**Company Comments:**

*Reason for exiting:* This facility has produced for Hanesbrands (HBI) since 2007 but we have decided to stop working with them due to the change of product category internally and insufficient orders to fill up supplier’s capacity. Vendor prefers to work with buyers who can place mass orders. The last shipment for HBI was completed in August 2010 and HBI product accounted for 4% 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 June 4, 2009. After receiving the IEM report from FLA, HBI communicated the plan of action to the factory compliance team. Detailed feedback, timelines and evidence of improvement were sent to the FLA. The factory applied for and received WRAP certificate, sharing the full audit report with HBI for review. So far, the factory management has been co-operative in all monitoring activities and taken remedial actions on noncompliances identified. Factory has its own compliance team in place and therefore the compliance program is developed and strengthened continuously, although HBI exits the business in the facility.

*Plan for follow up on critical issue:* Neither the FLA IEM audit nor the HBI and WRAP audits revealed any critical issues pertaining to child labor, forced labor and harassment/abuse. The one persistent issue is occasional work on rest day, which may take long time to remedy. However, based on the WRAP report presented, the factory had paid the rest day wage per legal requirement and the OT is on a voluntary basis. Factory explained that the rest day work is arranged sometimes due to unexpected delays in raw material delivery, resulting in the need to work on rest day in order to catch up with the shipment schedule. The management is well aware of the rest day restriction and is willing to try their best to comply with it.

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

Wages, Benefits and Overtime Compensation: Employer Provided Services* _____________________ 3
Wages, Benefits and Overtime Compensation: False Payroll Records ________________________ 3
Wages, Benefits and Overtime Compensation: Other - Wages, Benefits and Overtime Compensation__ 4
Health and Safety: Other - Health and Safety* _____________________________________________ 5
Hours of Work: General Compliance Hours of Work __________________________________________ 6
Hours of Work: Rest Day _______________________________________________________________ 7
Hours of Work: Time Recording System __________________________________________________ 8

*Denotes a notable feature
Wages, Benefits and Overtime Compensation: Employer Provided Services

WBOT.16 All workers have a right to use or not to use employer provided services, such as housing or meals. Deductions for services to workers shall not exceed the cost of the service to the employer. Employers must be able to demonstrate the accuracy or reasonableness of these charges. (P)

Notable Feature

Explanation: Highly subsidized (almost 90% of cost) meals are provided to the workers. Free transportation to and from factory is provided to all which costs the company almost 50% of the wages, according to management. There is also a good medical facility in the factory with a full-time doctor and nurses.

Wages, Benefits and Overtime Compensation: 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)

Noncompliance

Explanation: Records from a Sunday in April 2009 were maintained separately. The wages were paid at the right premium after the payment of regular wages.

Plan Of Action: HBI will require the supplier to record the OT payment and working hours on a single payroll sheet. In the event of a system breakdown the supplier should have backups of all data and history for OT work.

This issue will be reviewed at each follow-up visit. HBI will visit the supplier every 6 months.

Deadline Date: 12/31/2009

Supplier CAP:
Supplier CAP  07/02/2009
Date:

Action Taken:  HBI internal auditor conducted the follow-up visit on July 2, 2009: The factory explained that the separate Sunday record was kept due to an error that occurred in the time tracking system. Because of this error, they prepared the manual sheet on April 19, 2009. It should be considered an isolated case where the factory has no intention to hide the records. The factory conducted the audit in good faith where all records were presented to auditors for review. In addition, it was verified that the OT premium is sufficient. The long-term remediation in this case has been identified. The factory is developing a system which would identify when workers neglect to swipe their cards. An authorization form "ID card non-swiping form" has been introduced to give entry by the HR department to ensure the time records are updated.

(The attachment has been sent to FLA for review.)

Plan Complete:

Plan Complete Date:

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

Noncompliance

Explanation: It was noted that the wage records of contract workers for housekeeping and security were not available for verification.

Plan Of Action: HBI will explain to the supplier the importance of presenting the payroll records wage forms for all workers (including contract workers, i.e., housekeeping workers and security workers). The follow-up visit will be done on July 2, 2009.
Deadline Date: 07/31/2009

Supplier CAP:

Supplier CAP Date: 07/02/2009

Action Taken: The HBI internal auditor conducted the follow-up visit on July 2, 2009: The factory presented all payroll records for the housekeeping and security staff for review. No wage issue was noted. (The evidence was sent to FLA for review.)

Plan Complete:

Plan Complete Date:

Health and Safety: Other - Health and Safety

Other

Notable Feature

Explanation: 1. The factory is centrally air-conditioned.

2. Employees are provided with uniforms and footwear.
**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:** As per The Factories Act, 1948: Sec 64, the total working hours in a week including overtime work should not exceed 60 hours. During the current assessment, it was noted that some of the workers in the factory worked up to 63 hours a week in the month of May 2009.

**Plan of Action:** HBI requires the supplier to arrange the working hours so that they do not exceed the legal limit. In addition, employees have the right to volunteer for OT and receive sufficient compensation during OT hours. The payroll records will be reviewed on every HBI visit and confirmed with employees as well.

**Deadline Date:** 12/31/2009

**Action Taken:** HBI internal auditor conducted the follow-up visit on July 2, 2009: The factory maintained its OT hours within legal limit mostly. Regular hours are set at 7.5 hours per day. Management informed the auditors that workers normally don’t have long days, but overtime happens occasionally during rush periods.

The immediate and long-term plan:
Production management shall prevent excessive OT hours and avoiding Sunday work by all means. During the follow-up audit, HBI did not find evidence of excessive OT hours.

**Plan Complete:**

**Plan Complete Date:**

---

FAIR LABOR ASSOCIATION
**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:** During the review of documents, it was observed that many workers in the factory had worked on Sundays and their weekly holiday without being provided an alternative day off within the same 7-day period or in the following 7-day period. 1 employee worked 17 days in a row in May 2009.

**Plan Of Action:** HBI requires supplier to provide 1 rest day per week to workers. This requirement will be further addressed to factory management. It is unacceptable for employees to work 7 days in a row.

This issue will be watched closely in future visits.

**Deadline Date:** 12/31/2009

**Supplier CAP:**

**Supplier CAP Date:** 07/02/2009

**Action Taken:** HBI internal auditor conducted the follow-up visit on July 2, 2009: The factory explained the Sunday work arrangement in May was due to the delayed shipment of raw materials, which affected the schedule. As a result, the factory asked a portion of workers to work on Sunday. It is a rare case in the last 18 months and not the factory's regular practice. Workers are guaranteed to be paid per legal requirement. This has been confirmed by the FLA auditor.

Long-term remediation:
1. Extend the OT hours on weekdays and make sure that there is no 7th day work;

2. In the event that employees need to work 7 days in a row, arrange the substitute day off within a week.

**Plan Complete:**
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: During the review of documents it was noted that:

1. The time records produced by the factory for the month of May 2009 had errors.

2. In the month of April 2009, several factory workers worked on a rest day (April 19). On this day, the manual time and payment records were maintained separately, instead of a comprehensive record.

3. There were no time records for about 40 housekeeping contract workers during the previous months, as only the attendance muster was being maintained.

Plan Of Action: HBI will require the supplier to present all OT data completely in 1 payroll sheet and provide the payroll records of contract workers, too. HBI auditor will visit the supplier in early July and highlight this requirement to factory management.

Deadline Date: 12/31/2009

Supplier CAP: 07/02/2009
Action Taken:
The HBI internal auditor conducted the follow-up visit on July 2, 2009:
The factory presented all payroll records for housekeeping and security employees and all payroll documents. In addition, they are committed to making sure that workers have 1 day off each week. The factory plans to do this by developing better planning of the production and extending the OT hours in weekday. In addition, the factory will set up a control system to address the time tracking system error.

Plan Complete:

Plan Complete Date: