

FLA Audit Profile	
Factory Code	360215184H
Country	China
FLA Affiliate	Hanesbrands, Puma
Monitor	Social Compliance Service Asia Ltd
Audit Date	August 31 – September 1, 2009
Products	Garments
Processes	Material preparation, cutting, sewing, trimming, finishing
Number of Workers	268



FAIR LABOR
ASSOCIATION™

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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
08/31/2009	External	FLA Independent External Monitoring	Social Compliance Service Asia (SCSA)	Noncompliance

Explanation: As per social insurance contribution records provided, factory covered 134 out of 268 workers under worked related injury, medical and retirement insurance. No worker was covered under the unemployment and child bearing insurance. Waiver from local social insurance bureau was provided. (Article 73 of PRC Labor Law).

Plan Of Action: 1. According to the relevant legal laws of China and standards of PUMA SAFE and Hbl, all workers should be enrolled in the legally mandated social insurance program. 2. Based on the follow up visit on Oct 29th, 127 out of 217 workers are participated in pension scheme, illness insurance and work related injury insurance. Other workers are covered by the comprehensive accidents insurance program. 3. As discussed and confirmed by factory top management, 5% increase of coverage will be conducted on a quarterly basis. 4. None of the workers is enrolled in maternity insurance and unemployment insurance, as confirmed by factory top management. But they are planning to provide these benefits to workers according to the local law after consulting the local government's regulation. It will be updated after the next follow up visit. 5. Hbl and Puma will conduct follow up visits every 3 months on rotation basis to ensure the factory's improvement progress on this noncompliance issue.

Deadline Date: 12/31/2012

Supplier CAP: 1. Based on the follow up visit on Oct 29th, 127 out of 217 workers are participating in the pension scheme, illness insurance and work related injury insurance. Other workers are covered by the comprehensive accidents insurance program. 2. The factory is planning to enroll all workers in the legally mandated social insurance program step by step; 5% increase of coverage will be conducted quarterly, and factory will also provide maternity insurance and unemployment insurance for workers according to the local law.

Supplier CAP Date: 10/30/2009

Action Taken: Based on the follow up visit by Hbl and PUMA on Oct 29th, 127 out of 217 workers are participated in pension (55%), illness insurance and work related injury insurance. Other workers are covered by the comprehensive accidents insurance program (the insurance contract signed between factory and insurance company, where all workers are involved; in case of an accident - inside the workshop or outside the workshop - happens, the injured worker would be compensated for RMB100,000 at maximum). As of 12/22/2009, the factory had enrolled 66% of workers for the social insurance program coverage.

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Wages, Benefits and Overtime Compensation: A. General Compliance Wages, Benefits and Overtime Compensation

WBOT.1 Employers shall comply with all local laws, regulations and procedures concerning the payment of wages and benefits, including overtime compensation. In any case where laws and the FLA Code are contradictory, the standard that provides the greatest protection for workers shall apply. Where provisions are lacking, employers shall take measures to reasonably accommodate matters concerning the payments of wages and benefits, including overtime compensation. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
08/31/2009	External	FLA Independent External Monitoring	Social Compliance Service Asia (SCSA)	Noncompliance

Explanation: During the audit, it was noted that time and payment records provided presented various discrepancies with other information and records obtained during the audit. For examples, the production related records collected from work floor indicated that workers worked on various Sundays, such as on Aug 2, 2009 (Sunday), Aug 9, 2009 (Sunday), June 14, 2009 (Sunday), May 24, 2009 (Sunday), etc. However the corresponding time and payment records of the workers showed that they were off on the mentioned dates. The information gathered from the on-site and off-site workers interview also presented discrepancies with the information reported in the provided time and payment records. For instance, some workers reported that they had to work three to four hours daily night overtime regularly. In addition, they were also required to work on Sundays when the production was tight. However, their corresponding time records showed that they had not worked on any Sunday and any evening overtime that more than 2 hours a day. In the view of the above, auditors concluded that the time and payment records were unreliable and failed to accurately reflect workers' actual working hours, wages and benefits status at the facility. (Article 45 & 51 of PRC Labor Law)

Plan Of Action: Hbl and Puma have the same policy to require that the factory must present genuine payroll records for review. The company representatives had visited the factory on 10/29/2009 and convinced the factory management to present all records on which they agreed finally. It was noted that the given records had payment deficiencies on overtime and excessive OT hours. Due to this being the 1st joint meeting, the issues and codes had been reviewed with factory. Company representatives will continue to perform follow up visits to check the improvement progress with the factory every 3 months and to ensure that all employees' guaranteed wages and overtime premiums are paid progressively. Working hours are not more than industry standard (60hrs/week). Factory should have clear policy and guidelines on wage and compensation at work which are well communicated to all workers inside factory. This policy and guidelines should clearly state the commitment of the management to pay workers no less than minimum wage as well as overtime premium requested by law. A grievance system should be in place for workers to report any non-compliance with regard to wage

and compensation.

Deadline Date: 03/31/2010

Supplier CAP: Factory will set up an effective electronic working hours system to record all working hours so that all hours including overtime are paid in accordance with the law from January 1, 2010.

Supplier CAP Date: 10/31/2009

Action Taken: Hbl and Puma had conducted the 1st follow up visit to this factory and held the meeting with factory top management. 1. Factory top management finally presented their real records of September to auditors from brands: A. Workers are paid by piece rate without consideration of number of working hours but management is fully aware of the local minimum wage at RMB670/month or RMB3.85/hr. Also, according to workers interviews (10), all of them confirmed to receive the wages around RMB4 to RMB5 per hour. B. Workers have worked on Sundays and 3-4 hours daily night-overtime in peak season, and the working hours were not recorded properly, but it is confirmed by the workers that they were paid for OT work at piece rate straightly. 2. As discussed and confirmed with factory top management, an effective electronic working hours system is to be set up to record all working hours so that all hours including overtime are paid in accordance with the law from January 1, 2010. However, the factory is unable to track the OT hours back again, and it incurred huge costs for the factory. They are unable to pay back the premiums to workers. They will correct the issue only forward.

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Comments:

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Wages, Benefits and Overtime Compensation: B. Minimum Wage

WBOT.2 Employers shall pay workers at least the legal minimum wage or the prevailing industry wage, whichever is higher. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
08/31/2009	External	FLA Independent External Monitoring	Social Compliance Service Asia (SCSA)	Noncompliance

Explanation: During the audit, it was noted that time and payment records provided presented various discrepancies with other information and records obtained during the audit. For examples, the production related records collected from work floor indicated that workers worked on various Sundays, such as on Aug 2, 2009 (Sunday), Aug 9, 2009 (Sunday), June 14, 2009 (Sunday), May 24, 2009 (Sunday), etc. However the corresponding time and payment records of the workers showed that they

were off on the mentioned dates. The information gathered from the on-site and off-site workers interview also presented discrepancies with the information indicated in the provided time and payment records. For instance, some workers reported that they had to work three to four hours daily night overtime regularly. In addition, they were also required to work on Sundays when the production was tight. However, their corresponding time records showed that they had not worked on any Sunday and any evening overtime that more than 2 hours a day. Some workers stated that they were paid at straight piece rate without overtime premium for all working hours including evening overtime and rest day overtime work. Also, workers reported that the factory had maintained the second set of wage record that the wage was calculated based on their straight piece rate. Hence, auditors could not accurately verify workers ' actual working hours, wages status at the facility. (Article 48 of PRC Labor Law)

**Plan Of
Action:**

Hbl and Puma have the same policy to require that the factory must present genuine payroll records for review. The company representatives had visited the factory on 10/29/2009 and convinced the factory management to present all records on which they agreed finally. It was noted that the given records had payment deficiencies on overtime and excessive OT hours. Due to this being the 1st joint meeting, the issues and codes had been reviewed with factory. Company representatives will continue to perform follow up visits to check the improvement progress with the factory every 3 months and to ensure that all employees' guaranteed wages and overtime premiums are paid progressively. Working hours are not more than industry standard (60hrs/week). Factory should have clear policy and guidelines on wage and compensation at work that are well communicated to all workers inside factory. This policy and guidelines should clearly state the commitment of the management to pay workers no less than minimum wage as well as overtime premium requested by law. A grievance system should be in place for workers to report any non-compliance with regard to wage and compensation.

**Deadline
Date:**

03/31/2010

**Supplier
CAP:**

Factory will set up an effective electronic system to record all working hours so that all hours including overtime are paid in accordance with the law from January 1, 2010.

**Supplier CAP
Date:**

10/31/2009

**Action
Taken:**

Hbl and Puma had conducted the 1st follow up visit to this factory and held the meeting with factory top management. 1. Factory top management finally presented their real records of September to auditors from brands: A. Workers are paid by piece rate without consideration of number of working hours but management is fully aware of the local minimum wage at RMB670/month or RMB3.85/hr. Also, according to workers interviews (10), all of them confirmed to receive the wages around RMB4 to RMB5 per hour. B. Workers have worked on Sundays and 3-4 hours daily night-overtime in peak season, and the working hours were not recorded properly, but it is confirmed by the workers that they were paid for OT work at piece rate straightly. 2. As discussed and confirmed with factory top management, an effective electronic working hours system is to be set up to record all working hours so that all hours including overtime are paid in accordance with the law from January 1, 2010. However, the factory is unable to track the OT hours back again, and it incurred huge costs for the factory. They are unable to pay back the premiums to workers. They will correct the issue only forward.

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Wages, Benefits and Overtime Compensation: I. Premium/Overtime Compensation

WBOT.10 The factory shall comply with all applicable laws, regulations and procedures governing the payment of premium rates for work on holidays, rest days, and overtime. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
08/31/2009	External	FLA Independent External Monitoring	Social Compliance Service Asia (SCSA)	Noncompliance

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Plan Of Action: Hbl and Puma have the same policy to require that the factory must present genuine payroll records for review. The company representatives had visited the factory on 10/29/2009 and convinced the factory management to present all records on which they agreed finally. It was noted that the given records had payment deficiencies on overtime and excessive OT hours. Due to this being the 1st joint meeting, the issues and codes had been reviewed with factory. Company representatives will continue to perform follow up visits to check the improvement progress with the factory every 3 months and to ensure that all employees' guaranteed wages and overtime premiums are paid progressively. Working hours are not more than industry standard (60hrs/week). Factory should have clear policy and guidelines on wage and compensation at work which are well communicated to all workers inside factory. This policy and guidelines should clearly state the commitment of the management to pay workers no less than minimum wage as well as overtime premium requested by law. A grievance system should be in place for workers to report any non-compliance with regard to wage and compensation.

Deadline Date: 03/31/2010

Supplier CAP: Factory will set up an effective electronic system to record all working hours so that all hours, including overtime, are paid in accordance with the law from January 1, 2010.

Supplier CAP Date: 10/31/2009

Action Taken: Hbl and Puma had conducted the 1st follow up visit to this factory and held the meeting with factory top management. 1. Factory top management finally presented their real records of September to auditors from brands: A. Workers are paid by piece rate without consideration of number of working hours but management is fully aware of the local minimum wage at RMB670/month or RMB3.85/hr. Also, according to workers interviews (10), all of them confirmed to receive the wages around RMB4 to RMB5 per hour. B. Workers have worked on Sundays and 3-4 hours daily night-overtime in peak season, and the working hours were not recorded properly, but it is confirmed by the workers that they were paid for OT work at piece rate. 2. As discussed and confirmed with factory top management, an effective electronic working hours system is to be set up to record all working hours so that all hours including overtime are paid in accordance with the law from January 1, 2010. However, the factory is unable to track the OT hours back again, and it incurred huge costs for the factory. They are unable to pay back the premiums to workers. They will correct the issue only forward.

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Wages, Benefits and Overtime Compensation: O. False Payroll Records

WBOT.19 Employers shall not use hidden or multiple payroll records in order to hide overtime, to falsely demonstrate hourly wages, or for any other fraudulent reason. Payroll records maintained shall be authentic and accurate. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
08/31/2009	External	FLA Independent External Monitoring	Social Compliance Service Asia (SCSA)	Noncompliance

Explanation: During the audit, it was noted that time and payment records provided presented various discrepancies with other information and records obtained during the audit. For examples, the production related records collected from work floor indicated that workers worked on various Sundays, such as on Aug 2, 2009 (Sunday), Aug 9, 2009 (Sunday), June 14, 2009 (Sunday), May 24, 2009 (Sunday), etc. However the corresponding time and payment records of the workers showed that they were off on the mentioned dates. The information gathered from the on-site and

off-site workers interview also presented discrepancies with the information indicated in the provided time and payment records. For instance, some workers reported that they had to work three to four hours daily night overtime regularly. In addition, they were also required to work on Sundays when the production was tight. However, their corresponding time records showed that they had not worked on any Sunday and any evening overtime that more than 2 hours a day. Some workers stated that they were paid at straight piece rate without overtime premium for all working hours including evening overtime and rest day overtime work. Also, workers reported that the factory had maintained the second set of wage record that the wage was calculated based on their straight piece rate. Hence, auditors could not accurately verify workers' actual working hours, wages status at the facility. (Article 44 & 48 of PRC Labor Law)

Plan Of Action:

Hbl and Puma have the same policy to require that the factory must present genuine payroll records for review. The company representatives had visited the factory on 10/29/2009 and convinced the factory management to present all records on which they agreed finally. It was noted that the given records had payment deficiencies on overtime and excessive OT hours. Due to this being the 1st joint meeting, the issues and codes had been reviewed with factory. Company representatives will continue to perform follow up visits to check the improvement progress with the factory every 3 months and to ensure that all employees' guaranteed wages and overtime premiums are paid progressively. Working hours are not more than industry standard (60hrs/week). Factory should have clear policy and guidelines on wage and compensation that are well communicated to all workers inside factory. This policy and guidelines should clearly state the commitment of the management to pay workers no less than minimum wage as well as overtime premium requested by law. A grievance system should be in place for workers to report any non-compliance with regard to wage and compensation.

Deadline Date:

03/31/2010

Supplier CAP:

Factory will set up an effective electronic system to record all working hours so that all hours including overtime are paid in accordance with the law from January 1, 2010.

Supplier CAP Date:

10/31/2009

Action Taken:

Hbl and Puma had conducted the 1st follow up visit to this factory and held the meeting with factory top management. 1. Factory top management finally presented their real records of September to auditors from brands: A. Workers are paid by piece rate without consideration of number of working hours but management is fully aware of the local minimum wage at RMB670/month or RMB3.85/hr. Also, according to workers interviews (10), all of them confirmed to receive the wages around RMB4 to RMB5 per hour. B. Workers have worked on Sundays and 3-4 hours daily night-overtime in peak season, and the working hours were not recorded properly, but it is confirmed by the workers that they were paid for OT work at piece rate straightly. 2. As discussed and confirmed with factory top management, an effective electronic working hours system is to be set up to record all working hours so that all hours including overtime are paid in accordance with the law from January 1, 2010. However, the factory is unable to track the OT hours back again, and it incurred huge costs for the factory. They are unable to pay back the premiums to workers. They will correct the issue only forward.

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Freedom of Association: B. Right to Freely Associate

FOA.2 Workers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. The right to freedom of association begins at the time that a worker seeks employment, and continues through the course of employment, including eventual termination of employment, and is applicable as well to unemployed and retired workers. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
08/31/2009	External	FLA Independent External Monitoring	Social Compliance Service Asia (SCSA)	Noncompliance

Explanation: [FLA Comment: The Chinese constitution guarantees Freedom of Association \(FOA\); however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union - the All China Federation of Trade Unions \(ACFTU\). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of FOA, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. However, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms. The Amended Trade Union Act of Oct. 2001 stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. Trade unions also have an enhanced role in dispute resolution. In Dec. 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.](#)

Plan Of Action: [Hbl and Puma have the same standard in requesting the factory to be in compliance of trade union set-up. So, this requirement is delivered to factory management at the first joint meeting on 10.29.2009. Also, companies will ensure the factory had set up the alternative communication channels or welfare committee to their workers, improving and encouraging the dialogue between employer and employees. The improvement progress will be monitored every 3 months' visits by companies.](#)

Deadline Date: [03/31/2010](#)

Supplier CAP: [The factory will review and complete the functions of on site trade union according to the relevant legal requirements.](#)

Supplier CAP Date: [10/31/2009](#)

Action Taken: [Hbl and Puma had conducted the 1st follow up visit to this factory on 10/29/2009: There is a trade union in place.](#)

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Harassment or Abuse: C. Discipline/Review of Disciplinary Action

H&A.3 The disciplinary system shall include possibilities for workers to have disciplinary action imposed on them reviewed by someone at a higher managerial position than the manager who imposed the disciplinary action. In addition, such a system shall include the ability of a worker to appeal and/or question any disciplinary action against him or her and/or have a third party of his or her choice present when the disciplinary action is being imposed. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
08/31/2009	External	FLA Independent External Monitoring	Social Compliance Service Asia (SCSA)	Noncompliance

Explanation: There is no appeal system for workers who were being disciplined.

Plan Of Action: As discussed with factory top management, the factory will review its disciplinary policy and action procedure and provide training to its supervisors and employees to make sure all disciplinary actions are taken in proper measures. Also, proper records should be kept in-house. Hbl and Puma will follow up the improvement progress next 3 months.

Deadline Date: 03/31/2010

Supplier CAP: Immediate action: Factory will hold a training session for management about the discipline rules and regulations in mid-October to make sure management and supervisors use proper measures when employees break rules and regulations. Long Term Plan: The factory will make sure proper disciplinary measures are taken if rules and regulations are disobeyed. The factory provides training and education to management and employees about factory policies and avoids disciplinary measures to be used.

Supplier CAP Date: 10/31/2009

Action Taken: No action taken is observed at the 1st follow up visit on 10/29/2009 as the factory is not familiar with this issue. Companies had explained and advised the action plan. Factory agreed on this action plan.

Plan Complete:

Plan Complete Date:

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Miscellaneous: A. Code Awareness

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
08/31/2009	External	FLA Independent External Monitoring	Social Compliance Service Asia (SCSA)	Noncompliance

Explanation: No COC training was provided to workers to educate them about the company standards on regular basis.

Plan Of Action: Hbl and Puma had discussed this matter with factory top management; the factory will provide training to all employees about all customers' Code of Conduct, including HBI and PUMA.

Deadline Date: 03/31/2010

Supplier CAP: The factory provide orientation to workers about the Hbl and PUMA Code of Conduct in each employee training annually.

Supplier CAP Date: 10/31/2009

Action Taken: During the 1st joint visit by PUMA and HBI auditors on 10/29/2009; factory posted the Hbl and PUMA Code of Conduct posters in the plant.

Plan Complete:

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Action Verified Date:

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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
08/31/2009	External	FLA Independent External Monitoring	Social Compliance Service Asia (SCSA)	Noncompliance

Explanation: Fire extinguishers on the third floor of production building were blocked were blocked. Potential root cause is that there is no effective inspection system and workers are lacking of awareness in this respect. (Article 21 of Fire prevention Law)

Plan Of Action: As discussed with factory top management, the factory has taken measures to make sure all fire equipment, including fire extinguishers and fire hydrants, are free of obstacles. Also, the factory will provide training to employees to increase their awareness of fire safety; an assigned team will inspect all fire equipment regularly to maintain all of them in good condition. HBI and Puma will conduct the follow up visit every 3 months to ensure the issue is in compliance.

Deadline Date: 03/31/2010

Supplier CAP: Immediate action: The factory has adopted measures to make sure all fire extinguishers are unblocked. The factory has put yellow markers around the fire extinguishers. Long Term Plan: Factory manager will walk through the factory to make sure fire extinguishers are unblocked and check the fire extinguishers regularly. The factory will train the management and employees about the importance of keeping the fire extinguishers free of obstructions.

Supplier CAP Date: 10/31/2009

Action Taken: During the 1st joint visit by PUMA and HBI auditors on 10/29/2009, it was noted that all fire equipment were free of obstacles. See attached photo evidence.

Plan Complete:

Plan Complete Date:

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Action Verified Date:

Comments:
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Health and Safety: K. Personal Protective Equipment

H&S.11 Workers shall be provided with effective and all necessary personal protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to health and safety hazards, including medical waste. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
08/31/2009	External	FLA Independent	Social Compliance	Noncompliance

360215184H – China: Hanesbrands, Puma

External Monitoring Service Asia (SCSA)

Explanation: Workers did not wear earplugs while working under high noise environment, such as cutting section. (Article 37 of Safety Manufacturing Law)

Plan Of Action: As discussed with factory top management, the factory has provided sufficient earplugs to cutting workers and educated them on how to wear them during working hours. In addition, the factory will provide training to eligible workers about use of PPE to increase their awareness of self-protection. HbI and Puma will conduct the follow up visit every 3 months to ensure the issue is in compliance.

Deadline Date: 03/31/2010

Supplier CAP: Immediate action: The factory has provided earplugs to the cutting operators. Long Term Plan: The factory will monitor the wearing of the PPE and train the users of proper wear of the PPE. Factory will monitor the noise on work floors, and train the workers on wearing the earplugs.

Supplier CAP Date: 10/29/2009

Action Taken: During the 1st joint visit by PUMA and HBI auditors on 10/29/2009, it was noted that all cutting workers were wearing earplugs properly, but the factory has not yet given training to workers; brands will monitor the factory to start on PPE training program.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

Confidential Comments:

Health and Safety: M. Chemical Management and Training

H&S.13 All chemicals and hazardous substances shall be properly labeled and stored in accordance with applicable laws. Labels shall be placed in the local language and the language(s) spoken by workers, if different from the local language. Workers shall receive training, appropriate to their job responsibilities, concerning the hazards, risks and the safe use of chemicals and other hazardous substances. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
08/31/2009	External	FLA Independent External Monitoring	Social Compliance Service Asia (SCSA)	Noncompliance

Explanation: Chemicals were not equipped with secondary containment at the 3/F of production building. (Article 20, regulation of chemical usage safety in workplace and Article 12 of Safety of dangerous chemicals of PRC)

Plan Of Action: As discussed with factory top management, factory has set up secondary containers for all chemical containers being used. The factory will hold training for employees; the training will include how to protect themselves for emergency cases, how to properly use the personal protective equipment, and how to properly store the chemicals. HBI and Puma will conduct the follow up visit every 3 months to ensure the issue is in compliance and the training schedule is done in timely manner.

Deadline Date: 03/31/2010

Supplier CAP: Immediate action: The factory has assigned staff to check all chemicals being used, making sure all containers were properly labeled and used with second containers. Long Term Plan: The factory plans to hold the chemical training on a regular basis, to ensure chemicals are properly used and stored to avoid any possible hazards.

Supplier CAP Date: 10/29/2009

Action Taken: During the 1st joint visit by PUMA and HBI auditors on 10/29/2009, it was noted that glue containers in 3rd floor were set with metal secondary containers. See attached photo evidence; but training is not yet given. The training schedule is not yet finalized.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:
Confidential 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
08/31/2009	External	FLA Independent External Monitoring	Social Compliance Service Asia (SCSA)	Noncompliance

Explanation: Some sewing machines were not equipped with pulley guards. (Article 32 of Factory Safety and health regulation of PRC)

Plan Of Action: As discussed with factory top management, the factory has installed safety guards for all production equipment, tools and machines being used. Also factory will provide training to ascendants, supervisors and employees on production safety field. Regular inspection job with records should be adopted to make sure all

production equipment, tools and machines are in good condition. Hbl and Puma will conduct the follow up visit every 3 months to ensure the issue is in compliance.

Deadline Date: 12/31/2009

Supplier CAP: Immediate action: The factory has taken measures to make sure all production equipment, tools and machines are equipped with proper safe guards. Long Term Plan: 1. The factory will hold the safety training to employees and new hires on regular basis, ensure tools and equipments are properly used to avoid any possible danger. 2. An assigned team will inspect production workshops regularly to make sure all production equipment, tools and machines are maintained with good condition.

Supplier CAP Date: 10/29/2009

Action Taken: During the 1st joint visit by PUMA and HBI auditors on 10/29/2009, it was noted that all sewing machines were equipped with upper and lower pulley guards. See attached photo evidence. However, there is no evidence to prove the factory had conducted the training yet. Brands will follow up their training schedule.

Plan Complete:

Plan Complete Date:

Action Verified:

Action Verified Text:

Action Verified Date:

Comments:

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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
08/31/2009	External	FLA Independent External Monitoring	Social Compliance Service Asia (SCSA)	Noncompliance

Explanation: No ergonomic program was available on the design of the work station and other work arrangements.

Plan Of Action: As discussed with factory management, they are not very clear about ergonomics; HBI and PUMA will search such information and provide to factory for study next 3 months. Also, the brands will follow up with FLA if the material of ergonomics could be provided.

Deadline Date: 03/31/2010

Supplier CAP:

**Supplier CAP
Date:**

Action Taken: No action taken is observed at the 1st follow up visit on 10/29/2009 as the factory is not familiar with this issue. Companies will follow up this issue by providing the following support: Will search pictures and training material or good ergonomic practices and share with the factory, and plan to provide relative training to factory in upcoming follow up audits.

Plan Complete:

**Plan Complete
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**Action Verified
Date:**

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Hours of Work: A. General Compliance Hours of Work

HOW.1 Employers shall comply with all local laws, regulations and procedures concerning hours of work, public holidays and leave. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
08/31/2009	External	FLA Independent External Monitoring	Social Compliance Service Asia (SCSA)	Noncompliance

Explanation: The factory was using electronic time recording system to record workers' attendance. Based on the factory management information and provided time and payment records, factory worked 8 regular hours a day from 08:00 to 17:00 with one hour meal break and worked 5 regular work days a week from Monday to Friday. Two hours daily evening overtime with one to two times a week was occasionally performed. In addition, Saturday work was required on regular basis. Workers were provided with the seventh rest day on Sunday and no workers were required to work on any Sunday. It was noted that the weekly working hours was ranged from 48 to 52 hours a week at most. However, various inconsistencies were noted during the audits: For examples, the production related records collected from work floor indicated that workers worked on various Sundays, such as on Aug 2, 2009 (Sunday), Aug 9, 2009 (Sunday), June 14, 2009 (Sunday), May 24, 2009 (Sunday), etc. However the corresponding time and payment records of the workers showed that they were off on the mentioned dates. The information gathered from the on-site and off-site worker interviews also presented discrepancies with the information indicated in the provided time and payment records. For instance, some workers reported that they had to work three to four hours daily night overtime regularly. In addition, they were also required to work on Sundays when the production was tight. However, their corresponding time records showed that they had not worked on any Sunday and any evening overtime that more than 2 hours a day. In the view of the above, auditors concluded that the time and payment records were unreliable and failed to

360215184H – China: Hanesbrands, Puma

accurately reflect workers' actual working hours (Article 36, 38, 41 of PRC Labor Law)

Plan Of Action: Hbl and Puma have the same policy to require that the factory must present genuine payroll records for review. The company representatives had visited the factory on 10/29/2009 and convinced the factory management to present all records on which they agreed finally. It was noted that the given records had payment deficiencies on overtime and excessive OT hours. Due to this being the 1st joint meeting, the issues and codes had been reviewed with factory. Company representatives will continue to perform follow up visits to check the improvement progress with the factory every 3 months and to ensure that all employees' guaranteed wages and overtime premiums are paid progressively. Working hours are not more than industry standard (60hrs/week). The factory should have adequate HR systems to ensure sufficient number of workers and staff are hired to meet production demands which should be based on 60-hour work week including any overtime work. In addition, factory should conduct assessment on operations and ensure that the production efficiency is improved from time to time so that higher output can be achieved with fewer overtime hours.

Deadline Date: 03/31/2010

Supplier CAP: The factory will set up an effective electronic system to record all working hours so that all hours, including overtime, are paid in accordance with the law from January 1, 2010.

Supplier CAP Date: 10/31/2009

Action Taken: Hbl and Puma had conducted the 1st follow up visit to this factory and held the meeting with factory top management. 1. Factory top management finally presented their real records of September to auditors from brands: A. Workers are paid by piece rate without consideration of number of working hours but management is fully aware of the local minimum wage at RMB670/month or RMB3.85/hr. Also, according to workers interviews (10), all of them confirmed to receive the wages around RMB4 to RMB5 per hour. B. Workers have worked on Sundays and 3-4 hours daily night-overtime in peak season, and the working hours were not recorded properly, but it is confirmed by the workers that they were paid for OT work at piece rate straightly. 2. As discussed and confirmed with factory top management, an effective electronic working hours system is to be set up to record all working hours so that all hours including overtime are paid in accordance with the law from January 1, 2010. However, the factory is unable to track the OT hours back again, and it incurred huge costs for the factory. They are unable to pay back the premiums to workers. They will correct the issue only forward.

Plan Complete:

Plan Complete Date:

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Action Verified Date:

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Confidential Comments:

Hours of Work: B. Rest Day

HOW.2 Workers shall be entitled to at least one day off in every seven-day period. If workers must work on a rest day, an alternative day off must be provided within that same seven-day period or immediately following the seven-day period. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
08/31/2009	External	FLA Independent External Monitoring	Social Compliance Service Asia (SCSA)	Noncompliance

Explanation: During the audit, time records presented various inconsistencies with other information and records obtained during the audit, for instance, the production related records collected from work floor indicated that workers worked on various Sundays, such as on Aug 2, 2009 (Sunday), Aug 9, 2009 (Sunday), June 14, 2009 (Sunday), May 24, 2009 (Sunday), etc. However the corresponding time and payment records of the workers showed that they were off on the mentioned dates. The information gathered from the on-site and off-site worker interviews also presented discrepancies with the information indicated in the provided time and payment records. For instance, some workers reported that they had to work three to four hours daily night overtime regularly. In addition, they were also required to work on Sundays when the production was tight. However, their corresponding time records showed that they had not worked on any Sunday and any evening overtime that more than 2 hours a day. In the view of the above, auditors concluded that the time records were unreliable and failed to accurately reflect workers' actual working hours. Hence, auditor could not accurately verify workers' consecutive working days at the facility. (Article 38 of PRC Labor Law)

Plan Of Action: Hbl and Puma have the same policy to require that the factory must present genuine payroll records for review. The company representatives had visited the factory on 10/29/2009 and convinced the factory management to present all records on which they agreed finally. It was noted that the given records had payment deficiencies on overtime and excessive OT hours. Due to this being the 1st joint meeting, the issues and codes had been reviewed with factory. Company representatives will continue to perform follow up visits to check the improvement progress with the factory every 3 months and to ensure that all employees' guaranteed wages and overtime premiums are paid progressively. Working hours are not more than industry standard (60hrs/week). The factory should have adequate HR systems to ensure sufficient number of workers and staff are hired to meet production demands which should be based on 60-hour work week including any overtime work. In addition, factory should conduct assessment on operations and ensure that the production efficiency is improved from time to time so that higher output can be achieved with fewer overtime hours.

Deadline Date: 03/31/2010

Supplier CAP: The factory will set up an effective electronic system to record all working hours so that all hours, including overtime, are paid in accordance with the law from January 1, 2010.

Supplier CAP Date: 10/31/2009

Action Taken: Hbl and Puma had conducted the 1st follow up visit to this factory and held the meeting with factory top management. 1. Factory top management finally presented their real records of September to auditors from brands: A. Workers are paid by piece rate without consideration of number of working hours but management is fully aware of the local minimum wage at RMB670/month or RMB3.85/hr. Also, according to workers interviews (10), all of them confirmed to receive the wages around RMB4 to RMB5 per hour. B. Workers have worked on Sundays and 3-4 hours daily night-overtime in peak season, and the working hours were not recorded properly, but it is confirmed by the workers that they were paid

for OT work at piece rate. 2. As discussed and confirmed with factory top management, an effective electronic working hours system is to be set up to record all working hours so that all hours including overtime are paid in accordance with the law from January 1, 2010. However, the factory is unable to track the OT hours back again, and it incurred huge costs for the factory. They are unable to pay back the premiums to workers. They will correct the issue only forward.

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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
08/31/2009	External	FLA Independent External Monitoring	Social Compliance Service Asia (SCSA)	Noncompliance

Explanation: The factory was using electronic time recording system to record workers' attendance. Based on the factory management information and provided time and payment records, factory worked 8 regular hours a day from 08:00 to 17:00 with one hour meal break and worked 5 regular work days a week from Monday to Friday. Two hours daily evening overtime with one to two times a week was occasionally performed. In addition, Saturday work was required on regular basis. Workers were provided with the seventh rest day on Sunday and no workers were required to work on any Sunday. It was noted that the weekly working hours was ranged from 48 to 52 hours a week at most. However, various inconsistencies were noted during the audits: For examples, the production related records collected from work floor indicated that workers worked on various Sundays, such as on Aug 2, 2009 (Sunday), Aug 9, 2009 (Sunday), June 14, 2009 (Sunday), May 24, 2009 (Sunday), etc. However the corresponding time and payment records of the workers showed that they were off on the mentioned dates. The information gathered from the on-site and off-site worker interviews also presented discrepancies with the information indicated in the provided time and payment records. For instance, some workers reported that they had to work three to four hours daily night overtime regularly. In addition, they were also required to work on Sundays when the production was tight. However, their corresponding time records showed that they had not worked on any Sunday and any evening overtime that more than 2 hours a day. In the view of the above, auditors

concluded that the time and payment records were unreliable and failed to accurately reflect workers' actual working hours.

Plan Of Action: Hbl and Puma both require that the factory must present genuine payroll records for review. The company representatives had visited the factory on 10/29/2009 and convinced the factory management to present all records on which they agreed finally. It was noted that the given records had payment deficiencies on overtime and excessive OT hours. Due to this being the 1st joint meeting, the issues and codes had been reviewed with factory. Company representatives will continue to perform follow up visits to check the improvement progress with the factory every 3 months and to ensure that all employees' guaranteed wages and overtime premiums are paid progressively. Working hours are not more than industry standard (60hrs/week). The factory should have adequate HR systems to ensure that a sufficient number of workers are hired to meet production demands which should be based on 60-hour work week including any overtime work. In addition, factory should conduct assessment on operations and ensure that the production efficiency is improved from time to time so that higher output can be achieved with fewer overtime hours.

Deadline Date: 03/31/2010

Supplier CAP: The factory will set up an effective electronic working hours system to record all working hours so that all hours including overtime are paid in accordance with the law from January 1, 2010.

Supplier CAP Date: 10/31/2009

Action Taken: Hbl and Puma had conducted the 1st follow up visit to this factory and held the meeting with factory top management. 1. Factory top management finally presented their real records of September to auditors from brands: A. Workers are paid by piece rate without consideration of number of working hours but management is fully aware of the local minimum wage at RMB670/month or RMB3.85/hr. Also, according to workers interviews (10), all of them confirmed to receive the wages around RMB4 to RMB5 per hour. B. Workers have worked on Sundays and 3-4 hours daily night-overtime in peak season, and the working hours were not recorded properly, but it is confirmed by the workers that they were paid for OT work at piece rate. 2. As discussed and confirmed with factory top management, an effective electronic working hours system is to be set up to record all working hours so that all hours including overtime are paid in accordance with the law from January 1, 2010. However, the factory is unable to track the OT hours back again, and it incurred huge costs for the factory. They are unable to pay back the premiums to workers. They will correct the issue only forward.

Plan Complete:

Plan Complete Date:

Action Verified:

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Comments:

Confidential Comments: