



2011

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL VERIFICATION REPORT*

COMPANY: Hanesbrands
COUNTRY: China
FACTORY CODE: 400215134HV
MONITOR: Openview Service Limited
AUDIT DATE: November 10, 2011
PRODUCTS: T-Shirts, Jackets, and
Underwear
PROCESSES: Cutting, Sewing, Pressing,
Inspection, Packing, Etc.
NUMBER OF WORKERS: 230

*To read the original IEM report of this factory, please visit the FLA website [here](#).
For an explanation on how to read this report, please visit the FLA website [here](#).



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Wages, Benefits and Overtime: Minimum Wage

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

Noncompliance

Explanation: The factory provided attendance records and payroll records that were unreliable and unverifiable. Therefore, the compliance status of "minimum wage," "overtime wage" and "overtime hours" could not be verified.

Sources: Production records (such as Broken Needle records, Final Quality Control (FQC) reports and Metal Detecting records) showed that workers from sewing section and inspection section had worked on June 5 and 6, August 9 and 24, 2009 (which were all either Sundays or workers' annual leave days, as indicated in the attendance records). These working hours were not indicated on workers' barcode attendance records. Moreover, there was no information on payroll records to demonstrate that the factory paid these working hours. Corresponding workers were interviewed to corroborate the issue.

Plan Of Action: Hanesbrands Inc. (HBI) had a teleconference with the factory on January 4, 2010 and conducted a follow-up audit on January 12, 2010. Also, HBI communicated the concern of "inconsistent records" to the Japan office, as that office also uses this factory. They are fully aware of this issue and have assigned the sourcing manager to emphasize the company policy to the factory. HBI does not tolerate fake books or incomplete records. The factory even attended our vendor summit in [City name] in December 2009 and are well informed of this requirement. Through discussion and communication with factory management about the given employees' benefits, we do not feel the factory intended to hide the working hours, rather, it is likely a human error. HBI has a clear and simple policy: transparent records. We will continuously deliver this requirement to the factory and make sure they are in compliance. The next follow-up audit is planned for June 2010.

Deadline Date: 06/30/2010



Supplier CAP: Factory always obeys all relevant local laws, including those about working hours, wages, benefits, health and safety environmental protection, etc. Factory assures HBI and FLA that the errors found by the audit firm are a slip of the pen. They will enhance the records system to make sure no such mistakes occur again.

1. Factory will provide training to all eligible employees who keep daily production records and other business records, to promote their awareness of importance in accuracy of records.

2. Factory will assign staff from top management to inspect all records regularly. Will investigate in depth to get the actual data, in case mismatched records come out.

3. Factory welcomes customers to have future unannounced audits to check the legal compliance conditions. These audits are helpful, as they improve the current management system.

Supplier CAP Date: 04/30/2010

Action Taken: HBI conducted the first follow-up audit on January 12, 2010. Based on information gathered during the payroll records review of September to November 2009 and 30 employee interviews, it was noted that all employees were guaranteed legal minimum wage. Further, it was noted that the factory provided more than the legally required benefits to employees as:

1. 100% of employees joined all required terms of social security insurance program.

2. Employees who lived at least 800 meters away from the factory would be paid RMB 12 per month as a transportation allowance.

3. Employees, including production workers, will be provided free travel to [City name] once a year.

4. Employees, including production workers, will be given additional food worth RMB 10 on their birthday, with birthday cakes provided for annual celebration.

5. In addition to the legal wedding leave, the bride and/or bridegroom would get an additional gift worth RMB 288 from the factory.

6. The leaders of the workers' union would pay a visit to seriously sick employees in hospital or at home with a gift.

7. Factory provides afternoon tea and pastry around 4pm every working day to all employees.

8. The children of employees could reimburse 80% of their medical expenses from factory.

9. The children under 14 of employees will get a Children's Day present from factory.

Plan Complete: Yes

Plan Complete Date: 01/12/2010

Action Verified: Yes

Action Verified: (Completed)

Text: Based on review of time records, payroll records, leave records, piece rate records, production records from November 2010 to October 2011, and interview with management and workers, no inconsistent evidence regarding working hours was found during this audit. And minimum wage for all workers was guaranteed.

Action Verified Date: 11/10/2011



Wages, Benefits and Overtime: 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)

Noncompliance

Explanation: The factory provided attendance records and payroll records that were unreliable and unverifiable. Therefore, the compliance status of "minimum wage," "overtime wage" and "overtime hours" could not be verified.

Sources: Production records (such as Broken Needle records, FQC reports and Metal Detecting records) showed that workers from sewing section and inspection section had worked on June 5 and 6, August 9 and 24, 2009 (which were either Sundays or workers' annual leave days, as indicated in the attendance records). These working hours were not indicated on workers' barcode attendance records. Moreover, there was no information on payroll records to demonstrate that these working hours were paid by the factory. Corresponding workers were interviewed to corroborate the issue.

Plan Of Action: HBI had a teleconference with factory on January 4, 2010 and conducted a follow-up audit on January 12, 2010. Also, HBI communicated the concern of "inconsistent records" with the Japan office, as that office also uses this factory. They are fully aware of this issue and have assigned the sourcing manager to emphasize the company policy to factory. HBI does not tolerate fake books or incomplete records. The factory even attended our vendor summit in [City name] in December 2009, so they are well informed of this requirement. Through discussion, communication with factory management and the given employees' benefits, we do not feel the factory has the intention to hide the working hours, but it is likely to be human error. HBI has a clear and simple policy: transparent records. We will continuously deliver this requirement to the factory and make sure they are in compliance. The next follow-up audit is planned for June 2010.

Deadline Date: 06/30/2010

Supplier CAP: Factory always obeys all relative local laws, including those about working hours, wages, benefits, health and safety, environmental protection, etc. Factory assures HBI and FLA that the case found by the audit firm is a slip of the pen. They will enhance the record system to make sure no such mistakes occur again.

1. Factory will provide training to all eligible employees who keep daily production records and other business records to promote their awareness of the importance in accuracy of records.

2. Factory will assign staff from top management to inspect all records regularly. Will investigate in depth to get the actual data, in case mismatched records come out.

3. Factory welcomes customers to have future unannounced audits to check the legal compliance conditions. These audits are helpful, as they improve the current management system.

Supplier CAP Date: 04/30/2010

Action Taken: HBI conducted the first follow-up audit on January 12, 2010. Based on information gathered during payroll records review of September to November 2009, and 30 employee interviews, it was noted that all employees were guaranteed legal minimum wage. Besides, it was noted that the factory provided more than legal required benefit to employees as:

1. 100% of employees joined all required terms of social security insurance program.

2. Employees who lived at least 800 meters away from the factory would be paid RMB 12 per month as transportation allowance.

3. Employees, including production workers, will be provided free travel to [Nearby city name] once per year.

4. Employees, including production workers, will be given additional food worth RMB 10 on their birthday, with birthday cakes provided for annual celebration.

5. Besides the legal wedding leave, the bride and/or bridegroom receives an additional gift worth RMB 288 from the factory.

6. The leaders of the workers' union would pay a visit to seriously sick employees in hospital or at home with gift.

7. Factory provides afternoon tea and pastry at 4pm every working day to all employees.

8. The children of employees could reimburse 80% of their medical expenses from factory.

9. The children under 14 of employees will get a Children's Day present from factory.

Plan Complete: Yes

Plan Complete Date: 11/10/2011

Action Verified: Yes

Action Verified Text: (Completed)

Based on review of time records, payroll records, leave records, piece rate records, production records from November 2010 to October 2011, and interviews with management and workers, no inconsistent evidence regarding working hours was found during this audit. All workers were paid according to the legal overtime premium properly.

Action Verified Date: 11/10/2011

Wages, Benefits and Overtime: 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: (New Finding on November 10, 2011)

Based on worker interviews, it was noted that about 20% of interviewed workers were not aware of the sick leave policy, and 40% of interviewed workers did not know the payment standard for overtime premium, although the factory had proper sick leave and overtime payment policy in line with local law.

Plan Of Action: The factory management should revise the orientation program for the newly hired, and update the on-going training program for existing workers. Both programs should include the sick leave policy, payment standard of overtime premium, and any other relevant factory policies and regulations. All the training records will be properly maintained and are available for review.

Deadline Date: 05/31/2012

Action Taken: A follow-up audit was conducted on April 9, 2013. Based on the training records for the period from January 2012 to April 2013, all newly hired workers had attended an orientation training, which covered factory policies, such as working hours, wage and payment, legally required benefits, workers' representation, fire and workplace safety (including training on PPE). All the training records for the newly hired workers were reviewed by an Hbl internal auditor, and the results were satisfactory. In addition, based on the training records, the factory management arranged for annual trainings covering factory policies for existing workers in February and March 2013. 10 workers were randomly selected, and they confirmed that the factory had provided them training in 2013. They were aware of the factory's policies.

**Plan
Complete:** Yes

**Plan
Complete
Date:** 04/09/2013

**Action
Verified:** No

**Action
Verified
Text:**

**Action
Verified
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 October 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 December 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 will work with the factory to refine the role of the workers' union to let the employees express their opinions instead of requesting that the factory violate local law by forming an independent union. The scheduled visit in June 2010 will follow up on their work progress as the factory promised.

Deadline Date:

**Supplier
CAP:**

1. All employees joined the workers' unions at their own will.
2. Factory realized that it's difficult to get approval to set up an independent workers' union from government.
3. The current workers' union conducted the below practices in accordance with local law, and their current responsibilities are:
 - a. Organize activities for all employees, including production workers, such as group travel to [Nearby city name] in 2007 and 2008,
 - b. Sponsor holiday activities, such as party in Mid-Autumn festival, Spring Festival, etc.,
 - c. Preparing birthday presents and ceremonies for employees,
 - d. Paying visits to sick workers in hospital or at home.

However, on the other side, the factory plans to allow the workers' union to play the role as described by law after Chinese New Year (CNY) such as: being involved in factory policy setting, collective bargaining, disciplinary actions, labor disputes, mediation, etc. To accomplish this, the factory will hold a meeting with the workers' union on February 2010, defining the additional roles by formal document and setting new disciplinary actions format to include workers' union comments, etc. All these are expected to be completed by end of March 2010.

**Supplier
CAP Date:**

**Action
Taken:**

HBI conducted the first follow-up audit on January 12, 2010. Per document review, and 30 employee interviews, it was noted that the existing workers' unions were a branch of the ACFTU, and they did not play all the roles described by local law. A follow-up audit was conducted on April 9, 2013. Based on management and worker interviews and meeting records review, the factory established policies and procedures which better defined the role of workers' representatives and the election process for the workers' representatives. The workers' representatives are elected by workers of each production line/section. The voting was conducted by secret ballot. The chairman of the workers' representatives was then elected by the new workers' representatives. It was noted that workers' representatives had meetings with factory management occasionally, and the meeting attendance records and memos/minutes were provided for review. The last meeting was held on December 12, 2012.

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified: (Pending)

Text: Based on management interviews and worker interviews, it was found that there was no independent trade union in the factory. But a trade union named [Factory name] Trade Union was founded in the factory on Feb. 29, 2008 and was registered under the ACFTU, complying with the China Trade Union Law. 90% of workers participated in this trade union.

Action Verified Date: 11/10/2011

Follow-up Plan of Action: The factory management shall review the Amended Trade Union Act (ATUA) to determine the next steps as to how to democratically elect its union committees at the members' assemblies, and also to determine how to make the union function as stipulated by ATUA.

Target date: June 30, 2012.

Freedom of Association: Deduction of Union Dues and Other Fees

FOA.4 Employers cannot deduct union membership fees or any other union fees from workers' wages without the express and written consent of individual workers, unless specified otherwise in freely negotiated and valid collective bargaining agreements. (S)

Noncompliance

Explanation: RMB 2.00 per month was deducted from each worker's wages directly for union membership fees without workers' written consent.

Sources: Payroll records review, management and worker interviews.

Plan Of Action: HBI had a teleconference with factory on January 4, 2010 and conducted a follow-up audit on January 12, 2010. The next follow-up audit is planned for June 2010.

Deadline Date: 06/30/2010

Supplier CAP:

1. All employees joined the current dependent workers' unions and pay the union fee of RMB 2 at their own will. Those who joined before June 30 every year would get a shopping card worth RMB 100 before the coming CNY.
2. Factory and current workers' union will sign a formal written agreement with all employees about union fee collecting before the end of 2010.

Supplier CAP Date: 06/30/2010

Action Taken: HBI conducted the first follow-up audit on January 12, 2010. Per document review and 30 employee interviews, it was noted that all employees are union members, and they pay union fees of RMB 2 at their own will. Those who joined before June 30 every year would get a shopping card worth RMB 100 before the coming CNY. The collective bargaining agreement for this item is not yet ready during our visit.

Plan Complete: Yes

Plan Complete Date: 11/10/2011

Action Verified: No

Action Verified: (Completed)

Text: All trade union members signed a written agreement in November 2009, which showed that they joined the trade union and voluntarily pay the trade union fee.

Action Verified Date: 11/10/2011

Harassment or Abuse: Discipline/Progressive Discipline

H&A.2 Employers shall have a written system of progressive discipline (e.g., a system of maintaining discipline through the application of escalating disciplinary action moving, for instance, from verbal warnings to written warnings to suspension and finally to termination). Any exceptions to this system (e.g., immediate termination for gross misconduct, such as theft or assault) shall also be in writing and clearly communicated to workers. (P)

Noncompliance

Explanation: The factory did not have a written system of progressive discipline.

Sources: Factory procedures review, management and workers interview.

Plan Of Action: HBI will work on this issue with the factory on a continuous basis by communicating and visiting the factory quarterly to ensure they properly set up the system of progressive discipline on-site.

Deadline Date: 04/30/2010

Supplier CAP:

1. Factory has already established progressive disciplinary policies.
2. Factory will provide initial training to management and workers about proper disciplinary procedure before the end of February 2010.
3. New disciplinary actions records format will be collected with workers' union comments.

Supplier CAP Date: 01/30/2010

Action Taken: HBI conducted the first follow-up audit on January 12, 2010. Per document review, and 30 employees' interviews, it was noted that the written progressive disciplinary policy was established, but no record for verbal warning is kept in-house.

Plan Complete: Yes

Plan Complete Date: 11/10/2011

Action Verified: Yes

Action Verified Text: (Completed)
Factory had established a progressive disciplinary system, and the disciplinary measures included oral warning, written warning, minor misconduct, major misconduct and termination etc.

Action Verified Date: 11/10/2011

Child Labor: Young Worker Identification System

CL.8 Employers shall have a system for identifying work stations and operations that are inappropriate for young workers according to applicable laws. (P)

Noncompliance

Explanation: There was no young worker identification system in place in the factory. Even though there were no young workers working there, the factory should establish a system to identify work positions or areas not suitable for young workers, in case they need to hire young workers for ongoing business.

Sources: Factory policies/procedures review and management interview.

Plan Of Action: HBI will work on this issue with the factory on a continuous basis by communicating and visiting the factory quarterly to ensure they properly set up the policy on-site.

Deadline Date: 04/30/2010

Supplier CAP: Though the factory did not recruit juvenile workers before, and did not expect this to happen in the near future, the factory will take the following actions to meet the customer's requirements.

1. Factory will establish written juvenile workers management policies and procedures.
2. Factory would assign qualified staff, such as a safety officer, and communicate with an external party to assess the risk level of all production positions.
3. Provide training to managers, supervisors and persons who may have the rights to arrange employees' work positions.

Supplier CAP Date: 01/30/2010

Action Taken: HBI conducted the first follow-up audit on January 12, 2010. Per document review, and 30 employee interviews, it was noted that there were no juvenile workers in this facility. However, the mentioned plan had not yet been put in place.

Plan Complete: No

Plan Complete Date:

Action Verified: Yes

Action Verified: (Completed)

Text: The young worker protection procedure was established in January 2010, which included how to identify work positions for young workers and how to protect young workers.

Action Verified Date: 11/10/2011

Code Awareness:

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

Noncompliance

Explanation: No noncompliance reporting mechanism was available to allow workers to contact companies directly.

Sources: Management interview and workers interview

Plan Of Action: HBI will work to ensure that there are effective means of communication between the factory workers and their management. HBI plans to hold live mid-level management training in 2010 to explain the Code of Conduct (CoC) to supervisors and line leaders in the factory. Next scheduled visit is in June.

Deadline Date: 06/30/2010

Supplier CAP: Factory already posted the telephone numbers of HBI's Shanghai office CoC posters. The factory informed employees to call if they have CoC concerns or other concerns.

Supplier CAP Date: 01/30/2010

Action Taken: HBI conducted the first follow-up audit on January 12, 2010. Per on-site inspection and 30 employee interviews, it was noted that the factory posted the brands' contact numbers and that the employees know what those numbers are for.

Plan Complete: Yes

Plan Complete Date: 01/12/2010

Action Verified: No

Action Verified: (Completed)

Text: The factory posted the HBI's CoC posters in the workplace, which included the confidential contact telephone numbers.

Action Verified Date: 11/10/2011

Health and Safety: 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)

Noncompliance

Explanation: (New finding on November 10, 2011)

On-site observation found that 1 cutting worker did not use the metal mesh gloves when operating the cutting machines.

Legal Reference: It violates Article 37 of the Law of the People's Republic of China on Production Safety

Plan Of Action: The factory management should educate the workers the reasons why it is important to use PPE, and how to use PPE correctly. The factory should provide the appropriate PPE to the workers. The factory should assign a person responsible and accountable for the H&S issues in the facility.

Deadline Date: 03/31/2012

Action Taken: Hbl internal auditor visited the facility on May 24, 2012, and had a discussion with the Human Resources Manager of the factory. The factory management agreed to provide the PPE training to workers on annual basis. The factory management also agreed to designate a person to be responsible for inspecting the H&S issues. Factory should maintain the records and photos of PPE training for an independent review. A follow-up audit was conducted on April 9, 2013. Based on the training records for the period from January 2012 to April 2013, all newly hired workers had attended an orientation training, which covered factory policies, such as working hours, wage and payment, legally required benefits, workers' representation, fire and workplace safety (including training on PPE). All the training records for the newly hired workers were reviewed by Hbl auditor, and the results were satisfactory. In addition, based on the training records, the factory management arranged annual training covering factory policies for existing workers in February and March 2013. 10 workers were randomly selected, and they confirmed that the factory had provided them training in 2013. During the factory walkthrough on April 9, 2013, PPE such as metal gloves were properly used by the cutting workers. In addition, the factory also designated the line supervisor to be responsible for monitoring health and safety issues.

Plan Complete: Yes

Plan Complete Date: 04/09/2013

Action Verified: No

Action Verified Text:

Action Verified 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: (New finding on November 10, 2011)

Factory tour noted that the protective Plexiglas shields for 2 high-speed sewing machines were removed.

Legal Reference: It violates the Article 6.1.6 of the Code of Design of Manufacturing Equipment Safety and Hygiene

Plan Of Action: The factory should ensure that the protective Plexiglas shields for all high-speed sewing machines are properly installed. The factory should assign a person responsible and accountable for the H&S issues in the facility.

Deadline Date: 03/31/2012

Action Taken: Hbl internal auditor visited the facility on May 24, 2012, and had a discussion with the Human Resources Manager of the factory. The factory will install protective Plexiglas shields on all high-speed sewing machines. The factory management also agreed to designate a person to be responsible for inspecting the H&S issues. A follow-up audit was conducted on April 9, 2013. During on-site inspection, one sewing machine was not installed with protective Plexiglas shield. The factory maintenance team had taken immediate actions to fix the machine. However, Hbl internal auditor identified other 5 over-locking sewing machines that did not have the protective Plexiglas shields. The factory management explained that they could not install the protective Plexiglas shields due to a technique issue. Hbl internal auditor recommended that the factory should provide these workers with plain glass spectacles, serving as the PPE. The factory should provide photos as evidence on or before May 1, 2013. Another follow up audit is required.

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text:

Action Verified Date:

Hours of Work: 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)

Noncompliance

Explanation: The factory provided attendance records and payroll records, which were unreliable and unverifiable. Therefore, the compliance status of "minimum wage," "overtime wage" and "overtime hours" could not be verified.

Sources: Production records (such as Broken Needle records, FQC reports and Metal Detecting records) showed workers from sewing section and inspection section had worked on June 5 and 6, August 9 and 24, 2009 (which were either Sundays or workers' annual leave days, as indicated in the attendance records). These working hours were not indicated on workers' barcode attendance records. Moreover, there was no information on payroll records to demonstrate that the factory paid these working hours. Corresponding workers were interviewed to corroborate the issue.



Plan Of Action: HBI had a teleconference with the factory on January 4, 2010 and conducted a follow-up audit on January 12, 2010. Also, HBI had communicated the concern of "inconsistent records" with the Japan office, as that office also uses this factory. They are fully aware of this issue and have assigned the sourcing manager to emphasize the company policy to the factory. HBI does not tolerate fake books or incomplete records. The factory attended our vendor summit in Shanghai in December 2009, and are well informed of this requirement. Through the discussion and communication with factory management and the given employees' benefits, we do not feel the factory has the intention to hide the working hours, rather, it is likely the result of human error. HBI has a clear and simple policy: transparent records. We will continuously deliver this requirement to the factory and make sure they are in compliance. The next follow-up audit is planned in June 2010.

Deadline Date: 06/30/2010

Supplier CAP: Factory always obeys all relative local laws, including those about working hours, wages, benefits, health and safety, environmental protection, etc. Factory assures HBI and FLA that the case found by the audit firm is a slip of the pen. They will enhance the record system to make sure no such mistakes occur again.

1. Factory will provide training to all eligible employees who keep daily production records and other business records, to promote their awareness of importance in accuracy of records.
2. Factory will assign staff from top management to inspect all records regularly. Will investigate in depth to get the actual data, in case mismatched records come out.
3. Factory welcomes customers to have future unannounced audits to check the legal compliance conditions. These audits are helpful for improving the current management system.

Supplier CAP Date: 04/30/2010

Action Taken: A follow-up audit was conducted on April 9, 2013. Based on the payroll records and working hour records review for the period from September 2012 to February 2013, the overtime working hours of 60% of the workers exceeded 36 hours. In particular, the overtime working hour was more than 48 hours for the month November 2012. The factory further explained that they would continue to reduce the working hours by making use of the ERP system to facilitate the flow of information between all business units and functions. This will enhance the effectiveness of overall production planning process and will have a positive impact on the production time. In addition, the factory will continue to improve the quality control system to reduce the re-work. Another follow up audit is required.

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified: (Ongoing)

Text: Based on review of time records, payroll records, leave records, piece rate records, production records from November 2010 to October 2011, and interviews with management and workers, no inconsistent evidence regarding working hours was found during this audit. However, based on review of time records from November 2010 to October 2011, 60% of workers' monthly overtime hours exceeded 36 hours in 80% of months for the last 12 months, up to 64 hours in April 2011.

Action Verified Date: 11/10/2011

Follow-up Plan of Action: All overtime work must be on a voluntary basis. The factory should continue to find ways to reduce the overall working hours gradually, including studying productivity, production planning and manpower.

Target Date: June 30, 2012.

Hours of Work: 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)

Noncompliance

Explanation: The factory provided attendance records and payroll records that were unreliable and unverifiable. Therefore, the compliance status of "minimum wage," "overtime wage" and "overtime hours" could not be verified.

Sources: Production records (such as Broken Needle records, FQC reports and Metal Detecting records) showed workers from sewing section and inspection section had worked on June 5 and 6, August 9 and 24, 2009 (which were either Sundays or workers' annual leave days, as indicated in the attendance records). These working hours were not indicated on workers' barcode attendance records. Moreover, there was no information on payroll records to demonstrate that these working hours were paid by factory. Corresponding workers were interviewed to corroborate the issue.



Plan Of Action: HBI had a teleconference with the factory on January 4, 2010 and conducted a follow-up audit on January 12, 2010. Also, HBI had communicated the concern of "inconsistent records" with the Japan office, as this factory is used by them. They are fully aware of this issue and assigned the sourcing manager to emphasize the company policy to the factory. HBI does not accept any fake books or incomplete records. The factory even attended our vendor summit in [city name] in December 2009, and are well informed of this requirement. Through the discussion and communication with factory management and the given employees' benefits, we do not feel the factory has the intention to hide the working hours, but it is likely to be human error. HBI has clear and simple policy: transparent records. We will continuously deliver this requirement to the factory and make sure they are in compliance of this. The next follow-up audit is planned in June 2010.

Deadline Date: 06/30/2010

Supplier CAP: Factory always obeys all relevant local laws, including those about working hours, wages, benefits, health and safety, environmental protection, etc. Factory assures HBI and FLA that the case found by the audit firm is a slip of the pen. They will enhance the record system to make sure no such mistake occurs again.

1. Factory will provide training to all eligible employees who make daily production records and other business records, to promote their awareness of importance in accuracy of records.
2. Factory will assign staff from top management to inspect all records regularly. Will investigate in depth to get the actual data, in case mismatched records come out.
3. Factory welcomes customers to have future unannounced audits to check the legal compliance conditions. These audits are helpful for improving the current management system.

Supplier CAP Date: 04/30/2010

Action Taken: HBI conducted the first follow-up audit on January 12, 2010. Per payroll records review of September to November 2010, and 30 employee interviews, it was noted that all employees were guaranteed legal minimum wage. Besides, it was noted that the factory provided more than legal required benefits to employees as indicated below:

1. 100% of employees joined all required terms of social security insurance program.
2. Employees who lived more than 800 meters away from factory would be paid RMB 12 per month as transportation allowance.
3. Employees, including production workers, will provided free travel to [Nearby city name] once a year.
4. Employees, including production workers, will be given additional food worth RMB 10 on their birthday, with birthday cake provided for annual celebration.
5. Besides the legal wedding leave, the bride and/or bridegroom would get an additional present worth RMB 288 from the factory.
6. The leaders of the workers' union would pay a visit to seriously sick employees in hospital or at home with a gift.
7. Factory provides afternoon tea and pastry around 4pm every working day to all employees.
8. The children of employees can reimburse 80% of their medical expenses from the factory.
9. The children under 14 of employees will get a Children's Day present from the factory.

Plan Complete: Yes

Plan Complete Date: 11/10/2011

Action Verified: No

Action (Completed)

Verified

Text: Based on review of time records, payroll records, leave records, piece rate records, production records from November 2010 to October 2011, and interviews with management and workers, no inconsistent evidence regarding working hours was found during this audit. 1 day off per 7 was guaranteed for all workers.

Action 11/10/2011

Verified

Date:

Hours of Work: 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)

Noncompliance

Explanation: The factory provided attendance records and payroll records that were unreliable and unverifiable. Therefore, the compliance status of "minimum wage," "overtime wage" and "overtime hours" could not be verified. Sources: Production records (such as Broken Needle records, FQC reports and Metal Detecting records) showed workers from sewing section and inspection section had worked on June 5 and 6, August 9 and 24, 2009 (which were Sundays or workers' annual leave days indicated in the attendance records). These working hours were not indicated on workers' barcode attendance records. Moreover, there was no information on payroll records to demonstrate that these working hours were paid by the factory. Corresponding workers were interviewed to corroborate the issue.



Plan Of Action: HBI had a teleconference with the factory on January 4, 2010 and conducted a follow-up audit on January 12, 2010. Also, HBI communicated the concern of "inconsistent records" with the Japan office, as that office also uses this factory. They are fully aware of this issue and assigned the sourcing manager to emphasize the company policy to the factory. HBI does not tolerate fake books or incomplete records. The factory even attended our vendor summit in [City name] in December 2009, and are well informed of this requirement. Through the discussion and communication with factory management and the given employees' benefits, we do not feel the factory has the intention to hide the working hours, rather, it is likely due to human error. HBI has a clear and simple policy: transparent records. We will continuously deliver this requirement to the factory and make sure they are in compliance of this. The next follow-up audit is planned in June 2010.

Deadline Date: 06/30/2010

Supplier CAP: Factory always obeys all relevant local laws, including those about working hours, wages, benefits, health and safety, environmental protection, etc. Factory assures HBI and FLA that the case found by the audit firm is a slip of the pen. They will enhance the record system to make sure no such mistakes occur again.

1. Factory will provide training to all eligible employees who keep daily production records and other business records, to promote their awareness of importance in accuracy of records.
2. Factory will assign staff from top management to inspect all records regularly. Will investigate in depth to get the actual data, in case mismatched records come out.
3. Factory welcomes customers to have future unannounced audits to check the legal compliance conditions. These audits are helpful for improving the current management system.

Supplier CAP Date: 04/30/2010

Action Taken: HBI conducted the first follow-up audit on January 12, 2010. Per payroll records review of September to November 2009, and 30 employee interviews, it was noted that all employees were guaranteed legal minimum wage. Besides, it was noted that the factory provided more than legal required benefits to employees as below:

1. 100% of employees joined all required terms of social security insurance program.
2. Employees who lived more than 800 meters away from factory would be paid RMB 12 per month as transportation allowance.
3. Employees, including production workers, will be provided free travel to [Nearby city name] once a year.
4. Employees, including production workers, will be given additional food worth RMB 10 on his/her birthday, with birthday cake provided for annual celebration.
5. Besides the legal wedding leave, the bride and/or bridegroom would get an additional present worth RMB 288 from the factory.
6. The leaders of the workers' union pay a visit to seriously sick employees in hospital or at home with a gift.
7. Factory provides afternoon tea and pastry around 4pm every working day to all employees.
8. The children of employees can reimburse 80% of their medical expenses from the factory.
9. The children under 14 of employees will get a Children's Day present from the factory.

Plan Complete: Yes

Plan Complete Date: 11/10/2011

Action Verified: No



Action (Completed)

Verified

Text: Based on review of time records, payroll records, leave records, piece rate records, production records from November 2010 to October 2011, and interview with management and workers, no inconsistent evidence regarding working hours was found during this audit.

Action 11/10/2011

Verified

Date:
