



COMPANY: **Hanesbrands**
COUNTRY: **Brazil**
ASSESSMENT DATE: **10/09/12**
MONITOR: **FLA Assessor Team (Americas)**
PRODUCTS: **Apparel**
PROCESSES: **Full [= full package]**
NUMBER OF WORKERS: **466**
ASSESSMENT NUMBER: **AA0000000010**

FLA Comments

This report was submitted to the FLA and the FLA affiliated company by the assessor. Despite deadline reminders and extensions for submission of a corrective action plan, the FLA has not received a plan to address the risks and noncompliances raised in the report. Therefore, the report is posted in its current state and will be updated once a corrective action plan has been submitted to and reviewed by the FLA.

What's Included in this Report

- Understanding this Assessment Report
- Glossary
- Score by Employment Function
- Score By Management Function
- Score Summary
- Summary of Code Violations Table
- Findings and Action Plans

Understanding this Assessment Report

This is a report of a workplace assessment conducted by Fair Labor Association assessors following FLA's Sustainable Compliance methodology (SCI), which evaluates a facility's performance in upholding fair labor standards through effective management practices throughout the entire employment life cycle.

This report identifies violations and risks of noncompliance with the Fair Labor Association Workplace Code of Conduct in its assessment of the employment functions, and includes a description of the root causes of violations, recommendations for sustainable and immediate improvement, and the corrective action plan for each risk or violation as submitted by the company. This document is not a static report; rather, it reflects the most recent progress updates on remediation in the "Progress Update" section for each finding.

Glossary

De minimis: a de minimis factory is a factory (1) with which the Company contracts for production for six months or less in any 24-month period; or (2) in which the Company accounts for 10% or less of the annual production of the facility. The FLA Charter states that in no event shall de minimis facilities constitute more than 15% of the total of all facilities of a Company, and the list of facilities designated as de minimis by a Company is subject to the approval of the FLA. Please note that collegiate-producing factories cannot count as de minimis.

Facility performance: how a facility rates in terms of a particular employment or management function, with 100% being the best possible score.

Fair labor standards: the minimum requirement for how workers should be treated in a workplace, as outlined in the [FLA Workplace Code of Conduct](#).

Employment life cycle: all aspects of an employee's relationship with the employer, from date of hire to termination or end of employment.

Code violation: failure to meet standards outlined in the FLA Workplace Code of Conduct in the workplace implementation of employment or management functions.

Company action plan: a detailed set of activities outlined by the sourcing company and/or direct employer to address FLA findings.

Employment functions: The different components of the relationship between management and employees in a factory. An employment function is a process regulating an aspect of the employment relationship, such as the recruitment of workers. All employment functions together constitute the employment relationship between an employer and an employee.

1. Recruitment, Hiring & Personnel Development (e.g., performance reviews)
2. Compensation (e.g., wages, health care)
3. Hours of Work (e.g., overtime, documentation of working hours)
4. Industrial Relations (e.g., collective bargaining agreements)
5. Grievance System (e.g., worker communication with management)
6. Workplace Conduct & Discipline (e.g., discrimination, harassment)
7. Termination & Worker Retrenchment (e.g., downsizing, resignation)
8. Health & Safety (e.g., exposure to chemicals)
9. Environmental Protection (e.g., energy saving)

Management functions: violations or risks related to an employment function could be caused by the absence – or a problem in the operation – of any one of the management functions or in more than one.

1. Policy
2. Procedure
3. Responsibility & Accountability
4. Review Process
5. Training
6. Implementation
7. Communication & Worker Involvement
8. Support & Resources (only for the in-depth level)

Finding: indicators of potential gaps between desired and actual performance of the workplace on different employment functions.

Finding type

- *Immediate action required:* discoveries or findings at the workplace that need immediate action because they not only

constitute an imminent danger, risk the workers' basic rights, threaten their safety and well-being or pose a clear hazard to the environment, but also are clear non-compliances with the FLA Workplace Code of Conduct and local laws. Examples include a finding by the assessor that crucial fire safety elements are not in place or that there is underpayment of wages and/or worker entitlements or that there is direct discharge of waste water, etc.

- *Sustainable improvement required*: findings that require sustainable and systematic actions. The factory will be asked to tackle the underlying root causes and to do so in a long-term and systematic manner to bridge the gap between actual and desired performance. Examples include a finding by the assessor that there is lack of termination policies and procedures in the workplace, lack of grievance system, etc.
- *Notable feature*: indicates a remarkable feature or best practice at a workplace. Examples might include workers' wages and benefits that are significantly above the industry average, or community benefits such as free daycare.

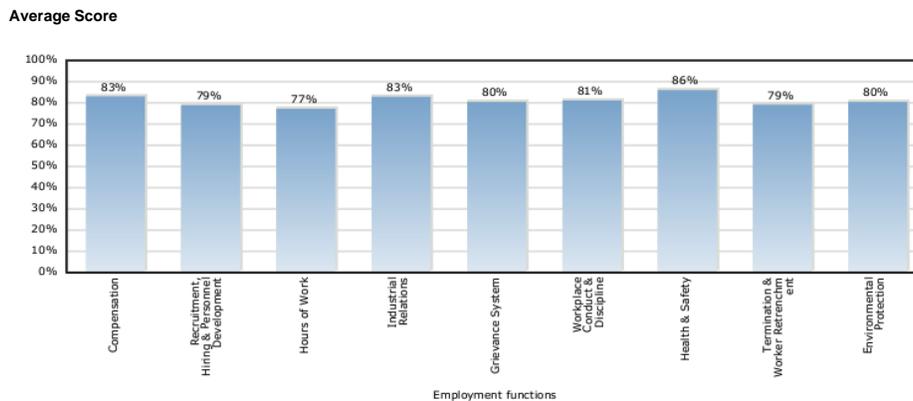
Local law or Code Requirement: applicable regulations and standards in a workplace, which serve as the basis for an assessment, as per local law or FLA Workplace Code of Conduct. When these two do not concur, the stricter of the two standards applies.

Root causes: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that the worker did not use the hearing protection equipment because such equipment was not provided by management. However, upon a more thorough evaluation of available information, the assessor might find that the worker was indeed supplied with hearing protection equipment and with written information about the importance of wearing hearing protection, but was not trained on how to use the equipment and that use of the equipment was not enforced in a consistent manner by management.

Uncorroborated Risk of Noncompliance: indicates a serious issue that has surfaced during the assessment, but one which the assessors were not able to corroborate through additional sources of information (e.g., allegation of retaliation against a worker by the factory management for participating in the assessment).

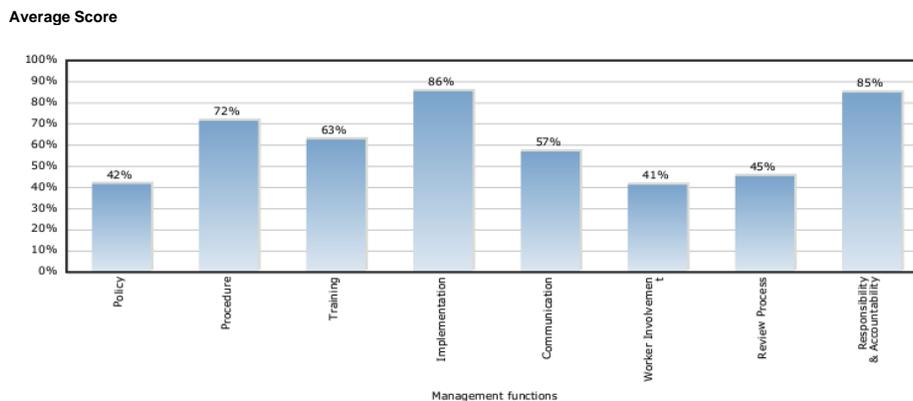
Score by Employment Function

Scores indicate a factory's performance related to a specific employment function based on an FLA assessment. A score of 100 percent indicates flawless operation of an employment function. A score of less than 100 percent indicates need for improvement.



Score by Management Function

Scores indicate a factory's performance related to a specific management function based on an FLA assessment. A score of 100 percent indicates flawless operation of a management function. A score of less than 100 percent indicates need for improvement.



Score Summary

Scores indicate the strength of management functions as they relate to different elements of the employment relationship (employment functions). For example (reading left to right), a score of 100 percent in the cell on the top left corner would indicate the existence of appropriate policies related to recruitment, hiring and personnel development.

Management Functions	Recruitment, Hiring & Personnel Development	Compensation	Hours of Work	Industrial Relations	Grievance System	Workplace Conduct & Discipline	Termination & Worker Retrenchment	Health & Safety	Environmental Protection	Aggregate Score
Policy	57.14%	41.63%	20%	58.25%	71.43%	25%	13.89%	83.33%	41.67%	45.82%
Procedure	81.78%	33.33%	33.33%	0%	35%	62.5%	50%	86.92%	68.42%	50.14%
Responsibility & Accountability	78.89%	90%	92.86%	62.5%	63.4%	90%	90%	91.67%	90%	83.26%
Review Process	63.64%	55%	54.55%	50%	50%	55%	55.56%	68.18%	57.14%	56.56%
Training	63.33%	84.85%	76.92%	80.43%	86.23%	73.97%	71.43%	83.96%	70.22%	76.82%
Implementation	82%	86.39%	86.67%	89.66%	77.78%	95.83%	73.39%	86.81%	81.72%	84.47%
Communication	0%	65%	56.25%	0%	66.67%	75%	0%	100%	40%	44.77%
Worker Involvement	0%	N/A	N/A	100%	0%	N/A	N/A	70.83%	100%	54.17%
Aggregate Score	53.35%	65.17%	60.08%	55.1%	56.31%	68.19%	50.61%	83.96%	68.65%	

Summary of Code Violations

Companies that join the FLA agree to uphold the FLA Workplace Code of Conduct throughout their entire supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and defines labor standards that aim to achieve decent and humane working conditions.

While it is important to note when violations of the FLA Workplace Code of Conduct occur, the purpose of these assessments is not simply to test compliance against a particular benchmark, but rather to develop an understanding of where and how improvements can be made to achieve sustainable compliance. Code of Conduct violations can be found throughout the course of an assessment of the employment and management functions, and are addressed in companies' action plans.

FLA Code Element
Compensation
Employment Relationship
Freedom of Association and Collective Bargaining
Harassment and Abuse
Hours of Work
Health, Safety and Environment
Non-Discrimination

Findings and Action Plans

FINDING NO.1

RECRUITMENT, HIRING AND PERSONNEL DEVELOPMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

"New worker request" forms include a field for applicant's "gender," "marital status," and "age range."

Local Law or Code Requirement

FLA Workplace Code (Non-discrimination benchmark ND.2.1; Employment Relationship benchmark ER.3.2)

Root Causes

- i) Lack of effective monitoring mechanisms/internal procedures to review and update policies and procedures, including the new worker request forms; i
- ii) Cultural acceptability in Brazil of designating certain positions as being gender-specific, e.g., hiring only males as forklift operators or only women as sewers;
- iii) Lack of specific and in-depth training on non-discrimination for personnel in charge of developing and implementing Hiring and Recruitment policies and procedures.

FINDING NO.2

RECRUITMENT, HIRING AND PERSONNEL DEVELOPMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

Factory has neither created nor implemented policy and procedure related to personnel development, which includes the requirement of periodic performance reviews and defines how these reviews are linked to promotions.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship benchmarks ER.1.1, ER.28.1, ER.29.1, and ER.30.1)

Root Causes

- i) In the case of most workers on the production floor, promotion and personnel development opportunities are very limited; therefore, workers and managers do not see the need to have written policies and procedures;
- ii) Since local labor law does not mandate these policies and procedures, management does not feel that they need them; iii) Worker review or performance is tied with reaching production goals, not related to promotion opportunities;
- iv) Since Personnel Development is a new requirement under the FLA Compliance Benchmarks, the Affiliated Company has not yet aligned its policies and procedures;
- v) Management has not been required to develop policy and procedure on personnel development.

FINDING NO.3

INDUSTRIAL RELATIONS

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

Factory has not created and implemented an industrial relations policy and its relevant procedures.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship benchmark ER.1.1).

Root Causes

- i) Management's lack of awareness of FLA's Industrial Relations Compliance Benchmarks;
- ii) Since Industrial Relations is a new FLA standard, Affiliated Company has not aligned yet its policies and procedures;
- iii) Management has not been required to develop a policy and procedure on Industrial Relations.

FINDING NO.4

WORKPLACE CONDUCT & DISCIPLINE

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

- i) There is no process in place to allow for appeals against imposed disciplinary actions. In addition, the disciplinary system does not include: a) a provision for the presence of a third-party witness during disciplinary inquiries or b) a review of the disciplinary actions by a senior manager;
- ii) There is no training for workers on disciplinary practices/procedures.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship benchmarks ER.16.1, ER.27.2.1, ER.27.3, and ER.27.4)

Root Causes

- i) Factory management has not been requested to include: a) an appeal process, b) presence of a third-party witness, and c) review of the disciplinary actions by a senior manager, as part of its disciplinary procedures;
- ii) Factory management does not train employees on disciplinary practices/procedures because they think it may discourage workers from working at the factory.

FINDING NO.5

ENVIRONMENTAL PROTECTION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

Factory's environmental protection policy does not include a commitment to minimize environmental impacts with respect to the conservation and use of water and energy.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship benchmark ER.31.3)

Root Causes

- i) The revised FLA Workplace Code and Benchmarks now include environmental protection requirements, which are new for Companies and their supplier base;
- ii) Since Environmental Protection is a new FLA standard, Affiliated Company has not yet aligned its policies and procedures;
- iii) This issue has never been brought to management's attention during previous external audits before

FINDING NO.6

HEALTH AND SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

- i) Night shift workers have not participated in evacuation drills since last year;
- ii) An aisle was found partially blocked by a table in the dyeing area near the drying machines; it was not marked with evacuation route signs;
- iii) Unsafe conditions were observed in the warehouse for the storage of finished products; several small holes were noted on the ground where forklifts go through, posing a risk of accidents;
- iv) In the water treatment area, a fire extinguisher was found without the inspection card attached to it.

Local Law or Code Requirement

Brazilian Regulatory Norm NR-23 (Fire Protection) sub-items 23.2.3, 23.2.4, 23.8.5, 23.14.1, and 23.14.2; FLA Workplace Code (Health, Safety & Environmental benchmarks HSE.5.1 and HSE.5.2)

Root Causes

- i) No effective monitoring for the implementation of fire safety guidelines on a periodic basis;
- ii) Lack of coordination and effective communication between the Health and Safety Department and all different areas/departments of the factory;
- iii) Lack of consistent and effective oversight to ensure that all elements of an adequate fire fighting and safety evacuation are accomplished.

Recommendations for Immediate Action

- i) Clear the aisle in the dyeing area and mark it with evacuation route signs;
- ii) Fix the ground or cover the ground holes in the warehouse for the storage of finished products;
- iii) Carry out ongoing evacuation drills with night shift employees, at least once a year;
- iv) Attach the inspection card missing for the fire extinguisher in the water treatment area.

FINDING NO.7

HEALTH AND SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

There is no adequate fall protection equipment for work performed at heights 2 meters or higher. No minimum safety conditions are provided to the employees performing their work at heights; there is no installed lifeline; instead, workers use ladders or a rented lift without any fall protection mechanism.

Local Law or Code Requirement

Brazilian Regulatory Norm NR-6 (Personnel Protective Equipment) sub-items 6.6 and 6.7; FLA Workplace Code (Health, Safety & Environmental benchmarks HSE.7 and HSE.8)

Root Causes

- i) Factory fall protection procedures are not complete, as all elements for work safety at heights have not been incorporated;
- ii) Lack of consistent and effective oversight to ensure that all elements of an adequate safe work environment are accomplished in all of the activities performed in the factory;
- iii) Lack of ongoing training to ensure that management and employees understand the importance of fall protection.

Recommendations for Immediate Action

Install the lifeline where needed.

FINDING NO.8

HEALTH AND SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

The license issued by the Federal Police Department for the use and storage of Sodium Peroxide has not been updated.

Local Law or Code Requirement

Portaria No 1274 (August 25, 2003); FLA Workplace Code (Health, Safety & Environmental benchmark HSE.4)

Root Causes

Lack of monitoring mechanisms/internal procedure to ensure that all licensees, permits, and certifications are updated and renewed when required by law.

Recommendations for Immediate Action

- i) Factory management is to initiate the administrative process to update the license issued by the Federal Police Department for the usage and storage of Sodium Peroxide;

FINDING NO.9

TRAINING

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

Based on an in-depth review of the training practices in the factory, it was noted that in respect of some employment functions, training activities are not being adequately carried out. There are some focused training exercises targeting some specific groups of workers. Additionally, administrative staff, supervisors, and those in managerial staff (HR and production) do not receive follow-up training.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship benchmarks ER.1.2, ER.28.1, and ER.28.2)

Root Causes

- i) Lack of a comprehensive training program to address all training needs;
- ii) Lack of awareness about the benefits of effective training;
- iii) Factory has not seen the need to expand the list of topics already covered by training;
- iv) Attendance at training is optional and not mandatory for workers; their participation is dependent on decisions made by the supervisor or chief;
- v) Absence of a mechanism to harmonize production needs with training needs.

FINDING NO.10

COMMUNICATION & WORKER INVOLVEMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

The worker integration is overall deficient. Workers are not systematically integrated or consulted on the decision-making processes, especially with respect to Recruitment, Hiring & Personnel Development and Grievance System.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship benchmark ER.25.2)

Root Causes

- i) Lack of management understanding of what integration implies and how to implement this management function;
- ii) Management's lack of awareness of FLA Workplace Code and Benchmarks;
- iii) Management has not seen the need to formalize a worker integration process;
- iv) Since Integration is a new FLA Compliance Benchmark standard, the Affiliated Company has not yet aligned its policies and procedures.

FINDING NO.11

COMMUNICATION & WORKER INVOLVEMENT

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

Factory does not conduct periodic reviews of its policies and procedures.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship benchmarks ER.1.3, ER.30.2, and ER.31.2)

Root Causes

- i) Management has not seen the need to update policies and procedures;
- ii) Absence of staff with the specific responsibility of reviewing and updating policies and procedures;
- iii) This issue has never been brought to management's attention during previous external audits before;
- iv) Management's lack of awareness of FLA Workplace Code and Benchmarks.

FINDING NO.12

BASIC NEEDS

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

It is workers' perception that their wages are not enough to cover basic needs, as most of their wage is used for food, utility bills, and childcare expenses.

Local Law or Code Requirement

FLA Workplace Code (Compensation benchmark C.1.3)

Root Causes

- i) The Brazilian textile industry currently does not provide wages that would allow the fulfillment of basic needs, plus a discretionary income;
- ii) Management's lack of awareness of FLA Workplace Code and Benchmarks;
- iii) The issue has never been brought to management's attention before;
- iv) There is no wage structure in the factory that would enable workers to progressively realize a wage level that meets basic needs.