corrective Actions fulfilled</p> <p><input checked="" type="checkbox"/> Corrective Actions partly fulfilled</p> <p><input type="checkbox"/> Corrective Actions not fulfilled</p>
<p><b>Certification Decision:</b></p> <p><input type="checkbox"/> certified</p> <p><input type="checkbox"/> certified with conditions</p> <p><input checked="" type="checkbox"/> not certified (only Initial Certification Phase)</p> <p><input type="checkbox"/> corrective action deadline extended</p> <p><input type="checkbox"/> certified with corrective actions</p> <p><input type="checkbox"/> pending suspension lifted</p> <p><input type="checkbox"/> suspension lifted</p> <p><input type="checkbox"/> suspension of certificate</p> <p><input type="checkbox"/> decertified</p> <p>Deadline for compliance (if applicable): 3 months</p> <p><b>Short explanation of Certification Decision and next steps:</b></p> <p>██████████ complies with most of the corrective measures, but on the NCs 32, 34, 44 and 47 the operator is not compliant and does not show reasonable efforts to comply. FLO-CERT has in these NCs proposed a corrective measure to the operator.</p> <p>The certification of the operator will be dependable on the compliancy efforts of the operator and the objective evidence submitted to FLO-CERT. The required objective evidence is detailed on each NC point.</p>

<sup>4</sup> If unsatisfactory, give details

<sup>5</sup> Not provided, give details

In order to continue the certification process, the operator is required to submit to FLO-CERT the indicated objective evidence so that FLO-CERT can evaluate [REDACTED] efforts to comply.

FLO-CERT will not require an additional follow up audit as it is proved that the operator has solved the great majority of the NCs and the the NCs 32, 34, 44 and 47 can be verified by document.

#### **D. FINDINGS of FOLLOW UP INSPECTION**

*[Note: Needs to be filled in after each Inspection by Inspector]*

##### **Strengths:**

- GOOD RELATIONSHIP WITH THE FAIRTRADE BUYER, VEJA, WITH OPENNESS AND TRANSPARENCY.
- WORKERS SAID BY INTERVIEW THAT THE WORK ENVIRONMENT IS GOOD IN GENERAL.

##### **Weaknesses:**

- GENERAL LACK OF PROACTIVE COMMUNICATION AND TRAINING PROGRAMS WITH WORKERS.
- GENERAL LACK OF DOCUMENTATION AND MANAGEMENT SYSTEMS.
- THERE ARE NOT TRANSPARENT AND WRITTEN PROCEDURES, KNOWN BY ALL THE WORKERS, OF WORK EVALUATION AND REASONS OF PROMOTION OR DENY OF PROMOTION ARE NOT RECORDED.
- THERE IS NOT ANY BREAKTIME FOR THE WORKERS BESIDES THE LUNCH TIME (ALTHOUGH IT IS IN ACCORDANCE TO THE LAW). WORKERS ARE ALLOWED TO EAT IN THE PRODUCTION LINE.
- THERE IS NOT AN INTERNAL ADEQUATE ROOM (CANTEEN OR OTHER) FOR THE WORKERS TO REST, HAVE A LEISURE TIME OR EAT IN CASE THEY DO NOT USE THE EXTERNAL RESTAURANT. NEVERTHELESS, AN OPEN AREA WITH TREES IN FRONT OF THE FACTORY CAN BE USED BY THE WORKERS TO REST.

Positive Developments since the last inspection:

- An experienced maintenance responsible was hired.
- ██████████ requested and now keeps working documents from subcontractors. ██████████ used to have no control over those documents. According to interview with subcontractor worker, he did not have a formal work contract with its employer (external service provider of ██████████ until Dec 2008. None of the subcontractor workers had medical exams before they had begun their work (local law requirement) and those exams were provided by ██████████
- A continuation of the 3<sup>rd</sup> floor (mezzanine) was built. The space for the expedition department placed in such floor has been divided in export and internal market products.
- According to the export manager, the sequence of activities in the production line for Veja was changed and a new way of working was implemented: the entire line works in one specific product instead of mixing products – all of them from Veja - as it was in the past. This way the company reduced the time in the expedition dept auditing the shoes ;
- In the case of Veja's production line, there are fewer workers changed (than the other lines) as it is a specialized line. According to the export manager, some speeches were made for those who work in Veja's line to present the idea and the actors of the supply chain – from crop to shop.

#### **Follow up on Corrective Actions / Preconditions:**

Result of Initial or Renewal Inspection:

No.: NC1

Non-Compliance: DOCUMENT ORGANIZATION: Rec.: the company keeps the hiring and employment records in its Personal Dept (HR dept). There is a suspended folder for each

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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).

Corrective Action: The documents will be organized.

Standard Link/Reference: 1.1 - Employment is freely chosen

Result of Follow up Inspection:

Observation/Comment: +50 folders were checked. Documents were organized. A plastic bag was provided to keep the small documents organized.

Compliance Status: COMPLIED

<b>Decision of Flo-Cert: Complied</b>
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Result of Initial or Renewal Inspection:

No.: NC2

Non-Compliance: HIRING AND EMPLOYMENT RECORDS FROM SERVICE PROVIDERS: The hiring and employment records of service providers (empresas tercerizadas), from which employees work in the factory premises, were not in place (in [REDACTED])

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

Standard Link/Reference: 1.1 - Employment is freely chosen

Result of Follow up Inspection:

Observation/Comment: The list of subcontracted employees was not ready in the beginning of the audit, but it was written down during the audit and presented to the auditor. See it attached to this report.

Proof of regular payment and amount for workers is kept in individual folders and was presented and checked by the auditor (no copies attached though).

Contracts with subcontractors: provided. See copies of 2 examples attached to this report.

Today there are 7 subcontracted workers working at [REDACTED] premises all of them from the same external company [REDACTED] and working at the cutting department.

A folder with documents provided by the external company from each individual subcontracted worker is now kept by [REDACTED] Generally, the docs are: proof of payments (holerite), contract, results of medical exams, and register of employee.

Medical exams were provided by [REDACTED] as the subcontractor did not provide them to its workers (although, according to HR responsible, she asked for it).

2 subcontracted workers were interviewed. Although they said that work for [REDACTED] for 1 year (by the time of the audit – 02.2009), the dates of admission according to contract documents were: 01.12.2008 and 01.06.2008. One of them said that before the contract, worked as a freelancer and did not hold a contract at that period.

Additional Comment from auditor: [REDACTED] did not monitor the practices of its subcontractor in the past, and it could be checked that the practices of subcontractor were not legal. Such as the use of workers with no contracts and the lack of hiring medical

examinations. According to [REDACTED] HR, today, the presentation of documents from subcontractor's workers is mandatory. They were presented in the beginning of the year, although asked since the audit results arrived (mid 2008).

Compliance Status: COMPLIED

**Decision of Flo-Cert: Complied**

Result of Initial or Renewal Inspection:

No.: NC3

Non-Compliance: 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 [REDACTED] workers do not have an internal representative who can dialogue with the management and require that their rights are accomplished.

Corrective Action: 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.

Standard Link/Reference: 2.1 – Freedom of Association

Result of Follow up Inspection:

Observation/Comment: The policy was developed and is placed in the pinboard of the company. See doc attached.

Nevertheless, interviewed workers stated that they were not directly communicated on that.

Although a mean of communication was establish in order to communicate the policies to the workers (pinboard) a more proactive communication did not occur and is highly recommended to happen.

Compliance Status: NOT COMPLIED

Corrective Action proposed by Operator: The Company will develop a manual of practices including this policy / these procedures and distribute it to very worker and register the receipt of doc.

**Decision of Flo-Cert:**

**Not Complied – Corrective Measure proposed by Operator accepted.**

**Objective Evidence:**

**Manual of practices, policy and procedures concerning Freedom of Association published and communicated to the workers.**

Result of Initial or Renewal Inspection:

No.: NC4

Non-Compliance: MANAGEMENT INTERFERES IN THE ELECTIONS OF WORKERS REPRESENTATIVES: both interviewed representative and ex-representative said that they

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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.

Corrective Action: 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 [REDACTED]

Standard Link/Reference: 2.2 - Freedom of Association

Result of Follow up Inspection:

Observation/Comment: According to the Union president, those representatives were indicated by him and not by company's director.

The election of new board of the Union occurred in 05.02.2008 (see pictures).

3 representatives from [REDACTED] will take part of the group candidate (only one candidate: "chapa única") for the board. According to interview with new board representatives, for this time, they were indicated by the president of the union. Two of them were part of the prior union board.

Issue remains unsolved.

According to the president of the local union, the concept of union is different in the region: it is more focused in the offer of social support (medical and dental care, for instance) and the dialogue with factory management instead of hard discussion.

Compliance Status: ? / NOT COMPLIED

Corrective Action proposed by Operator: In the manual of practices to be distributed to all the workers the company will place the contact details of local union.

**Decision of Flo-Cert:**

**Not Complied – Corrective Measure proposed by Operator partially accepted.**

**Corrective Measure Proposal from FLO-CERT:**

**The worker's committee should write down a transparent election procedure which incorporates a democratic selection of candidates. This procedure must be presented and discussed with all workers of the factory.**

**The operator should put efforts in creating a participatory environment of the workers in the discussions of the workers' committee.**

**Objective Evidence:**

**Election Procedure published and presented to the workers.**

Result of Initial or Renewal Inspection:

No.: NC 5

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

Corrective Action: 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.

Standard Link/Reference: 2.2 - Freedom of Association and Right to Collective Bargaining

Result of Follow up Inspection:

Observation/Comment: According to the president of the local union, the concept of union is different in the region: it is more focused in the offer of social support (medical and dental care, for instance) and the dialogue with factory management instead of hard discussion.

Workers rights are discussed only once a year, when the CBA is negotiated. In that occasion, the Union calls management representatives from all the companies of the region to discuss the agreement. See CBA attached.

a) Minutes of the GA of the union with workers provided

b) Formal meeting between Union and the company management occur at least once yearly, in the discussion of CBA (minutes attached). Other contacts between them are in informal basis.

Compliance Status: COMPLIED

<b>Decision of Flo-Cert: Complied</b>
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Result of Initial or Renewal Inspection:

No.: NC6

Non-Compliance: 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.

Corrective Action: 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.

Standard Link/Reference: 2.2 - Freedom of Association and Right to Collective Bargaining

Result of Follow up Inspection:

Observation/Comment:

The auditor found 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 placed in the pinboard.

See doc attached. See NC3.

Compliance Status: COMPLIED

<b>Decision of Flo-Cert: Complied</b>
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Result of Initial or Renewal Inspection:

No.: NC7

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Non-Compliance: 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.

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

Standard Link/Reference: 3.1 - Working conditions are safe and hygienic

Result of Follow up Inspection:

Observation/Comment:

2 mechanical "sprinkling water" ventilators were installed as a test. The company is intended to install more ventilators in the work environment to make its temperature more adequate. See pictures.

Additional comment from the auditor: In the final part of the factory (packing department), workers complained that there is not yet adequate ventilation.

Compliance Status: COMPLIED

**Decision of Flo-Cert: Complied**

Result of Initial or Renewal Inspection:

No.: NC8

Non-Compliance: 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).

Corrective Action: Update the plan.

Standard Link/Reference: 3.1 - Working conditions are safe and hygienic

Result of Follow up Inspection:

Observation/Comment: The escape routes plan has been updated. See doc attached.

Compliance Status: COMPLIED

**Decision of Flo-Cert: Complied**

Result of Initial or Renewal Inspection:

No.: NC9

Non-Compliance: 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).

Corrective Action: 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.

Standard Link/Reference: 3.1 - Working conditions are safe and hygienic

Result of Follow up Inspection:

Observation/Comment: The 3<sup>rd</sup> floor was extended. It was confirmed by visual check that the measure was not implemented. See pictures. Additional fire extinguishers were placed, though. A 2<sup>nd</sup> ladder was placed from the office rooms (placed by the other side of the 3<sup>rd</sup>

floor, although without connection with “mezanino” where boxes of finished products are kept).

Additional comment from the auditor: when asked by the operator, auditor could not find a legal justification for this NC, as the need of 2 fire exits at each floor is only referred to in the audit checklist. No references in the local H&S law.

Compliance Status: NOT COMPLIED

Corrective Action proposed by Operator: The company will wait for FLO-CERT decision.

**Decision of Flo-Cert: Compliant – Non Conformity lifted.  
The operator must ensure proper fire exits and fire prevention solutions once active workplaces are placed in the “mezanino” and when the risk factor of this area becomes relevant as for example, introduction of explosive materials or fire ignition sources.**

**Decision of FLO-Cert after revision of New Objective Evidence from 27/04/2009:  
COMPLIED**

Result of Initial or Renewal Inspection:

No.: NC10

Non-Compliance: 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.

Corrective Action: 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.

Standard Link/Reference: 3.1 - Working conditions are safe and hygienic

Result of Follow up Inspection:

Observation/Comment: a) According to visual check done in the 2<sup>nd</sup> day of audit, the company placed one more fire extinguisher. However, as the 3<sup>rd</sup> floor was extended, more fire extinguishers should be placed. It was done by the end of the audit.

b) According to interview with HR, the company asked the local fire dept. to make such study and wait for their results to get to know exactly where and which type of equipment should be placed. As responsible for the security of the region, the fire dept. determined 2 years for such accomplishment. See doc.

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

d) Training on fire was given to certain workers (“fire brigade”). See doc.

Compliance Status: COMPLIED

**Decision of Flo-Cert: Complied**

Result of Initial or Renewal Inspection:

No.: NC11

Non-Compliance: 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.

Corrective Action: 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.

Standard Link/Reference: 3.1 - Working conditions are safe and hygienic

Result of Follow up Inspection:

Observation/Comment: According to visual check, by the time of the audit, the escape routes are not obstructed anymore (see pictures).

The door of an emergency exit was changed (open for the outside instead of for inside as it was in the last audit) – see pictures.

a) Raising awareness with supervisors on the need of non obstructed routes is done in a regular, though informal basis. No document on the raising awareness signed by the employees was presented. Nevertheless, the results are clear and could be confirmed by visual check.

b) High exits were kept open but protected by chains. See pictures.

Compliance Status: COMPLIED

<b>Decision of Flo-Cert: Complied</b>
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Result of Initial or Renewal Inspection:

No.: NC12

Non-Compliance: 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.

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

Standard Link/Reference: 3.1 - Working conditions are safe and hygienic

Result of Follow up Inspection:

Observation/Comment: Signals indicating the exit doors were implemented (see pictures).

Nevertheless, visual check on the 2<sup>nd</sup> day of the audit showed that arrows and ground painting (indicating aisles, blocks, etc) sometimes were not present (see pictures). This situation was partially fixed in the third day of the audit, and some ground painting remains not present.

Compliance Status: NOT COMPLIED

Corrective Action proposed by Operator: The company will provide it soon.

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**Decision of Flo-Cert:  
Not Complied – Corrective Measure proposed by Operator accepted.**

**Objective Evidence:  
Implement missing signals**

**Decision of FLO-Cert after revision of New Objective Evidence from 27/04/2009:  
COMPLIED**

Result of Initial or Renewal Inspection:

No.: NC13

Non-Compliance: 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.

Corrective Action: Emergency lighting will be implemented.

Standard Link/Reference: 3.1 - Working conditions are safe and hygienic

Result of Follow up Inspection:

Observation/Comment: Emergency lighting implemented all over the factory. See pictures.

Compliance Status: COMPLIED

**Decision of Flo-Cert: Complied**

Result of Initial or Renewal Inspection:

No.: NC14

Non-Compliance: 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).

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

Standard Link/Reference: 3.2 - Working conditions are safe and hygienic

Result of Follow up Inspection:

Observation/Comment: The last training on fire occurred in Feb 2009 with the participation of some of the employees (which will be responsible for orientate their colleagues in the case of fire). Content / attendance documents are kept by H&S service provider and were presented to the auditor. See attached.

Document was showed by HR representative (see attached) stating that fire drills happened in 09.2008 and 02.2008. According to interview with workers, fire drills really took place.

Compliance Status: COMPLIED

**Decision of Flo-Cert: Complied**

Result of Initial or Renewal Inspection:

No.: NC15

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

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

Standard Link/Reference: 3.2 - Working conditions are safe and hygienic

Result of Follow up Inspection:

Observation/Comment: According to interview with subcontractors and H&S responsible (external service provider), subcontractors did not participate in any training.

Compliance Status: NOT COMPLIED

Corrective Action proposed by Operator: The company said that this training occurred two weeks ago. The company will provide a minute on such training and will ask subcontractors to sign in.

**Decision of Flo-Cert:**

**Not Complied – Corrective Measure proposed by Operator not accepted.**

**The operator must provide Health and safety training to the external workers and keep records of such trainings.**

**Objective Evidence:**

**Visual proof of an execution of a Health and Safety training to the subcontracted workers.**

**List of attendance of a Health and Safety signed by the subcontracted workers.**

**Decision of FLO-Cert after revision of New Objective Evidence from 27/04/2009:  
COMPLIED**

Result of Initial or Renewal Inspection:

No.: NC16

Non-Compliance: 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.

Corrective Action: 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.

Standard Link/Reference: 3.1 – Chemicals / Working conditions are safe and hygienic

Result of Follow up Inspection:

Observation/Comment: Lab tests provided (see docs). However, according to H&S services provider, the use of solvent based glue was dramatically reduced.

According to production manager, the use of solvent based was reduced (and will continue to be reduced), however it still corresponds to 30-40% of the production, including in the production of certain Veja's products.

Compliance Status: COMPLIED.

**Decision of Flo-Cert: Complied**

Result of Initial or Renewal Inspection:

No.: NC17

Non-Compliance: 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).

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

Standard Link/Reference: 3.1 – Chemicals / Working conditions are safe and hygienic

Result of Follow up Inspection:

Observation/Comment: Material Safety Data sheets are placed in the storage department. See pictures.

Compliance Status: COMPLIED

**Decision of Flo-Cert: Complied**

Result of Initial or Renewal Inspection:

No.: NC18

Non-Compliance: 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.

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

Standard Link/Reference: 3.1 – Chemicals / Working conditions are safe and hygienic

Result of Follow up Inspection:

Observation/Comment: Containers used by the workers are now adequately labeled. See pictures.

According to H&S services provider, the use of solvent based glue was dramatically reduced. According to production manager, the use of solvent based was reduced (and will continue to be reduced), however it still corresponds to 30-40% of the production, including in the

production of certain Veja's products.

Compliance Status: COMPLIED

**Decision of Flo-Cert: Complied**

Result of Initial or Renewal Inspection:

No.: NC19

Non-Compliance: 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.

Corrective Action: 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.

Standard Link/Reference: 3.1 – Chemicals / Working conditions are safe and hygienic

Result of Follow up Inspection:

Observation/Comment: NR16 provided (H&S made a mistake regarding the n. of the standard), see attached. Solvent containers were not found in the workplace.

Compliance Status: COMPLIED

**Decision of Flo-Cert: Complied**

Result of Initial or Renewal Inspection:

No.: NC20

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

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

Standard Link/Reference: 3.1 – Chemicals / Working conditions are safe and hygienic

Result of Follow up Inspection:

Observation/Comment: An eye wash was only in place in the chemicals warehouse, approx. 10 mts. from the main building. An eye wash in the internal bathroom was provided until the end of the audit. See pictures.

Compliance Status: COMPLIED

**Decision of Flo-Cert: Complied**

Result of Initial or Renewal Inspection:

No.: NC21

Non-Compliance: 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.

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

Standard Link/Reference: 3.1 – Chemicals / Working conditions are safe and hygienic

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Result of Follow up Inspection:

Observation/Comment: 2 mechanical "sprinkling water" ventilators were installed as a test. The company is intended to install more ventilators in the work environment to make its temperature more adequate. See pictures. See NC7.

Compliance Status: COMPLIED.

**Decision of Flo-Cert: Complied**

Result of Initial or Renewal Inspection:

No.: NC22

Non-Compliance: 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.

Corrective Action: Documentation will be implemented.

Standard Link/Reference: 3.1 – Equipment/Machinery / Working conditions are safe and hygienic

Result of Follow up Inspection:

Observation/Comment: The maintenance documentation in general is implemented. A new responsible for the maintenance was hired. He worked at a big company and brings his experience to [REDACTED] including the implementation of main documents. A sheet with maintenance activities has been implemented (see doc). Prevention maintenance is done monthly, and records on the change of oil / grease are in place (see doc). However if a machine has to be reviewed and put outside of the production, this is not recorded.

Compliance Status: COMPLIED.

**Decision of Flo-Cert: Complied**

Result of Initial or Renewal Inspection:

No.: NC23

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

Corrective Action: It is to be provided soon.

Standard Link/Reference: 3.1 – Equipment/Machinery / Working conditions are safe and hygienic

Result of Follow up Inspection:

Observation/Comment: The protection from moving parts of cylinder machine was provided. See pictures.

Compliance Status: COMPLIED.

**Decision of Flo-Cert: Complied**

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Result of Initial or Renewal Inspection:

No.: NC24

Non-Compliance: 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.

Corrective Action: 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.

Standard Link/Reference: 3.1 – Equipment/Machinery / Working conditions are safe and hygienic

Result of Follow up Inspection:

Observation/Comment: Internal maintenance records are now in place. A statement on the inspection of elevators issued by the service provider was presented. See doc.

Compliance Status: COMPLIED

**Decision of Flo-Cert: Complied**

Result of Initial or Renewal Inspection:

No.: NC25

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

Corrective Action: Protection bars and warning signals will be implemented.

Standard Link/Reference: 3.1 – Equipment/Machinery / Working conditions are safe and hygienic

Result of Follow up Inspection:

Observation/Comment: Protection chain is being used in front of those holes (see pictures). Nevertheless, warning signals were not implemented. By the end of the audit (3<sup>rd</sup> day), the company implemented the warning signals.

Compliance Status: COMPLIED

**Decision of Flo-Cert: Complied**

Result of Initial or Renewal Inspection:

No.: NC26

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

Corrective Action: Documentation will be implemented.

Standard Link/Reference: 3.1 – Electrical Safety / Working conditions are safe and hygienic

Result of Follow up Inspection:

Observation/Comment: Maintenance and inspection (reg. energy generators) records regarding electricity (together with general maintenance services) were implemented.

Compliance Status: COMPLIED

**Decision of Flo-Cert: Complied**

Result of Initial or Renewal Inspection:

No.: NC27

Non-Compliance: 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.

Corrective Action: 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.

Standard Link/Reference: 3.3 – Working conditions are safe and hygienic

Result of Follow up Inspection:

Observation/Comment: The toilet windows were half covered with a protection made of wood, so it is not possible to see the body of the person, only his/her head. See pictures.

Compliance Status: COMPLIED

**Decision of Flo-Cert: Complied**

Result of Initial or Renewal Inspection:

No.: NC28

Non-Compliance: 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.

Corrective Action: 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.

Standard Link/Reference: 4.1 - Child labour shall not be used

Result of Follow up Inspection:

Observation/Comment: The list of subcontracted employees was not ready in the beginning of the audit, but it was written down during the audit and presented to the auditor. See it attached to this report. The folder with documents provided by the external company from each individual subcontracted worker is now kept by [REDACTED]. Generally, the docs are: proof of payments (holerite), contract, results of medical exams, and register of employee. Although in the register document the date of birth is showed, copies of identity cards were not in place and during the audit, the HR manager asked subcontractors for their ID cards and took copies.

Compliance Status: COMPLIED

**Decision of Flo-Cert: Complied**

Result of Initial or Renewal Inspection:

No.: NC29

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

Corrective Action: The policy will be developed and communicated.

Standard Link/Reference: 4.1 - Child labour shall not be used

Result of Follow up Inspection:

Observation/Comment: Policy developed and placed in the pinboard.

Compliance Status: COMPLIED

**Decision of Flo-Cert: Complied**

Result of Initial or Renewal Inspection:

No.: NC30

Non-Compliance: 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).

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

Standard Link/Reference: 5.2 – Living wages are paid

Result of Follow up Inspection:

Observation/Comment: According to the HR manager, they studied the matter and found that such mistakes occurred. However, according to the manager, they did not occur anymore. A meeting was done with the company's management to follow up the problem (as well as other NCs).

Compliance Status: COMPLIED

**Decision of Flo-Cert: Complied**

Result of Initial or Renewal Inspection:

No.: NC31

Non-Compliance: PAYROLL INFORMATION SICK LEAVE: a mistake was found in the indication of the sick leave time of Manoela Mattes. 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.

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

Standard Link/Reference: Living wages are paid

Result of Follow up Inspection:

Observation/Comment: According to the HR manager, they studied the matter and found that this specific mistake was made by her new assistant, as she was in training for the fulfilling of the internal system. However, according to the manager, this did not occur anymore. A reporting meeting was done with the company's management to follow up the problem (as well as other NCs).

Compliance Status: COMPLIED.

**Decision of Flo-Cert: Complied**

Result of Initial or Renewal Inspection:

No.: NC32

Non-Compliance: 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).

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

Standard Link/Reference: 5.3 - Living wages are paid

Result of Follow up Inspection:

Observation/Comment: The company implemented a procedure regarding disciplinary measures, in which the final step (prior to worker's demission) is suspension of work day(s) (and consequently the wage deduction for not coming to work). See doc.

Compliance Status: NOT COMPLIED.

Corrective Action proposed by Operator: (comment from operator) The company considers that the suspensions and wage deductions for disciplinary purposes would devaluate the good worker. The current procedure is in favour of non dismissal of workers, and is a mid-term between BR law and FLO-CERT Stds.

**Decision of Flo-Cert: Not Complied**

**We have analysed the document "Conceitos de uma Suspensao" and we acknowledge that the objective of the suspension is in line with the intention of the law and does not violates the ETI Base Code concerning wage deduction. Nevertheless the procedure and the circumstances when a suspension is applied are not fully clear in the document as the number of warnings before a suspension is not defined in the procedure.**

**Corrective Measure Proposal from FLO-CERT:**

**The procedure for suspension should be amended indicating the number of warnings before a suspension takes place. Such document should be binding to the internal procedures of the company and properly presented to the workers or workers' representatives.**

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**Objective Evidence:**

**Updated internal procedures of the organisation indicating the number of warnings before a suspension takes place.**

**Decision of FLO-Cert after revision of New Objective Evidence from 27/04/2009: Formats to be used by the company for warning were sent. The procedure is described in the "Manual of Practices".  
COMPLIED**

Result of Initial or Renewal Inspection:

No.: NC33

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

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

Standard Link/Reference: 5.1 - Living wages are paid

Result of Follow up Inspection:

Observation/Comment: The list of subcontracted employees was not ready in the beginning of the audit, but it was written down during the audit and presented to the auditor. See it attached to this report.

Proof of regular payment and amount for workers is kept in individual folders and was presented and checked by the auditor (no copies attached though).

Contracts with subcontractors: provided. See copies of 2 examples attached to this report.

Today there are 7 subcontracted workers working at [REDACTED] premises all of them from the same external company [REDACTED] and working at the cutting department.

A folder with documents provided by the external company from each individual subcontracted worker is now kept by [REDACTED] Generally, the docs are: proof of payments (holerite), contract, results of medical exams, and register of employee.

Medical exams were provided by [REDACTED] as the subcontractor did not provide them to its workers (although, according to HR responsible, she asked for it).

2 subcontracted workers were interviewed. Although they said that work for [REDACTED] for 1 year (by the time of the audit – 02.2009), the dates of admission according to contract documents were: 01.12.2008 and 01.06.2008. One of them said that before the contract, worked as a freelancer and did not hold a contract at that period.

Additional comment from the auditor: [REDACTED] did not monitor the practices of its subcontractor in the past, and it could be checked that the practices of subcontractor were not legal. Such as the use of workers with no contracts and the lack of hiring medical examinations. According to [REDACTED] HR, today, the presentation of documents from subcontractor's workers is mandatory. They were presented in the beginning of the year, although asked since the audit results arrived (mid 2008).

Compliance Status: COMPLIED

**Decision of Flo-Cert: Complied**

Result of Initial or Renewal Inspection:

No.: NC34

Non-Compliance: 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).

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

Standard Link/Reference: 5.2 - Living wages are paid

Result of Follow up Inspection:

Observation/Comment: "Cargos e Salarios" not yet formally implemented, although according to production manager, activities were initiated were classified according to difficulty level, and salary level per hour has been defined (9 levels of remuneration are possible). Pay rates are not yet public and interviewed workers confirmed that they do not know about it. According to interview with HR and production manager, they plan to have "Cargos e Salarios" implemented until the end of 2010.

Compliance Status: NOT COMPLIED

Corrective Action proposed by Operator: It is a continuous work, so they confirm that "Cargos e Salarios" will be implemented until the end of 2010.

**Decision of Flo-Cert:**

**Not Complied – Corrective Measure proposed by Operator not accepted.**

**Corrective Measure Proposal from FLO-CERT:**

**A document of "Cargos e Salarios" should be elaborated by the operator and presented and approved with the workers' representatives. The company should elaborate an implementation plan for the application of the concept of "Cargos e Salarios" on the existing working contracts and positions according to the timelines defined in that plan. The implementation plan should be presented and approved with the worker's representatives.**

**Objective Evidence:**

**Document "Cargos e Salarios" presented to the workers' representatives.**

**Decision of FLO-Cert after revision of New Objective Evidence from 27/04/2009:**

**A Plan and draft version of salary categories was sent signed by workers representatives.**

**COMPLIED**

Result of Initial or Renewal Inspection:

No.: NC35

Non-Compliance: 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

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working in this facility), the company does not access to the contracts and payrolls records of such employees.

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

Standard Link/Reference: Working Hours are not excessive

Result of Follow up Inspection:

Observation/Comment: The company presented a time sheet book signed by each subcontracting worker (See copy attached). However, such book was implemented only in the beginning of this year and data referred to their working hours from previous period was not available. According to interview with 2 subcontracted workers, overtime does not occur in a regular basis. Both declared to work for the subcontracted company for almost 1 year, one never did overtime and the other did overtime only in 2 occasions and was paid accordingly, but no document proof of it. Payment documents showed that no overtime payment existed. See NC38.

Additional comment from the auditor: The company could not guarantee that overtime of subcontractors did not occur in the past. Nevertheless, with the time sheet book implementation, this will be possible from now on.

Compliance Status: COMPLIED

**Decision of Flo-Cert: Complied**

Result of Initial or Renewal Inspection:

No.: NC36

Non-Compliance: OVERTIME PAYMENT In the records it was found that one worker was wrongly paid for the overtime. Elder Tadei da Silva was paid for 22h x+50% and 5h x + 100% although he should have been paid for 12h x + 50% and 6h x + 100%.

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

Standard Link/Reference: Working Hours are not excessive

Result of Follow up Inspection:

Observation/Comment: According to the HR manager, they studied the matter and found that such mistake really occurred. However, according to the manager, it did not occur anymore. A meeting was done with the company's management to follow up the problem (as well as other NCs). The employee was paid extra and the company did not get this money back.

Compliance Status: COMPLIED

**Decision of Flo-Cert: Complied**

Result of Initial or Renewal Inspection:

No.: NC37

Non-Compliance: 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.



Corrective Action: It will be provided accordingly.

Standard Link/Reference: 6.1 - Working Hours are not excessive

Result of Follow up Inspection:

Observation/Comment: According to interview with HR manager, today all regular workers are using the installed electronic card system control. Working hours' documents from all employees were checked ref to the months: July 2008 and September 2008 (high season). Subcontractor employees sign an attendance book stating the time they arrive and leave the company.

Compliance Status: COMPLIED

**Decision of Flo-Cert: Complied**

Result of Initial or Renewal Inspection:

No.: NC38

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

Corrective Action: 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 [REDACTED]

Standard Link/Reference: 6.2 – Overtime / Working Hours are not excessive

Result of Follow up Inspection:

Observation/Comment: The company presented a time sheet book signed by each subcontracting worker (See copy attached). However, such book was implemented only in the beginning of this year and data referred to their working hours from previous period was not available. According to interview with 2 subcontracted workers, overtime is not done. Payment documents showed that no overtime payment existed. See NC35.

Compliance Status: COMPLIED

**Decision of Flo-Cert: Complied**

Result of Initial or Renewal Inspection:

No.: NC39

Non-Compliance: 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.

Corrective Action: 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.

Standard Link/Reference: 6.2 - Working Hours are not excessive

Result of Follow up Inspection:

Observation/Comment: According to the company's external lawyer, Mr. Valmor Leandro Biason, the non compliance has a mistake of interpretation, as the art 71 from CLT is referred to the WORKING DAY and not a SHIFT, and in the case of Fridays, the workers have a SHIFT of work and not a working day (see doc), that's why the non compliance is not applicable. Mr. Biason made reference to other similar cases existent in the local jurisdiction with such interpretation ("jurisprudência"). Additionally, according to the export manager, [REDACTED] received audits from the Labor Ministry representatives and never incurred in a non compliance regarding this subject. Book of audit results from the Labor Ministry representatives with non compliances was showed to the auditor.

Compliance Status: NC LIFTED.

**Decision of Flo-Cert: -**

Result of Initial or Renewal Inspection:

No.: NC40

Non-Compliance: 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).

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

Standard Link/Reference: 6.2 – Overtime / Working Hours are not excessive

Result of Follow up Inspection:

Observation/Comment: Document check of high season month (Sept 2008) showed that overtime has been reduced, counting 23 working weeks with more than 60 hours (working time of 48 hours including the limit of 12 hours overtime) for a sample of 358 workers – 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 for those who still do them, however, remained in 3 hours (law requires 2 hours of overtime per day) until an exceptional maximum case of 10 extra hours in one day (12.09.2008 of Diego Michel Machado Camargo, who worked for, 13,10-22,00 and 22,30-07,51).

Compliance Status: NOT COMPLIED

Corrective Action proposed by Operator: The company will implement a 2 hours of overtime per day.

**Decision of Flo-Cert:  
Not Complied – Corrective Measure proposed by Operator accepted.**

**Objective Evidence:  
To be verified during next audit.**

Result of Initial or Renewal Inspection:

No.: NC41

Non-Compliance: 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.

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

Standard Link/Reference: Working Hours are not excessive

Result of Follow up Inspection:

Observation/Comment: Although the company presented a document in which the union representative / (redacted) worker reports to the local union the need for collective holidays (see doc), such document is not a permission from the union for not giving young workers 30 days of holidays in a row.

Compliance Status: NOT COMPLIED

Corrective Action proposed by Operator: The company will ask its external lawyers for a legal solution for this question.

**Decision of Flo-Cert:**

**Not Complied – Corrective Measure proposed by Operator not accepted.**

**Corrective Measure Proposal from FLO-CERT:**

**The operator should get an agreement with the workers' committee representing the young workers in order to regulate the collective vacations.**

**Objective Evidence:**

**Agreement regulating the young workers vacation.**

**Decision of FLO-Cert after revision of New Objective Evidence from 27/04/2009:  
COMPLIED**

Result of Initial or Renewal Inspection:

No.: NC42

Non-Compliance: 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.

Corrective Action: Banking hours of the cutting department will be provided.

Standard Link/Reference: 6.2 – Overtime / Working Hours are not excessive

Result of Follow up Inspection:

Observation/Comment: The company presented a time sheet book signed by each subcontracting worker (See copy attached). However, such book was implemented only in the beginning of this year and data referred to their working hours from previous period was

not available. According to interview with 2 subcontracted workers, overtime does not occur in a regular basis. Both declared to work for the subcontracted company for almost 1 year, one never did overtime and the other did overtime only in 2 occasions and was paid accordingly, but no document proof of it. Payment documents showed that no overtime payment existed. See NC35, NC38.

Compliance Status: COMPLIED

**Decision of Flo-Cert: Complied**

Result of Initial or Renewal Inspection:

No.: NC43

Non-Compliance: 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.

Corrective Action: The performance evaluation questionnaire and system will be done.

Standard Link/Reference: 7.1 - No discrimination is practised

Result of Follow up Inspection:

Observation/Comment: According to the production manager and supervisor interview, the performance evaluation continues to be made informally by supervisors (with no questionnaire), and the criterion for promotion (or increase of salary) is according to: quality, time of operation, worker attendance, time the worker is in the company. No system implemented (regular and documented evaluations for all the employees, for instance). Interviewed workers said that there are not regular evaluations of their work.

Compliance Status: NOT COMPLIED

Corrective Action proposed by Operator: The regular performance evaluation will be implemented until the end of 2009 and will be annually done.

**Decision of Flo-Cert:  
Not Complied – Corrective Measure proposed by Operator accepted.**

Result of Initial or Renewal Inspection:

No.: NC44

Non-Compliance: [REDACTED] 34 workers in [REDACTED] still hold the contract of the prior company, [REDACTED] Workers from [REDACTED] and from [REDACTED] do have the same rights and obligations within the production process. It was checked that at least 3 employees working for [REDACTED] were contracted in 2008 by [REDACTED] (holds Joane [REDACTED] contracts). The workers working at [REDACTED] with a contract from [REDACTED] would have the right to receive compensation from [REDACTED] and a new contract with [REDACTED]

Corrective Action:

- 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 [REDACTED]

Deadline:

- a) FLO-CERT decision: The transition of the workers from [REDACTED] to [REDACTED] must take place within 1 year from the date of this decision
- b) 30.07.2008.

Standard Link/Reference: 8.2 - Regular employment is provided

Result of Follow up Inspection:

Observation/Comment: It was found that currently 38 workers in [REDACTED] still hold contract of [REDACTED] (contracts signed from 1998 until 2004), so the prior information was not correct. As documentary proof was sent to FLO-CERT (see hard doc #4 attached to report of the prior social audit), this could not be re-checked by the auditor.

- a) None of the workers with contracts with [REDACTED] signed before 2004 had their contracts substitute by contracts with [REDACTED]
- b) Although the 3 new contracted workers had their contracts fixed and changed to [REDACTED] in 06.2008.

Name of [REDACTED]'s workers working at [REDACTED] (see doc attached):

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

Compliance Status: NOT COMPLIED

Corrective Action proposed by Operator: It is a question of financial balance, and it expects to be full implemented until the end of 2010.

**Decision of Flo-Cert:**  
**Not Complied – Corrective Measure proposed by Operator not accepted.**

**Corrective Measure proposed by FLO-CERT:**  
The current situation is not satisfactory and should be solved in a short period of time. The operator must elaborate a transition plan together with the workers' representatives in order to transfer the [REDACTED] contracts to [REDACTED] and present it to FLO-CERT for evaluation. The transition plan must have immediate effect on workers' contracts according to a priority list based on working time at the company.

**Objective Evidence:**  
Transition plan approved by the workers' representatives.

**Decision of FLO-Cert after revision of New Objective Evidence from 27/04/2009:**  
The names and the timelines were sent in again with indications that the complete contract transfer will be finished by the end of 2010, assuring a transfer of two to five contracts /month.

**COMPLIED**

Result of Initial or Renewal Inspection:

No.: NC45

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

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

Standard Link/Reference: 8.2 - Regular employment is provided

Result of Follow up Inspection:

Observation/Comment: A procedure to guarantee that the document will be given (for instance, worker signs a receipt of document) was not implemented yet. One new employee

interviewed said that he did not have a copy of his contract.

Compliance Status: NOT COMPLIED.

Corrective Action proposed by Operator: A procedure to guarantee that the document will be given (for instance, worker signs a receipt of document) will be implemented.

**Decision of Flo-Cert:**

**Not Complied – Corrective Measure proposed by Operator accepted.**

**Objective Evidence:**

**Description of the procedure of contract receipt.**

**Decision of FLO-Cert after revision of New Objective Evidence from 27/04/2009:  
COMPLIED**

Result of Initial or Renewal Inspection:

No.: NC46

Non-Compliance: NO RECORDS SUBCONTRACTED WORKERS: As there were no records available it is not clear how many workers are subcontracted through Osmar, since when they are working at [REDACTED] and the contract between [REDACTED] and its subcontractors could not be checked.

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

Standard Link/Reference: 8.3 - Regular employment is provided

Result of Follow up Inspection:

Observation/Comment: The list of subcontracted employees was not ready in the beginning of the audit, but it was written down during the audit and is attached to this report. Individual contracts between the service providing company and its employees, as well as proof of regular payment, were in place by the time of the audit (doc attached). Today there are 7 subcontracted workers working at [REDACTED] premises all of them from the same external company [REDACTED] and working at the cutting department.

Compliance Status: COMPLIED

**Decision of Flo-Cert: Complied**

Result of Initial or Renewal Inspection:

No.: NC47

Non-Compliance: NO APPRENTICESHIP SCHEME. The apprenticeship law (Decreto 5598) defines that every company has to hire as apprentices at least 5% of its workforce. [REDACTED] 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.

Corrective Action: 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.

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*Approved by:* DTC

*Version:* 1\_0

*Date:* 12. August 2006

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FLO-CERT will evaluate the working hours of the young workers and inform [REDACTED]

Standard Link/Reference: 8.3 - Regular employment is provided

Result of Follow up Inspection:

Observation/Comment: According to the HR manager, the company studied the case and will not hire apprentices for the moment.

Compliance Status: NOT COMPLIED

Corrective Action proposed by Operator: (comment from the operator) The company has a project with persons with disabilities to their capacity building and pay 80% and transport for the technical courses for 7 employees (studying at night) and will continue with such practices. According to their opinion, it is a substitute practice for the NC. Additionally, there is not a near technical school.

**Decision of Flo-Cert:**

**Not Complied – Corrective Measure proposed by Operator not accepted.**

**Corrective Measure Proposal from FLO-CERT:**

**Although it is appreciated that the operator develops special projects and support employees on their studies, the operator must show efforts to comply with the local law. The operator must prove that it is impossible to hire apprentices due to the fact that no technical schools are available. For that reason FLO-CERT will require a letter from the local labour government representative (Secretaria do Trabalho) or other official labour institution attesting the impossibility of [REDACTED] to comply with the law due to the fact that no appendices are available in the region.**

**Objective Evidence:**

**Letter from the local labour (Secretaria do Trabalho) or other official labour institution, or hiring plan of apprentices.**

**Decision of FLO-Cert after revision of New Objective Evidence from 27/04/2009:**

**Letter from the local government representative was sent as well as from the parents association.**

**COMPLIED**

Result of Initial or Renewal Inspection:

No.: NC48

Non-Compliance: NO GRIEVANCE PROCEDURE IN PLACE.

Corrective Action: The Rights and Obligations defines that the employees has a suggestion box. It will be corrected that they are free to express anonymously. There will be implemented the names of the persons to whom the workers can complain.

Standard Link/Reference: 9.1 - No harsh or inhuman treatment is allowed

Result of Follow up Inspection:

Observation/Comment: The document was corrected and all points included. See attached.

Compliance Status: COMPLIED

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**Decision of Flo-Cert: Complied**

Result of Initial or Renewal Inspection:

No.: NC49

Non-Compliance: Complaints / grievances are not recorded and followed up.

Corrective Action: 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.

Standard Link/Reference: 9.1 - No harsh or inhuman treatment is allowed

Result of Follow up Inspection:

Observation/Comment: Complaints were recorded by the HR manager and followed up. Documents checked.

Compliance Status: COMPLIED

**Decision of Flo-Cert: Complied**

Result of Initial or Renewal Inspection:

No.: NC50

Non-Compliance: 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).

Corrective Action: Disciplinary procedures will be written and communicated to workers.

Standard Link/Reference: 9.1 - No harsh or inhuman treatment is allowed

Result of Follow up Inspection:

Observation/Comment: The company presented its written disciplinary procedures, described in the "Rights and Obligations" document included in the pinboard. According to HR manager, the communication occurred informally and on an individual basis.

Nevertheless, interviewed workers said that they were not informed about the disciplinary procedures. Although a mean of communication was establish in order to communicate the policies to the workers (pinboard) a more proactive communication did not occur and is highly recommended to happen.

Compliance Status: NOT COMPLIED

Corrective Action proposed by Operator: The company will develop a manual of practices including this policy / these procedures and distribute it to very worker and register the receipt of doc.

**Decision of Flo-Cert:  
Not Complied – Corrective Measure proposed by Operator accepted.**

**Objective Evidence:**

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**Manual of practices, policy and procedures concerning “Discipline” published and communicated to the workers.**

**Decision of FLO-Cert after revision of New Objective Evidence from 27/04/2009:  
COMPLIED**

Result of Initial or Renewal Inspection:

No.: NC51

Non-Compliance: NC51: NO SEXUAL HARASSMENT POLICY IN PLACE

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

Standard Link/Reference: 9.1 - No harsh or inhuman treatment is allowed

Result of Follow up Inspection:

Observation/Comment: Sexual harassment policy was developed by the company (see doc attached) and included in the pinboard. Although interviewed workers stated that they were not directly communicated on that, they stated that would look for the HR manager if there is a problem (never noticed any harassment though). Although a mean of communication was establish in order to communicate the policies to the workers (pinboard) a more proactive communication did not occur and is highly recommended to happen.

Compliance Status: NOT COMPLIED

Corrective Action proposed by Operator: The company will develop a manual of practices including this policy / these procedures and distribute it to very worker and register the receipt of doc.

**Decision of Flo-Cert:**

**Not Complied – Corrective Measure proposed by Operator accepted.**

**Objective Evidence:**

**Manual of practices, policy and procedures concerning “Sexual Harassment” published and communicated to the workers.**

**Decision of FLO-Cert after revision of New Objective Evidence from 27/04/2009:  
COMPLIED**

Result of Initial or Renewal Inspection:

No.: NC52

Non-Compliance: 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).

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

Standard Link/Reference: 9.1 - No harsh or inhuman treatment is allowed

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Result of Follow up Inspection:

Observation/Comment: The procedures were developed (see doc attached) and the information was included in the pinboard. Although interviewed workers stated that they were not directly communicated on that, they stated that would look for the HR manager if there is a problem (never noticed any harassment though). Although a mean of communication was establish in order to communicate the policies to the workers (pinboard) a more proactive communication did not occur and is highly recommended to happen.

Compliance Status: NOT COMPLIED

Corrective Action proposed by Operator: The company will develop a manual of practices including this policy / these procedures and distribute it to very worker and register the receipt of doc.

**Decision of Flo-Cert:**

**Not Complied – Corrective Measure proposed by Operator accepted.**

**Objective Evidence:**

**Manual of practices, policy and procedures concerning “Discipline” published and communicated to the workers.**

**Decision of FLO-Cert after revision of New Objective Evidence from 27/04/2009:  
COMPLIED**

**Attachments:**

HARD DOCS

- FLO-CERT SOCIAL COMPLIANCE AUDIT – FOLLOW UP OF CORRECTIVE ACTION PLAN
- LIST OF WORKERS
- NC2A (+ NC33 + NC46) – LIST OF SUBCONTRACTED EMPLOYEES
- NC2B (+ NC33 + NC46) – CONTRACTS WITH SUBCONTRACTORS (EXAMPLES)
- NC3 (+ NC6) – POLICY ON FREEDOM OF ASSOCIATION
- NC5A – CBA
- NC5B – AGREEMENT [REDACTED] & UNION ON CBA
- NC8 – ESCPAE ROUTES PLAN
- NC10B – FIRE DEPT DOC
- NC10C – FIRE EXTINGUISHES INSPECTION DOCS
- NC10D (+NC14) – TRAINING ON FIRE
- NC14 – FIRE DRILLS DOCS
- NC16 – LAB TESTS
- NC19 – NR16 (ELECTRONIC DOC INTERNET LINK  
[http://www.mte.gov.br/legislacao/normas\\_regulamentadoras/nr\\_16.asp](http://www.mte.gov.br/legislacao/normas_regulamentadoras/nr_16.asp))
- NC22 (+NC24) – MAINTENANCE DOCS
- NC26 – ENERGY GENERATORS INSPECTIONS
- NC29 – RECRUITMENT POLICY
- NC35 (+ NC38 + NC42) – TIME SHEET SUBCONTRACTORS
- NC39 – EXTERNAL LAWYER COMMUNICATION ON BREAKS
- NC40 – EXAMPLE TIMESHEET WITH EXCESSIVE OVERTIME
- NC41 – COMM ON COLLECTIVE HOLIDAYS (FOR THE UNION)
- NC44B – CONTRACTS WITH [REDACTED] REF TO EX [REDACTED] S WORKERS
- NC48 – RIGHTS & OBLIGATIONS
- NC49 – COMPLAINTS RECORDED AND FOLLOWED UP
- NC50 – SUSPENSION
- NC51 (+ NC52) SEXUAL HARASSMENT POLICY AND PROCEDURES.

PICTURES ON COMPLIANCES (ELECTRONIC)

- NC3 (+NC6) – POLICY ON PINBOARD
- NC4 – ELECTION UNION BOARD
- NC7 (+ NC21) – VENTILATORS
- NC9 – MEZANINE WITH NO EMERGENCY EXITS + FIRE EXTINGUISHERS PLACE + NEW 2<sup>ND</sup> LADDER FOR THE OFFICE (1<sup>ST</sup> FLOOR)
- NC10A – ADDITIONAL FIRE EXTINGUISHERS
- NC11 – NON OBSTRUCTED ESCAPE ROUTES / DOOR OPEN FOR THE OUTSIDE
- NC11B – HIGH EXITS PROTECTED BY CHAINS
- NC12 – SIGNALS EXIT DOORS / LACK OF ARROWS / GROUND PAINTING
- NC13 – EMERGENCY LIGHTING
- NC17 – MATERIALS DATA SHEETS
- NC18 – GLUE'S CONTAINER LABELLED
- NC20 – EYE WASH
- NC23 – CYLINDER PROTECTED
- NC25 – "BIG HOLES" IN THE MEZANINE PROTECTED
- NC27 – BATHROOM WINDOW