

FLA Audit Profile

Factory Code	720028920G
Country	Guatemala
FLA Affiliate	Hanesbrands
Monitor	ALGI
Audit Date	July 28 - 29, 2008
Products	Socks
Processes	Socks manufacturing
Number of Workers	290



FAIR LABOR
ASSOCIATION™

***FLA Comment:** This report was submitted with a corresponding corrective action plan to the FLA and was reviewed by FLA staff. In an effort to improve the effectiveness of remediation, the FLA has provided feedback and recommendations to the company. The FLA has not yet received a response from the company. Therefore, the report is posted in its current state and will be updated once a finalized report has been received.*

Table of Findings:

Wages, Benefits and Overtime Compensation: A. Holidays, Leave, Legal Benefits and Bonuses	2
Wages, Benefits and Overtime Compensation: D. Timely Payment of Wages	3
Wages, Benefits and Overtime Compensation: E. Production and Incentive Schemes	3
Wages, Benefits and Overtime Compensation: N. Accurate Calculation and Recording of Wage Compensation	4
Wages, Benefits and Overtime Compensation: Y. Other - Wages, Benefits and Overtime Compensation	5
Forced Labor: N. Forced Overtime	6
Non-Discrimination: O. Other - Non-Discrimination	7
Others: Others: A. Code Awareness	7
Health and Safety: I. Evacuation Requirements and Procedure	9
Health and Safety: J. Safety Equipment and First Aid Training	10
Health and Safety: Q. Ventilation/Electrical/Facility Installation and Maintenance	10
Health and Safety: R. Machinery Maintenance and Worker Training	11
Health and Safety: S. Proper Use of Machinery	12
Health and Safety: T. Bodily Strain	13
Health and Safety: W. Toilets	13
Health and Safety: X. Toilets/Restrictions	14
Health and Safety: ZC. Other - Health and Safety	14
Hours of Work: F. Time Recording System	15
Hours of Work: H. Overtime/Reduced Mandated Overtime	16
Hours of Work: U. Calculation of Absences	17

Wages, Benefits and Overtime Compensation: A. Holidays, Leave, Legal Benefits and Bonuses

WBOT.5 Employers shall provide all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave, severance payments and 13th month payments, to all eligible workers within legally defined time periods. In addition, all leave and bonuses shall be calculated correctly. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/29/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

Explanation: Facility records indicate that several employees have not received all their vacation time during the past Christmas and Holy Weeks (two periods). It is a common practice in Guatemala to either work part of their vacation, or divide the times taken to over two times per year. Document Review Art. 136 of the Guatemalan Labor Code: the vacation period can be divided into no more than 2 parts/times

Plan Of Action: In-house auditor will conduct follow-up visit on 9/30. We will follow-up on the issue again each 6 months for 1 year to insure the employees have received their proper vacations during 2009. Provide written schedule that provide name of employee and date they will take vacation. Deadline Date: 11/30/2008

Deadline Date: 11/30/2008

Supplier CAP: During the visit, we explained to the auditors about a plan we had to solve the issue which is during the weeks from Sept.15 to October 6; all employees under this condition will receive the pending vacations. They will leave in groups, in order to continue the production flow. At the end of this period the vacation issue will be solved 100% Provide written schedule that provide name of employee and date they will take vacation.

Supplier CAP Date: 10/06/2008

Action Taken: During the Hbl follow-up visit on 9/30/2008, the plant showed they did an assessment to look find all employees who hadn't received vacations from last year. They found out that 83 employees were pending vacations and did a plan to give them vacations from Sept 15 to October 6. There was a memo posted on the plant to communicate the employees about this plan. The plant showed pay slips of employees who had finished heir vacation period and had received the payment of those vacation days. Between the proofs of these actions, they gave us a copy of the memo, a copy of the plan, copies of pay slips; I took pictures of the memo posted in the plant and also audited personal files to verify if there were some other employees who hadn't received vacations besides this group of 83. The plant will have this issue solved by 10/6. Photos will be provided by 10/17/2008

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Wages, Benefits and Overtime Compensation: D. Timely Payment of Wages

WBOT.4 All wages, including overtime compensation shall be paid within legally defined time limits. When no time limits are defined by law, compensation shall be paid at least once a month. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/29/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

Explanation: Facility pays on a monthly basis and provides an advance payment every 15 which is less than the earned wages. Although a legal requirement, this is not enforced by local DoL Document Review Art. 92 of the Guatemalan Labor Code: Wages will be paid within 15 days for manual workers

Plan Of Action: In-house auditor will conduct follow-up visit on 9/30 and check payments for 8/15 and 9/15. We will follow-up on the issue again each 6 months for 1 year to insure the employees have received proper compensation during 2009. Deadline Date: 11/30/2008

Deadline Date:

Supplier CAP: This practice was based on employee's requests because they wanted to get more money at the end of the month. Now and on, employees will receive the 50% of their base salary every 15.

Supplier CAP Date: 09/15/2008

Action Taken: During the 9/30 HBI visit, it was confirmed that the plant began paying 50% of the minimum wage since 9/15 which is 720 quetzals. The rest of the production incentives, bonuses and also discounts are accumulated to the end of the month. I picked randomly 10 employees and the plant showed me pay slips where I could see that they received no less than 720 quetzals.

Plan Complete:

Plan Complete Date: 09/30/2008

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Wages, Benefits and Overtime Compensation: E. Production and Incentive Schemes

WBOT.6 Employers shall not set production targets, piece rates or any other incentive or production system at such a level that workers need to work beyond normal working hours as set under the FLA Code, excluding overtime, in order to make the legal minimum wage or the prevailing industry wage, whichever is higher. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/29/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

Explanation: Monitor walkthrough during lunch and break time revealed at least 20 employees doing voluntary work to achieve production bonuses. These

periods are not computed as time worked. Employees want to reach the production goals to receive additional production bonuses. These activities are done on a voluntary base. Factory Tour, Employee Interviews Article 129, mandates the payment of wages in excess of the regular hours of work.

Plan Of Action: In-house auditor will conduct follow-up visit on 9/30 and determine specific steps the facility is taking to insure employees are not working during breaks and lunch periods and they are always on the clock when working. Provide name of person who is responsible to insure all employees leave work stations and a written policy regarding this issue. 6 month follow-up. Deadline Date: 11/30/2008

Deadline Date:

Supplier CAP: Minimum wages are already earned by employees by law. The production bonuses are voluntary incentives given by the facility. Under no circumstances, not complying with production targets does not diminish the minimum wages. However, employees will not be allowed to stay at their posts while in rest periods (break and lunch).

Supplier CAP Date: 10/10/2008

Action Taken: During the 9/30 Hbl visit, the auditor determined that the plant established a rule that all employees should take their rest periods. This was communicated through a memo that was posted inside the plant. Supervisors are responsible to ensure that employees do not work in their rest periods. There is a group of 8 supervisors. I took pictures of the memo that was posted and verified this point during the walkthrough.

Plan Complete:

Plan Complete Date: 09/30/2008

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Wages, Benefits and Overtime Compensation: N. Accurate Calculation and Recording of Wage Compensation

WBOT.17 All payments to workers, including hourly wages, piecework, benefits, bonuses, and other incentives shall be calculated and recorded accurately. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/29/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

Explanation: Facility compensates workers for rest days based on the ordinary wage only. Although a legal requirement, this is not enforced by local DoL Document Review Art. 129 of the Guatemalan Labor Code: Payment for day of rest will be calculated as an average of the ordinary and extraordinary wages for the proceeding week

Plan Of Action: In-house auditor will follow-up on 9/30 and review the records to insure workers are paid overtime wages when they work rest days if they have already worked 40 hours of regular hours for that week. He will also ensure that in no instance the workers are working more than 60 hours per week. Facility must determine a specific plan of action that insures workers that work on their normal day of rest receive the full OT wage and that they still receive 1 day off in 7. 6 month follow-up. Deadline date: 11/30/2008

Deadline Date:

Supplier CAP: Clarification needed. We have successfully passed audits, and never had an observation about [this].

Supplier CAP Date: 11/15/2008

Action Taken: During the 9/30 Hbl follow-up visit, it was determined that according to Article 129 of Guatemala Labor code, if the employees work on national holidays and rest days, the plant should calculate the pay for that day, taking into account, ordinary and extraordinary hours worked in the previous month, bi-week or week. Currently the plant calculates the payment of national holidays and rest days paying 150% of the minimum wage according to the procedure established in the labor code for the payment of OT. The plant position is that if they change the way they calculate the payment, many employees will be affected because most of them do not work overtime, many of them would have absenteeism or could have sick leave and in those cases the earnings for working national holidays and rest days will be less, and this could cause them labor issues. The plant needs to establish a measure where no one receives less payment than what is established in the law. The plant will propose a measure, establish a compensation policy for working in holidays and rest days and communicate it to employees; this policy should establish that no employee will earn less than what the law says. That plant will have this issue solved by 11/15. Plant provided evidence where this issue was corrected.

Plan Complete:

Plan Complete Date: 11/30/2008

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Wages, Benefits and Overtime Compensation: Y. Other - Wages, Benefits and Overtime Compensation

Other

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/29/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

Explanation: Facility does not have child care facility. Although a legal requirement, this is not enforced by local Department of Labor - DoL Factory Tour Art. 155 of the Guatemalan Labor Code: Any employer with more than 30 female workers should provide a child care facility to be used for the children 3 years old or younger.

Plan Of Action: A manager will follow-up on 9/30 and help the facility determine the value of the current child care facilities the employees are using and a fair compensation for this benefit. Determine if there are any other child-care facilities within the industrial park, etc. Facility must provide a written plan that outlines where the workers' children over 3 currently stay and the benefit/compensation the facility can offer for not have a child care facility on-site. They may want to do a survey to 1) determine how many workers need a day-care 2) how many have access to one in their neighborhood 3) how much they pay for the facility. Deadline Date: 11/30/2008

Deadline Date:

Supplier CAP: Due to cultural customs, mothers choose to leave the children with grandparents and relatives; or child care facilities provided by government nearby their neighborhoods.

Supplier CAP Date: 11/30/2008

Action Taken: During 9/30 Hbl follow-up, it was determined that the plant will make a survey of all female employees who have children under 3 years that are eligible for this compensation. They will also contact different factories in the zone where they are located. They will contact government agencies to look for options of child care for employees. If there is no feasibility to establish a child care facility, they will look for an alternate benefit that could compensate the lack of this provision. The plant completed a survey and they have less than 30 mothers with children under 3 years, therefore this law does not apply to them. However they have contacted many other companies in the sector to ask them if they would be willing to build a shared childcare facility for the industrial area.

Plan Complete:

Plan Complete Date: 11/28/2008

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Forced Labor: N. Forced Overtime

F.14 The imposition of mandatory overtime beyond the limits set by the law, a freely negotiated collective bargaining agreement, and/or the FLA Code, in an environment where a worker is unable to leave the work premises, constitutes forced labor. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/29/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

Explanation: Facility labor contracts display the hours of work for both diurnal and nocturnal shifts. Under the diurnal shift, the hours of work add up to 44 for the week but for the night shift, the designated hours of work are from 6pm to 7am, Mondays to Fridays. This includes 25 hours of overtime. As per interviews, the night shift must be worked complete and overtime is understood as mandatory. As per management, this situation exists due to the non-existence of transportation at the end of the night shift (3:00am). Document Review Art 29 of the labor code, states that labor contracts should state the regular hours of work. As per facility labor contract, the hours of work include overtime.

Plan Of Action: In-house auditor will follow-up on 9/30 and determine if there are methods for alternating employee work shifts such as one group works Mon-Thurs and another Tues-Friday or if there is alternative transportation available so that employees are not working over 60 hours a week. Also, review employment contract for night workers and insure that there is no language that is interpreted that the work is required to maintain employment (obtain copy). Conduct employee interviews during night shift to determine if employees feel this is voluntary or forced. Deadline date: 11/30/2008

Deadline Date: 01/09/2009

Supplier CAP: Overtime is not mandatory and is not a practice of the facility. In the induction video for new employees, it is stated explicitly that overtime is voluntary. In the Procedures Manual given to every new employee it is

also stated. This appreciation from some employees might be caused by a misunderstanding. We will reinforce information to employees about this subject.

Supplier CAP Date: 11/15/2008

Action Taken: During 9/30 Hbl follow-up, the issue here is not that employees in the night shift work over 60 hours a week. They work 12 hours every night from Monday to Friday which adds up to exactly 60 hours. The plant provided evidence that there is clear communication that OT is voluntary however employees have a different perception. Labor contracts show that the night shift goes from 6pm to 7am and there is no indication that regular time is from 6pm to 12m and overtime is from 12m to 7am. The plant will do a formal communication to employees about this matter and work contracts will be modified.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Non-Discrimination: O. Other - Non-Discrimination

Other

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/29/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

Explanation: There is no written policy for retrenchment in place. Facility was not aware of a need to have a written policy/procedure for retrenchment. Document Review

Plan Of Action: Hbl in-house auditor will follow-up 9/30 and identify the specific work the facility has created so far and the proposed deadline for completion and publication. Deadline 11/30/2008

Deadline Date: 01/09/2009

Supplier CAP: Policy is being established.

Supplier CAP Date: 10/10/2008

Action Taken: The policy has been created and will be communicated to employees by 10/10

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Others: A. Code Awareness

GEN.1 Establish and articulate clear, written workplace standards. Formally convey those standards to Company factories as well as to licensees, contractors and suppliers.

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/29/2008	External	FLA	ALGI	1 (out of 5)

720028920G – Guatemala: Hanesbrands

Independent
External
Monitoring

Explanation: The participating company (PC) has not communicated Code obligations to the workforce (workers or supervisors). PC has not been able to achieve complete global coverage of its CSR program. Document Review / Facility Walkthrough

Plan Of Action: HBI will conduct vendor trainings in first quarter of 2009. Company auditor should insure GSS posters are prominently in place in the local language. Deadline Date: 2/15/2009

Deadline Date: 02/15/2009

Supplier CAP:

Supplier CAP Date:

Action Taken:

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

GEN.2 Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/29/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

Explanation: The workers have never received training on the Company's Code of Conduct. PC has not been able to achieve complete global coverage of its CSR program. Document Review / Facility Walkthrough

Plan Of Action: HBI will conduct vendor trainings in first quarter of 2009.

Deadline Date: 02/15/2009

Supplier CAP:

Supplier CAP Date:

Action Taken:

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

GEN.3 Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.

Audit Date	Audit Type	Audit Scope	Auditor	Score
------------	------------	-------------	---------	-------

720028920G – Guatemala: Hanesbrands

07/29/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)
------------	----------	--	------	--------------

Explanation: PC has not established an anonymous complaint mechanism for workers to contact them PC has not included any method of communication (hot line) in the CoC for workers to communicate directly to them. Document Review / Facility Walkthrough

Plan Of Action: This will be addressed from Hbl Corporate. There will not be a hotline to our vendor base, as there are too many contractors and we do not have the resources to manage this at this time.

Deadline Date:

Supplier CAP:

Supplier CAP Date:

Action Taken:

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Health and Safety: I. Evacuation Requirements and Procedure

H&S.9 All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, the installation and maintenance of an employee alarm and emergency lighting systems, ensuring aisles/exits are not blocked and that workers are not blocked within their workstations, employee education, evacuation procedures, etc.) shall be complied with. Workers shall be trained in evacuation procedures. Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/29/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

Explanation: 1) Evacuation passageway is blocked by boxes. (building 4) 2) Exit signs at building one and four do not have an electrical mechanism to turn on during an electrical failure. 3) Evacuation plan missing. No designated personnel or plan to check for safety standards. Factory Tour Chapter V - Health & Safety Standards. - Article 197

Plan Of Action: Hbl in-house auditor will follow-up on 9/30. Determine if properly trained person is in place to monitor these safety items on a regular basis. Deadline date: 11/30/2008

Deadline Date: 11/30/2008

Supplier CAP: Outline specific actions that person in Engineering will conduct to insure safety continues.

Supplier CAP Date: 10/10/2008

Action Taken: During the 9/30 Hbl visit, it was confirmed that the automatic turn on lights, signs and evacuation plan have been put in place. Blocked areas were cleared during the audit. A person from Engineering Dept. has been already designated to check safety standards. There has been an official designation of the safety coordinator, which will be the production

manager, her functions are already written down and communicated and will be emergency drills management, extinguishers management, safe management of equipments, control of safety rules, temperature monitoring, plant housekeeping. The evacuation plan has been installed. No aisles were found blocked in building #4, both an aisle was found blocked in building #3 by a bag of socks, emergency exit signs has not been installed. Pictures attached and a memo of the designation of the safety coordinator. Emergency exit signs will be installed by 10/10. "Plant provided evidence where this issue was corrected.

Plan Complete:

Plan Complete Date: 11/28/2008

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Health and Safety: J. Safety Equipment and First Aid Training

H&S.10 All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be available in sufficient numbers throughout the factory, maintained and stocked as prescribed and easily accessible to workers. A sufficient number of workers shall be trained in first aid and fire fighting techniques. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/29/2008	External	FLA Independent External Monitoring	ALGI	2 (out of 5)

Explanation: Employees (9) and Supervisors (2) mentioned that medicine for headaches and stomachaches are sometimes not available. During the visit, monitor checked two first aid kits which were found to be fully stocked. No designated personnel or plan to check for safety standards Employee interviews Chapter V - Health & Safety Standards. - Article 197

Plan Of Action:

Deadline Date:

Supplier CAP:

Supplier CAP Date:

Action Taken:

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Health and Safety: Q. Ventilation/Electrical/Facility Installation and Maintenance

H&S.17 All necessary ventilation, plumbing, electrical, noise and lighting services shall be installed and maintained to conform to applicable laws and in such a manner as to prevent or minimize hazardous conditions to workers in the facility. (S)

720028920G – Guatemala: Hanesbrands

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/29/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

Explanation: 1) Monitors felt extreme high temperatures at the facility during the visit (not hot-Summer season). Over 90% of employees interviewed complained that during the Summer the heat becomes unbearable. 2) Electrical circuit boxes throughout the facility need to be labeled and the unsealed openings need to be covered. No designated personnel or plan to check for safety standards Factory Tour Chapter V - Health & Safety Standards. - Article 197

Plan Of Action: Hbl in-house auditor followed-up on 9/30. The compliance manager had asked facility to begin monitoring the temperature outside and inside from the date of conference call until follow-up visit.

Deadline Date: 11/30/2008

Supplier CAP: "Facility took actions about heat previously in order to minimize heat conditions in those machines where it was possible. Provide copy of records that monitor indoor and outdoor temperatures. The plant has already installed thermometers to begin monitoring the plant temperature. At the moment of the visit, no thermometer showed temperatures higher than 29°C. The plant need to establish an action plan in the case that temperature raise above this temp most probable during the months of summer. All the circuit boxes throughout the facility had their empty spaces sealed; however they need to finish labeling them. The labeling will end by 10/10."

Supplier CAP Date: 10/10/2008

Action Taken: Hbl auditor confirmed electrical issues were already corrected. A person from Engineering Dept. has been already designated to check safety standards Plant provided evidence where this issue was corrected.

Plan Complete:

Plan Complete Date: 11/28/2008

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Health and Safety: R. Machinery Maintenance and Worker Training

H&S.18 All production machinery, equipment and tools shall be regularly maintained and properly guarded. Workers shall receive training in the proper use and safe operation of machinery, equipment and tools they use. Employers shall ensure safety instructions are either displayed/posted near all machinery or are readily accessible to the workers. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/29/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

Explanation: Non-Compliances: 1) Lift truck (Missing stop lights, extinguisher and warning sound during operations). 2) Oil residues resulting from machine maintenance are disposed in regular trash cans and not handled by specialized toxic disposal entity. Root Causes: 1) No designated personnel or plan to check for safety standards. 2) Lack of training to mechanics on

company environmental policy. Factory Tour Chapter V - Health & Safety Standards. - Article 197

Plan Of Action: In-house auditor to follow-up on 9/30 and review oil disposal policy progress. Also, see what type of training the mechanics need on environmental policies, etc. Deadline date: 11/30/2008

Deadline Date: 11/30/2008

Supplier CAP: Oil disposal policy is being established. Provide copy.

Supplier CAP Date: 10/10/2008

Action Taken: In-house auditor confirmed truck lift issues were already solved. The forklift has all its safety equipment installed. Pictures will be provided by end of week. The used oil is now been stored at a labeled container and will be send to a recycling company, however the policy needs to be written and the mechanics need to be trained in this policy. All affected employees were trained, and the plant provided evidence showing that this issue was corrected.

Plan Complete:

Plan Complete Date: 12/10/2008

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Health and Safety: S. Proper Use of Machinery

H&S.19 Employers shall only use positive incentives (risk awareness training, demonstration of proper use, awards, bonuses, etc.) to ensure workers use machinery, equipment and tools properly and safely. Workers shall not suffer any negative consequences for refusing to work with machinery, equipment or tools that are not properly guarded or reasonably considered unsafe. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/29/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

Explanation: Two sharp grinder machines without safety guards are located in the passageway (Shipping area) No designated personnel or plan to check for safety standards Factory Tour Chapter V - Health & Safety Standards. - Article 197

Plan Of Action: In-house auditor to follow-up on 9/30. Deadline 11/30/2008

Deadline Date: 11/30/2008

Supplier CAP: Outline specific actions that person in Engineering will conduct to insure safety continues.

Supplier CAP Date: 09/30/2008

Action Taken: Sharp grinder machine has been moved to another place far from passageway, and has been restricted only to authorized personnel. A person from Engineering Dept. has been already designated to check safety standards. The sharp grinder has been moved and personal protective equipment provided to operate this machine.

Plan Complete:

Plan Complete Date: 09/30/2008

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Health and Safety: T. Bodily Strain

H&S.20 Workstations, including seating and standing arrangements and reach required to obtain tools, shall be designed and set-up in such a manner as to minimize bodily strains. Employers shall train workers in proper lifting techniques and items such as belts shall be provided. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/29/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

Explanation: Floor mats need to be provided to workers who stand, especially pregnant employees (Throughout facility) No ergonomic program in place. Factory Tour Chapter V - Health & Safety Standards. - Article 197

Plan Of Action: In-house auditor will follow-up on 9/30/2008

Deadline Date: 09/30/2008

Supplier CAP: Floor mats are under purchase process and will be placed in the workplaces that need them. Will provide photos by end of week.

Supplier CAP Date: 09/30/2008

Action Taken: Anti-fatigue mats has been purchased and provided.

Plan Complete:

Plan Complete Date: 09/30/2008

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Health and Safety: W. Toilets

H&S.23 Employers shall establish the number of toilets required under applicable laws within reasonable distance of the workplace. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/29/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

Explanation: Toilet paper was not available (building one) Lack of constant monitoring Factory Tour Chapter V - Health & Safety Standards. - Article 197

Plan Of Action: In-house auditor will follow-up on 9/30/2008 and monitor at visit at the end of November. Deadline Date: 11/30

Deadline Date:

Supplier CAP: Provide photos and name of person responsible.

Supplier CAP Date: 09/30/2008

Action Taken: Monitoring has been reinforced and toilet paper is available. At the moment of the visit there were no toilets without paper. The plant has established a procedure to ensure the toilet paper is always available. Attached copy of this control. Control procedure was established and plant provided evidence showing that this issue was corrected.

Plan Complete:
 Plan Complete Date: 11/28/2008
 Action Verified:
 Action Verified Text:
 Action Verified Date:
 Comments:

Health and Safety: X. Toilets/Restrictions

H&S.24 Employers shall not place any undue restrictions on toilet use in terms of time and frequency. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/29/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

Explanation: Monitors observed that restroom were locked. Employees' complained that on occasions, the designated person with the keys is not available. As per management, this is done to control the misuse - related to cleanliness of restroom by employees. Factory Tour Chapter V - Health & Safety Standards. - Article 197

Plan Of Action: In-house auditor follow-up 9/30. Remind the facility that the solution is not to lock the employees out but to enforce proper respect by the employees to the use of restrooms by monitoring conditions and employees who abuse. Deadline date: 11/30/2008

Deadline Date: 11/30/2008

Supplier CAP: The locks were requested by employees due the misuse of restrooms by other workmates. Employees suggested the usage of locks and the conformation of groups designated to each restroom. Locks will be removed.

Supplier CAP Date: 09/30/2008

Action Taken: Locks have been removed. No toilets were found with locks. Pictures will be provided by end of the week.

Plan Complete:
 Plan Complete Date: 09/30/2008

Action Verified:
 Action Verified Text:
 Action Verified Date:
 Comments:

Health and Safety: ZC. Other - Health and Safety

Other

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/29/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

Explanation: There is insufficient seating for the number of employees taking lunch at

the same time. Facility provides two separate times for lunch for a total of approximately 200 employees, but there are only 40 sitting spaces available at any given time. No internal evaluation/interviewed performed to check for employees concerns Factory Tour Chapter V - Health & Safety Standards. - Article 197

Plan Of Action: In-house auditor follow-up 9/30 and determine actual situation and then make suggestions to make sure there is sufficient room for employees in bad weather, etc. so that all employees have ability to sit in covered area if necessary. Deadline date: 11/30/2008

Deadline Date: 11/30/2008

Supplier CAP: The actual count of seats obeys to the percentage of people that remain inside the facilities when lunchtime plus 10%. The majority of employees leave the facility to eat outside in the food places nearby the facility.

Supplier CAP Date: 10/15/2008

Action Taken: In-house auditor discussed with the facility and the plant will purchase more wooden seats and a total of 144 employees will fit inside the cafeteria. The benches will be purchased by 10/3. The tables and benches were purchased and plant provided evidence showing that this issue was corrected.

Plan Complete:

Plan Complete Date: 11/28/2008

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Hours of Work: F. Time Recording System

HOW.6 Time worked by all workers, regardless of compensation system, shall be fully documented by time cards or other accurate and reliable recording systems such as electronic swipe cards. Employers are prohibited from maintaining multiple time-keeping systems and/or false records for any fraudulent reason, such as to falsely demonstrate working hours. Time records maintained shall be authentic and accurate. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/29/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

Explanation: Facility present time recording system does not allow workers to log in their hours of work if work is performed during the day of rest (Sundays). The security guard maintains a list of attendance and this information is provided to HR department for Sunday attendance. Hours of work during the rest day are not added into the overtime column (payroll ledger). It is added into a column selected for bonus/incentives (monetary amounts only). This practice does not properly reflect all hours worked during the weeks that a Sunday is worked. As per facility, the system does not allow Sunday - day of rest log-in. Facility is changing the system to allow all hours worked to be logged Document Review Art. 123 of the Guatemalan Labor Code: the employer will register in the payroll, hours and earnings related to overtime work.

Plan Of Action: In-house auditor will follow-up on 9/30. 6 month follow-up Deadline date: 11/30/2008

Deadline Date: 11/30/2008

Supplier CAP: Facility is changing the system to allow all working hours to be logged. We

will comply. Provide copy of policy and post at time clock for all employees to access.

Supplier CAP Date: 11/15/2008

Action Taken: In-house auditor confirmed that the plant is working in modifications to the payroll system. The plant is closed now until 7:00am, there was a memo communicating this. Plant provided evidence showing that this issue was corrected.

Plan Complete:

Plan Complete Date: 11/28/2008

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Hours of Work: H. Overtime/Reduced Mandated Overtime

HOW.8 The employer shall demonstrate a commitment to reduce overtime and to enact a voluntary overtime system, including for overtime mandated to meet extraordinary business circumstances. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/29/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

Explanation: For night shifts, during high season (November and December) and sometimes during special needs (last one occurred two weeks ago), and when ever a Sunday is worked, the hours of work will exceed 66 hours per week. This exceeds FLA hours of work limitations. Facility has large orders for short periods of time. It is difficult to hire temporary workers for a two month period and later release them. It takes time to train workers to understand the clients' needs. Document Review FLA Benchmark of no more than 60 hours of work (regular and overtime) per week.

Plan Of Action: In-house auditor will follow-up on 9/30. Determine how often this occurs and if alternating shifts as mentioned above will eliminate this problem. Deadline date: 11/30/2008

Deadline Date: 11/30/2008

Supplier CAP: Facility has large orders for short periods of time. It is difficult to hire temporary workers for a two month period and later release them. It takes time to train workers to understand the clients' needs.

Supplier CAP Date: 11/15/2008

Action Taken: In-house auditor confirmed that the plant has already defined their extraordinary business circumstances. In this policy, they have established the procedures to perform OT. However there is no evidence in the plant to see how often this happens. The plant needs to demonstrate that work performed under these circumstances is not done very often. Since the audit the plant has been communicating this policy to employees but there has been no need to apply it. Plant provided evidence showing that this issue was corrected.

Plan Complete:

Plan Complete Date: 09/30/2008

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Hours of Work: U. Calculation of Absences

HOW.21 Absences from work for reasons beyond the control of workers, such as sick leave or periods during which factory operations are suspended shall not be counted as annual leave nor shall they be deducted from calculations concerning length of service, unless specified differently under local laws, regulations and procedures. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
07/29/2008	External	FLA Independent External Monitoring	ALGI	1 (out of 5)

Explanation: Employees are required to arrive 5 minutes before the beginning of the work shift, otherwise they will not be allowed in or paid for that day. Facility wants to ensure employees are on their station on time - facility reports too many late comers. Employee interviews Article 129, mandates the payment of wages in excess of the regular hours of work.

Plan Of Action: In-house auditor follow-up on 9/30 and continuous monitoring on all future visits. Deadline date: 11/30/2008

Deadline Date:

Supplier CAP: Provide copy of written policy posted at time clock. The plant is closed now until 7:00am, there was a memo communicating this. Copy of the memo. will be attached by end of week.

Supplier CAP Date:

Action Taken: In-house auditor confirmed that the time log is controlled by a computer. This makes available all records by a key strike. Employees are now allowed to arrive at the pre-established time of attendance.

Plan Complete:

Plan Complete Date: 09/30/2008

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:
