



2010

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: Hanesbrands
COUNTRY: China
FACTORY CODE: 72001510751
MONITOR: Verite
AUDIT DATE: September 7 – 8, 2010
PRODUCTS: Intimates
PROCESSES: Cutting, Sewing, Knitting
NUMBER OF WORKERS: 2239

Please see Page 2 for extended **Company Comments** on this IEM report.

For an explanation on how to read this report, please visit the FLA website [here](#).

Company Comments:

Reason for exiting: This facility has produced for Hanesbrands Canada market since 2006, but we have decided to stop placing orders due to the change of cost structure of the products, for which we now need to pay import duties. As a result, the sourcing shifted from China to another country. Meanwhile, the market demand for this product category dropped significantly as the trend had changed. Hence, our Canada business unit decided to exit the factory after the shipment was completed by the end of March. Hanesbrands accounted for 1% or less of their total capacity at the time of the exit. The decision to exit from this facility was purely business-driven and not compliance-driven.

Status of compliance and summary of efforts: The FLA IEM audit was done on September 7, 2010. After receiving the IEM report from FLA, HBI communicated the plan of action to the factory compliance team. After receiving the CAP feedback and evidences from the factory, a conference call was arranged on December 30, 2010 by HBI Senior Manager of CSR. Detailed feedback, timelines and evidences of improvement have been sent to the FLA. This factory is WRAP certified, renewed on a yearly basis. In addition, HBI internal auditor visited the factory to conduct the follow-up audit and CAP biannually. There was no zero tolerance issues identified and most were Health & Safety and Wages, Benefits, and Overtime related issues. Factory was cooperative with our audit and CAP so far. The factory has its own compliance team in place.

Plan for follow up on critical issue: Neither the FLA IEM audit nor HBI audits revealed any critical issues pertaining to Child Labor, Forced Labor and Harassment/Abuse. However, the factory is deficient with respect to recordkeeping of overtime hours as reported by Verite, as a result of which the monitor could not verify the actual wage and working hours. HBI management reinforced the transparency policy that factory is required to disclose all working hours. Finally, factory agreed to disclose the data for HBI's review. They explained that the excessive working hours were due to the short lead time requested by customers but all capacity had been booked in advance by other customers. They agreed to discuss with customers plans to diminish the working hours in the long run. As of HBI's exit, the factory management had improved most of the issues related to Health & Safety and employment of young workers.



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Wages, Benefits and Overtime Compensation: 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)

Noncompliance

Explanation: Social insurance is only provided to indirect employees, since most workers are not willing to engage in social insurance, especially retirement insurance. Factory provides commercial accident insurance for them as guaranteed benefits when injured.

Plan Of Action: HBI compliance representative had conference call with factory HR dept December 30, 2010 to agree on the following actions:

1. Educate employees regarding the importance of joining social security insurance.
2. With management, outline participating schedule for covering all types of insurance for all employees over the next 5 years.
3. Review monthly participating percentage.

HBI will arrange follow-up visit to this factory in April 2011 to review implementation progress of this issue.

Deadline 12/31/2015

Date:

Supplier CAP: Workers resist joining social security insurance because they have ongoing concern for system. It is difficult for factory to enforce workers to join; however, factory will continue to educate employees and progressively increase participation percentage.

Supplier CAP 01/31/2011

Date:

Action Taken:

Plan Complete: No

Plan Complete Date:

Wages, Benefits and Overtime Compensation: Calculation Basis for Overtime Payments

WBOT.8 Employers shall compensate workers for all hours worked. For workers on a piece rate payment scheme or any other incentive scheme, payments for overtime hours worked shall be calculated by applying the premium rate required by law or this Code on the same payment scheme as is used for calculating wages for normal working hours, unless the payment scheme used leads to higher wages for workers. (S)

Noncompliance

Explanation: Management interview and document review revealed workers paid hourly. However, 50% of workers interviewed reported they are paid piece rate. Auditor found a list in a male sewing worker's dormitory room involving product style numbers, number of pieces produced, and price rate of all production he finished in July 2010. He reported that he and nearly all workers in factory were paid by piece rate. Factory management gives them these lists at the end of each month for them to check numbers, rates, and payments. Total amount of money indicated on list is same as payroll records (signed by workers) provided by factory management. After getting this information, auditors tried to double check on piece rate system with management. Management, however, did not give any explanations, but insisted all workers paid by hourly rate. Due to inconsistent information gathered from different sources, auditors could not verify OT wages.

Plan Of Action: HBI compliance representative had conference call with factory HR dept December 30, 2010 to agree on the following actions:

1. Confirmed payroll is counted by piece rate and that they keep double records. They are willing to present genuine records for auditor's review.
2. Guaranteed employees were paid at least legal minimum wage per hour.
3. They ensured to pay employees' wages accurately and on time.
4. The OT work is on a voluntary basis.
5. The premium on OT work is included.

HBI will arrange follow-up visit to this factory in April 2011 to ensure factory presents genuine records and identifies overall situation of wage and working hours. Visit also to give guidance and prioritization if noncompliance issues are addressed.

Deadline Date: 04/30/2011

Supplier Factory would be cooperatively presenting genuine payroll records for auditors' review.
CAP: Factory ensured legal minimum wage for each employee and paid wages accurately.
Meanwhile, OT work is on voluntary basis.

Supplier CAP 12/31/2010

Date:

Action

Taken:

Plan No

Complete:

Wages, Benefits and Overtime Compensation: 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)

Noncompliance

Explanation: Due to inconsistent information gathered from different sources, auditors could not verify overtime wages. (Please see WBOT.8 for details.)

Plan Of Action: [HBI compliance representative had conference call with factory HR dept December 30, 2010 to agree on the following actions:](#)

1. Confirmed payroll is counted by piece rate and that they keep double records. They are willing to present genuine records for auditor's review.
2. Guaranteed employees were paid at least legal minimum wage per hour.
3. They ensured to pay employees' wages accurately and on time.
4. The OT work is on a voluntary basis.
5. The premium on OT work is included.

HBI will arrange follow-up visit to this factory in April 2011 to ensure factory presents genuine records and identifies overall situation of wage and working hours. Visit also to give guidance and prioritization if noncompliance issues are addressed.



Deadline 04/30/2011

Date:

Supplier Factory would be cooperatively presenting genuine payroll records for auditors' review.
CAP: Factory ensured legal minimum wage for each employee and paid wages accurately.
Meanwhile, OT work is on voluntary basis.

Supplier CAP 12/31/2010

Date:

Action

Taken:

Plan No

Complete:

Plan

Complete

Date:

Wages, Benefits and Overtime Compensation: Worker Wage Awareness

WBOT.22 Employers shall make every reasonable effort to ensure workers understand the wages, including the calculation of wages, incentives systems, benefits and bonuses they are entitled to in a factory and under applicable laws. To this end, employers shall communicate orally and in writing to all workers all relevant information in the local language or language(s) spoken by the workers, if different from the local language. (P)

Noncompliance

Explanation: None of the workers interviewed understood how their wages are calculated.

Plan Of Action: HBI compliance representative had conference call with factory HR dept December 30, 2010 to agree on the following actions:

1. Confirmed payroll is counted by piece rate and that they keep double records. They are willing to present genuine records for auditor's review.
2. Guaranteed employees were paid at least legal minimum wage per hour.
3. They ensured to pay employees' wages accurately and on time.
4. The OT work is on a voluntary basis.
5. The premium on OT work is included.

HBI will arrange follow-up visit to this factory in April 2011 to ensure factory presents genuine records and identifies overall situation of wage and working hours. Visit also to give guidance and prioritization if noncompliance issues are addressed.

Deadline Date: 04/30/2011

Supplier CAP: Factory would be cooperatively presenting genuine payroll records for auditors' review. Factory ensured the legal minimum wage for each employees and paid wages accurately. Meanwhile, the OT work is on voluntary basis.

Supplier CAP Date: 12/31/2010

Action Taken:

Plan Complete: No

**Plan
Complete
Date:**

Wages, Benefits and Overtime Compensation: Pay Statement

WBOT.26 Employers shall provide workers a pay statement each pay period, which shall show earned wages, wage calculations, regular and overtime pay, bonuses, all deductions and final total wage. (P)

Noncompliance

Explanation: Management reported that the pay slips provided to workers every month are the same as the payroll provided to the auditors. But, workers interviewed reported that they have never been given pay slips, nor could they provide any pay slips to auditors. Auditor could not verify whether pay slips meet legal requirements.

Plan Of Action: [HBI compliance representative had conference call with factory HR dept December 30, 2010 to agree on the following actions:](#)

1. Provide payroll statement/pay slip to employees.
2. Ensure payroll statement/pay slip clearly presents breakdown of wages.

HBI will arrange follow-up visit to this factory in April 2011 to review this issue if factory claimed they had provided payroll statement for workers' review and signature.

Deadline Date: 04/30/2011

Supplier CAP: It is a misunderstanding between management and monitor. Factory, in fact, prepared payroll statement and circulated to employees for review. Before releasing wages, payroll statement showed breakdown with gross wages, OT wages, allowances, food deductions, etc. Also, employees need to sign payroll statement when receive wages.

Supplier CAP Date: 12/31/2010

Action Taken:

Plan No
Complete:

Plan
Complete
Date:

Freedom of Association: 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)

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: [HBI compliance representative had conference call with factory HR dept December 30, 2010 to agree on the following actions:](#)

1. Comply with the Law of China about the Freedom of Association clause.
2. Factory to enhance communication and grievance channels for all employee levels.
3. Educate and communicate employees on their right of FOA and grievance channels through orientation training and public notice board. HBI will arrange follow-up visit to this factory in April 2011 to review implementation progress of this issue.

Deadline Date: 06/30/2011

Supplier CAP: Factory provided the following channels for employees to communicate their opinions with factory management:

1. Suggestion box.
2. Grievance channels are well posted and announced to all departments.
3. Set up Workers' Committee that conducts meetings on a regular basis to share opinions between employer and employees.

Supplier CAP Date: 12/31/2010

Action Taken: Please refer to CAP evidence (attached) on the grievance channels and Workers' Committee introduction in Chinese.

Plan Complete: No

Plan Complete Date:

No Child Labor: Employment of Young Workers

CL.6 Employers shall comply with all relevant laws that apply to young workers (i.e., those between the minimum working age and the age of 18) including regulations relating to hiring, working conditions, types of work, hours of work, proof of age documentation, and overtime. (P)

Noncompliance

Explanation: Factory has established a juvenile protection procedure defining all protection measures that should be provided for juvenile workers. These involve possible positions juvenile workers can be assigned to, physical examination, registration, etc. However, the physical exam factory provided to juvenile workers is not adequate, as some legal required items are missing. Factory only provides physical exam to juvenile workers when hiring.

*Chinese regulation stipulated that employer needs to provide physical exam for juvenile worker at hiring, after 1 year of work, and when worker reaches 18 years of age (if last physical exam was over 6 months ago). Factory only provides a 1-time physical exam to juvenile workers when hiring.

*Chinese regulation also made delineation of physical exam on items that should be covered. For example, exam should cover detailed examination on: a) heart; b) lungs; c) liver; and d) spleen. But, factory only provided regular orientation health check, which did not cover all items required by law.

Plan Of Action: HBI compliance representative had conference call with factory HR dept December 30, 2010 to agree on the following actions:

1. Ensure all juvenile protection procedures are done.
2. Juvenile workers should have medical exam before recruitment, during employment and after they meet age 18.
3. Properly document all those records in their personnel files.

HBI will arrange follow-up visit to this factory in April 2011 to review implementation progress of this issue.

Deadline Date: 06/30/2011

Supplier CAP: 1. Updated HR policy on physical exams, which should be applied to juvenile workers, even they have reached age 18.

2. Will arrange medical exams for all those workers who meet age 18.

Supplier CAP 12/31/2010

Date:

Action Taken: Please refer to CAP evidence.

Plan Complete: No

Plan Complete Date:

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.

Noncompliance

Explanation: Contract between factory and printing subcontractor does not involve terms on issues related to social compliance, such as working hours, wages, health and safety, etc. Factory only conducted an inspection on production quality. No audits on social compliance were held.

Plan Of Action: HBI compliance representative had conference call with factory HR dept December 30, 2010 to agree on the following actions:

1. Update manufacturing agreement by editing supplier code of conduct.
2. Educate suppliers on codes of conduct.
3. Arrange suppliers to sign back these supplementary pages.
4. Conduct inspection on a regular basis.

HBI will arrange follow-up visit to this factory in April 2011 to review implementation progress of this issue.



Deadline 06/30/2011
Date:

Supplier 1. Prepare supplier codes of conduct.
CAP: 2. Acknowledge all suppliers and obtain their confirmation.

Supplier CAP 12/31/2010
Date:

Action Please refer to CAP evidence.
Taken:

Plan No
Complete:

Plan
Complete
Date:

Health and Safety: 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)

Noncompliance

Explanation: 1. Onsite inspection revealed there are no emergency lights in elevator engine rooms.

2. Amongst the randomly checked 3 emergency lights on 6th and 7th floors of office building, 2 were not lit when power was cut off.

Plan Of Action: HBI compliance representative had conference call with factory HR dept December 30, 2010 to agree on the following actions:

1. Take immediate action to correct this safety issue.

2. Assign personnel to conduct regular safety checks to ensure fire safety devices are properly maintained and installed.

HBI will arrange follow-up visit to this factory in April 2011 to review implementation progress of this issue.

Deadline Date: 04/30/2011

Supplier CAP: Repaired emergency lights and also assigned personnel to conduct safety checks on a monthly basis to ensure those fire safety devices are properly maintained and timely repaired.

Supplier CAP Date: 12/31/2010

Action Taken: Please refer to CAP evidence.

Plan Complete: No

Plan Complete Date:

Health and Safety: 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)

Noncompliance

Explanation: During onsite inspection, observed that all sewing machines have safety protective devices installed around needles. However, some workers removed safety equipment to speed up production process.

Plan Of Action: [HBI compliance representative had conference call with factory HR dept December 30, 2010 to agree on the following actions:](#)

1. Take immediate action to correct this safety issue.
2. Assign personnel to conduct regular safety checks to ensure machine safety devices are properly maintained and installed.
3. Educate employees on the awareness of operating machines safety and on the importance of safety devices.

HBI will arrange follow-up visit to this factory in April 2011 to review implementation progress of this issue.

Deadline Date: 04/30/2011

Supplier CAP:

1. Install safety guards on all machines again.
2. Instruct line leaders and supervisors to monitor safety requirements on work floor. As they are accountable for safety issues in factory, they would often coach employees on the importance of needing guard protection.

Supplier CAP Date: 12/31/2010

Action Taken: Please refer to CAP evidence.

Plan [No](#)
Complete:

Plan
Complete
Date:

Health and Safety: Sanitation in Factory Facilities

H&S.22 All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with all applicable laws, including relevant sanitation, medical and safety and health regulations. (S)

Noncompliance

Explanation: [During onsite inspection, it was observed that windows at corner of stairway in buildings E and F are located lower than 1m, but there are no protective railings installed to keep anyone from falling.](#)

Plan Of Action: [HBI compliance representative had conference call with factory HR dept December 30, 2010 to agree on the following actions:](#)

1. Take immediate action to correct this safety issue.
2. Assign personnel to conduct regular safety checks to ensure windows on each floor are well-fenced.

[HBI will arrange follow-up visit to this factory in April 2011 to review implementation progress of this issue.](#)

Deadline Date: [04/30/2011](#)

Supplier CAP:

Supplier CAP Date:

Action Taken: [Factory had already taken actions on correcting this issue, please refer to CAP evidence.](#)

Plan No
Complete:

Plan
Complete
Date:

Health and Safety: Sanitation in Dormitories

H&S.28 All dormitories shall be kept secure, clean and have safety provisions (such as fire extinguishers, first aid kits, unobstructed emergency exits, emergency lighting etc.). Emergency evacuation drills shall also be conducted at least annually. (S)

Noncompliance

Explanation: 1. Factory leased 1 floor in an apartment building as dormitory. Onsite inspection revealed that hallway was wet, probably due to living wastewater poured into hallway. Workers did not know how it happened, but reported that water has been in hallway for a couple of days.

2. 2 fire extinguishers in hallway are placed on the floor, both are undercharged.

Plan Of Action: HBI compliance representative had conference call with factory HR dept December 30, 2010 to agree on the following actions:

1. Take immediate action to correct this safety issue.

2. Assign personnel to conduct regular safety checks to ensure fire safety devices are properly maintained and installed.

3. Assign dormitory cleaning workers to conduct cleaning work at least twice a day on each floor.

HBI will arrange follow-up visit to this factory in April 2011 to review implementation progress of this issue.

Deadline Date: 04/30/2011



Supplier CAP: 1. Had already asked cleaning worker to clean hallway.
2. Assigned cleaning worker to conduct cleaning work and record work attendance.
3. Recharged new fire extinguishers in hallway. Also assigned personnel to conduct safety checks on a monthly basis to ensure those fire extinguishers are properly maintained.

Supplier CAP Date: 12/31/2010

Action Taken: Please refer to CAP evidence.

Plan Complete: No

Plan Complete Date:
