2010

FAIR LABOR ASSOCIATION
INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: Hanesbrands
COUNTRY: Philippines
FACTORY CODE: 4400151025I
MONITOR: Verite Southeast Asia, Inc.
AUDIT DATE: December 13, 2010
PRODUCTS: Lingerie
PROCESSES: Cutting, Sewing, Finishing, Packing
NUMBER OF WORKERS: 107

For an explanation on how to read this report, please visit the FLA website here.
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Wages, Benefits and Overtime Compensation: 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: According to payroll records and management and worker interviews, the agency workers in the factory are paid only Php 220, which is below the legal daily Php 293-minimum rate. Although the basic wage the agency workers are getting is within the limit of the waiver granted to the agency, it is still below the legal minimum of the area where the factory is located. The prevailing wage order applicable to [Name of city], [Wage order reference number has been removed] the town where the factory is located, sets the minimum basic pay to Php 293.

Plan Of Action: The factory has to ensure that the regular workers and the agency workers are paid above the minimum wage.

Deadline Date: 04/24/2011

Action Taken: On February 24, 2011, Hanesbrands performed a follow-up audit and the issues were still outstanding. As per email communication with the factory, the agency workers were hired by an agency certified under [Name of enterprise has been removed]. Business under [Name of enterprise] is given an exemption from the minimum wage. Hanesbrands was advised that since January 2012, the factory had ceased the employment of agency workers. A further follow-up audit will take place in February, 2012 to ensure that the factory's representation is valid, i.e. there are no agency workers.

Plan Complete: No

Plan Complete Date:
Wages, Benefits and Overtime Compensation: Training and Probation Wage

WBOT.3 Where probation or training wages are legally allowed, no worker shall be paid a probation or training wage for more than three months cumulatively. (S)

Noncompliance

Explanation: Apprentices in the factory are paid a basic wage of Php 220 per day, which is within the legal minimum for apprentices. Local law (Article 61, Labor Code of the Philippines) requires apprentices to be paid at least 75% of the legal Php-293 daily minimum wage. However, the Php 220 that apprentices are getting is not within the FLA benchmark (WBOT.3), which states “where probation or training wages are legally allowed, no worker shall be paid a probation or training wage for more than three months cumulatively”. Apprentices are on a four-month contract with the factory. The factory’s apprenticeship program does not comply with some local requirements. The number of apprentices (35) in the factory exceeds the legal limit. The factory has 48 regular workers. Local law allows only up to 20% of the establishment’s regular workforce to be apprentices (TESDA Circular No. 16, Series of 2004).

Legal References: Article 61, Labor Code of the Philippines, TESDA Circular No. 16, Series of 2004

Plan Of Action: The factory should revise its employment contract with the apprentices. The program for the apprentice should not exceed a period of 3 months. In addition, the number of apprentices should not exceed 20% of the regular workforce of the factory.

Deadline Date: 04/22/2011

Action Taken: On February 24, 2011, Hanesbrands performed a follow-up audit and the issues were still outstanding. As per email communication with the factory dated December 2011, there were no apprentices employed by the factory. When there is a need to hire apprentices in the future, the factory will follow the FLA benchmark of not paying training wages exceeding a period of 3 months. A further follow-up audit will take place in February 2012, to review the status of the remediation.

Plan Complete: No
Wages, Benefits and Overtime Compensation: Record Maintenance

WBOT.21 Employers shall ensure that all legally required payroll documents, journals and reports are available, complete, accurate and up-to-date. (P)

Uncorroborated Evidence of Noncompliance

Explanation: Factory does not keep a copy of remittance receipts and reports of agency workers. On the day of the audit, the factory was unable to provide copies of remittance receipts and reports of agency workers. They said the documents are kept at the agency.

Plan Of Action: The factory should keep a copy of the remittance receipts and reports of the agency workers in the factory. A copy of other relevant documents should be copied and maintained in the facility.

Deadline Date: 02/24/2011

Action Taken: On February 24, 2011, Hanesbrands performed a follow-up audit and validated that the factory management properly maintained the remittance receipts of agency workers. They were available for review.

Plan Complete: Yes
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: Pay slips provided to workers and payroll records do not show deductions for tardiness.

Plan Of Action: The pay slips provided to workers and their payroll records should reflect all the deductions, including the deduction for tardiness. The factory should educate the workers to enhance their awareness of tardiness.

Deadline Date: 02/24/2011

Action Taken: On February 24, 2011, Hanesbrands performed a follow-up audit, and noted that the issue was still outstanding. As per email communication with the factory dated December 2011, the deduction for tardiness had already been reflected in the workers' pay slips. A further follow-up audit will take place in February 2012 to review the status of the remediation.

Plan Complete: No

Plan Complete Date:
Forced Labor: Employment Terms/Voluntary Agreement

F.3 Employment terms shall be those to which the worker has voluntarily agreed, in as far as those terms do not fall below provisions of local laws, freely negotiated and valid collective bargaining agreements, or the FLA Code. (P)

Uncorroborated Evidence of Noncompliance

Explanation: There are indications to suggest that the factory may not fully explain to an apprentice his apprenticeship status, thereby creating a situation where the latter signs into agreement with the factory without fully understanding the employment terms and his legal rights. Legal standards, and FLA benchmarks, distinguish between an apprentice and a contractual worker, with different legal entitlements. In a management interview, contractual and apprentice was used interchangeably, although the employment agreement they signed with the factory is that of an apprenticeship agreement (copies were provided and reviewed). Moreover, one apprentice interviewed identified herself as a contractual, not as an apprentice. (See CL.10, WBOT.2 for related findings.)

Sources: employment agreements, management interview

Plan Of Action: Prior to the confirmation of employment, the factory should explain clearly to the prospective employees that they are employed under the apprenticeship status. All the employment terms and legal rights/entitlements must be fully explained.

Deadline Date: 02/24/2011

Action Taken: On February 24, 2011, Hanesbrands performed a follow-up audit, and noted that the issue was still outstanding. As per email communication with the factory dated December 2011, the factory management confirmed that prior to the employment, the Human Resources personnel will conduct an orientation whereby the prospective employees will know that he/she is hired as an apprentice. In addition, the labor contract clearly states the employment status as an apprentice. A further follow-up audit will take place in February 2012 to review the status of the remediation.
Freedom of Association: Facilities for Worker Representatives

FOA.25 Workers’ representatives shall have the facilities necessary for the proper exercise of their functions, including access to workplaces. (S)

Noncompliance

Explanation: The worker representative position in not fully functional. In January 2009, a labor management committee was formed to establish a “continuing dialogue between the company and the workers” and to discuss “matters affecting the relationship between the company and the employees.” According to the document regarding the creation of the labor-management committee, the committee consists of 2 worker representatives and 2 management representatives. The said document, however, does not detail implementing guidelines for this committee, such as specific responsibilities of the members and the process for nominating and electing worker representatives. Moreover, the worker representative interviewed could not say clearly what her obligations are as a worker representative except that she signs, when needed, on government-mandated forms. The committee is not fully functional. Since 2008, the worker representative no longer participates in meetings that discuss worker-related matters. Lastly, the other worker representative is no longer with the company, but no one has been elected yet to replace him or her.

Plan Of Action: The function of the labor management committee and the responsibilities of the worker representative should be well documented. The worker representative should fully understand their obligations and attend the meeting with the management representatives on a periodic basis.

Deadline Date: 02/24/2011

Action Taken: On February 24, 2011, Hanesbrands performed a follow-up audit, and noted that the issue was still outstanding. As per email communication with the factory dated December 2011, the factory has already advised the worker representatives that they are allowed to represent the workers to communicate to the factory management any issues or concerns the workers might have. Meetings of the labor management committee will also be held on a regular basis. A further follow-up audit will be taken place in February 2012 to review the status of the remediation.

Plan Complete: No
Harassment or Abuse: Discipline/Review of Disciplinary Action

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

Noncompliance

Explanation: The factory's written policy on discipline does not include a provision that allows for review of a disciplinary case by someone higher than the one who imposes the disciplinary action. In addition, the policy does not specifically provide for a process on how a worker subject to a disciplinary action can appeal, question or challenge a disciplinary action and does not include a provision to allow for a third party be present when the disciplinary action is being imposed.

Plan Of Action: The factory should revise its disciplinary procedures to ensure that the disciplinary case will be independently reviewed by someone higher than the one who imposes the disciplinary action. In addition, the disciplinary procedures should include an appeal process so that the workers can appeal the case to a higher level when the disciplinary action is against him/her.

Deadline Date: 02/24/2011
Action Taken: On February 24, 2011, Hanesbrands performed a follow-up audit, and noted that the issue was still outstanding. As per email communication with the factory dated December 2011, it has already become an internal practice that prior to the disciplinary action, the disciplinary case could be escalated to the Company General Manager through the recommendations of managers and supervisors. The worker to be disciplined is now given a right to make an appeal. A further follow-up audit will take place in February, 2012 in order to review the amendment of the disciplinary policy and procedures and the ways how these new policy and procedures are communicated to the workers.

Plan Complete: No

Harassment or Abuse: Discipline/Training of Management

H&A.7 Employers shall ensure managers and supervisors are fully familiar with the factory disciplinary system and trained in applying appropriate disciplinary practices. (P)

Noncompliance

Explanation: According to worker and management interviews, supervisors are not formally trained on the factory's disciplinary policy. Although the line leaders and supervisors are responsible for monitoring workers' compliance with the rules and regulations of the company, no formal training has been conducted for the manager and supervisors on implementing the rules.

Plan Of Action: The factory management should train the line leaders or supervisors on the factory's disciplinary policy and procedures. This is especially important when there will be a modification of the said policy and procedures.

Deadline Date: 02/24/2011
Action Taken:

On February 24, 2011, Hanesbrands performed a follow-up audit, and noted that the issue was still outstanding. As per email communication with the factory dated December 2011, the disciplinary policy and procedures have been revised and documented. Training/re-orientation sessions have been organized for the line leaders and supervisors. A further follow-up audit will take place in February 2012 in order to review the training records.

Plan Complete:

No

Harassment or Abuse: Punishment of Abusive Workers/Supervisors/Managers

H&A.16 Management shall discipline anyone (including managers, supervisors or fellow workers) who engages in any physical, sexual, psychological or verbal violence, harassment or abuse, regardless of whether such action was intended as a means to maintain labor discipline. Such discipline could include (combinations of) compulsory counseling, warnings, demotions and termination. (P)

Noncompliance

Explanation: The factory's written policy on discipline does not explicitly state that harassment and abuse are actions subject to the company's discipline.

Plan Of Action:

Any physical, sexual, psychological or verbal violence, harassment or abuse should be prohibited regardless of the fact that such action(s) taken by the factory management is intended to maintain labor discipline.

Deadline Date:

02/24/2011

Action Taken:

On February 24, 2011, Hanesbrands performed a follow-up audit, and noted that the issue was still outstanding. As per email communication with the factory dated December 2011, the disciplinary policy and procedures have been revised and documented. In particular, harassment or abuse of any form will not be tolerated. Training/re-orientation sessions have been organized for the managers, line leaders and supervisors, and workers. A further follow-up audit will take place in February 2012 to review the training records.
Non-Discrimination: Employment Decisions

D.2 All employment decisions shall be made solely on the basis of a person's qualifications, in terms of education, training, experience, demonstrated skills and/or abilities, as they relate to the inherent requirements of a particular job. (P)

Uncorroborated Evidence of Noncompliance

Explanation: As a matter of policy, apprentices and agency workers are not given overtime work, according to management interview. Document review confirms that there is no overtime work for agency workers and apprentices. Local law allows apprentices to do overtime work provided that the hours are credited to the apprenticeship period.

Plan Of Action: All employment decisions, including the selection of workers who work overtime, should be based on the person's abilities, qualifications and skills.

Deadline Date: 03/24/2011

Action Taken: As per email communication with the factory dated December 2011, the selection of workers for overtime work is based on the workers' ability and skills. Skillful workers in general have higher productivity and produce finished garments of a higher quality, thus they are given priority to work overtime. As per email communication with the factory dated January 2012, the factory no longer hires agency workers or apprentices. The information will be verified during the next follow-up visit.

Plan Complete: No
Non-Discrimination: Protection and Accommodation of Pregnant Workers and New Mothers

D.9 Employers shall abide by all protective provisions in local laws and regulations benefiting pregnant workers and new mothers, including maternity leave/benefits, prohibitions regarding night work, temporary reassignments away from work that pose risk to the health of women and their children, temporary adjustment of working hours during and after pregnancy, and the provision of breastfeeding breaks and facilities. Where such legal protective provisions are lacking, employers to take reasonable measures to ensure the safety and health of pregnant women and their unborn children. Such measures shall be taken in a manner that shall not unreasonably affect the employment status, including wages and benefits of pregnant women. (P)

Uncorroborated Evidence of Noncompliance

Explanation: Auditors found no child-care facilities in the factory. Local law (Art. 132, Labor Code of the Philippines) states that an employer "...establish a nursery in a workplace for the benefit of the women employees therein."

Plan Of Action: The factory should establish a childcare facility at the workplace for the benefit of the female employees as per the local regulation.

Deadline Date: 06/30/2011

Action Taken: On February 24, 2011, Hanesbrands performed a follow-up audit, and noted that the issue was still outstanding. As per email communication with the factory dated December 2011, the factory management has reservations about establishing a child care facility inside the factory due to the safety concerns, especially related to allowing children to be on the working premises. A further follow-up audit will take place in February 2012 in order to have a thorough discussion with the factory management.

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:** All workers interviewed are not aware of Hanesbrands' Code of Conduct, although a copy written in the local language is prominently posted on the shop floor. Worker interviews also indicate that no training on the code was conducted.

**Plan Of Action:** Through orientation and training, all new workers and existing workers should be familiar with Hanesbrands' Code of Conduct. On an on-going basis, the factory should enhance the workers' general awareness of Hanesbrands' Code of Conduct.

**Deadline Date:** 02/24/2011

**Action Taken:** On February 24, 2011, Hanesbrands performed a follow-up audit, and noted that the issue was still outstanding. As per email communication with the factory dated December 2011, the factory management has included the introduction of Hanesbrands' Code of Conduct in the orientation program for the newly employed. In addition, for all existing workers, sessions have been organized and arranged to familiarize the workers with the Code. The factory will post HBI's COC in a more prominent location in order to allow workers to be more aware of the Code. A further follow-up audit will take place in February 2012 in order to hold worker interviews to validate whether or not the workers are familiar with the Code of Conduct.

**Plan Complete:** No

**Plan Complete Date:**
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: There is no communication channel available between Hanesbrands and the workers, based on management and worker interviews.

Plan Of Action: The factory management should establish an effective grievance policy and procedures so that workers can report grievances when deemed necessary. Due to the wide scale of the supply chain in Asia, HBI is currently evaluating the capacity and resources required to establish a direct communication channel effectively between the workers and the company. Therefore, it is the responsibility of the factory management to effectively establish a grievance policy and related procedures, including documentation, investigation and resolution of the workers' grievances. HBI will be exploring the best way to establish a direct communication channel to workers in order to meet FLA standards.

Deadline Date: 02/24/2011

Action Taken: On February 24, 2011, Hanesbrands performed a follow-up audit, and noted that the issue was still outstanding. A further follow-up audit will take place in February 2012 to determine the best way to establish direct communication with workers.

Plan Complete: No

Plan Complete Date:
**Miscellaneous: Illegal Subcontracting**

**MISC.1 Illegal Subcontracting**

**Noncompliance**

**Explanation:** Local law (Article 106, Labor Code of the Philippines; Department Order No. 18-02, Series of 2002) prohibits labor-only contracting, or a contracting arrangement where business contracts from another establishment "which does not have substantial capital or investment in the form of tools, equipment, machinery, work premises, among others, and where the workers recruited and placed by such person are performing activities which are directly related to the principal business of such employer. In such cases, the person or intermediary shall be considered merely as an agent of the employer, who shall be responsible to the workers in the same manner and extent as if the latter were directly employed by him.” From official documents (e.g. service contract signed with the manpower agency) and management interview, the factory disclaims any employer-employee relationship between them and the agency workers. The audit found evidence to strongly suggest labor-only contracting. First, the work assigned to the agency workers is directly related to the garments manufacturing operations of the factory. Per management interview, worker interviews, and document review, agency workers supplied to the factory do sewing, packing, bundling, and cutting, processes that are essential to the business of the factory. Although the agency pays the wages of the agency workers, these workers do work at the factory, using equipment owned by the factory under the direct supervision of the factory and subject to the rules and policies of the factory. 29ers Manpower Services' apparent role is merely to recruit persons to work for Jewel Lingerie. According to the agency workers and management interviewed, the hiring and screening processes are done both by the agency and the factory. The trade test, or “trial” as local workers would call it, is done at the factory and evaluated by the factory's supervisors. Once the agency workers are hired, they start work at the factory, and they are directly supervised and monitored by the factory's line leaders and supervisors. Moreover, the factory owns the lot, building, and machinery used by the agency workers. (See WBOT.2 for related findings.)

Legal References: Article 106, Labor Code of the Philippines; Department Order No. 18-02, Series of 2002

**Plan Of Action:** The factory should cease the “labor-only contracting” as it is not a legal practice.

**Deadline Date:** 03/24/2011
On February 24, 2011, Hanesbrands performed a follow-up audit and noted that the issue was still outstanding. Hanesbrands was advised that since January 2012, the factory had ceased the employment of agency workers. As a consequence, there will be no “labor-only contracting”. A further follow-up audit will take place in February 2012 to ensure that the factory’s representation is valid, i.e., there are no agency workers.

Plan Complete: No

Health and Safety: Health and Safety Management System

H&S.5 The health and safety policy shall contain the framework for a comprehensive health and safety management system within which employers’ responsibilities and workers’ rights and duties, various responsibilities of designated personnel, procedures that enable workers to raise health and safety concerns and procedures for reporting death, injury, illness and other health and safety issues (for instance, near-miss accidents) are clear and regularly tested and reviewed. (P)

Uncorroborated Evidence of Noncompliance

Explanation: The factory’s health and safety policy is inadequate. It does not include the roles and responsibilities of management or of the health and safety committee. The policy also does not include provisions for monitoring implementation of or compliance with the procedures (emergency evacuation, response to sickness and injury, etc.) and review of these procedures.

Plan Of Action: The factory should set up a health and safety committee, the function of which is to institute health and safety policy, procedures, and monitor the implementation.

Deadline Date: 03/24/2011

On February 24, 2011, Hanesbrands performed a follow-up audit, and noted that the issue was still outstanding. As per email communication with the factory dated December 2011, the factory management has a safety committee, which handles matters pertaining to health and safety. This safety committee is comprised of a fire brigade and representatives from the health and sanitation committee. A further follow-up audit will take place in February 2012 to review how the safety committee functions and its meeting minutes.
Health and Safety: Permits and Certificates

H&S.8 The employer shall at all times be in possession of all legally required and valid permits and certificates related to health and safety issues, such as those related to the purchase and storage of chemicals, fire safety inspections, inspection of machinery, and (chemical) waste disposal. (P)

Noncompliance

Explanation: Local law mandates registration and annual inspection for electrical and mechanical safety of machinery, electrical installations, and equipment of industrial establishments with the [Name of government agency]. Auditors found that the factory has no electrical safety inspection certificate from the local government agency to prove that the electrical installations have been inspected and are found to comply with the agency's electrical safety standards. Its power generator also has not been registered and has not been inspected. Proof of inspection of the fuel-fired generator comes in the form of an annual permit from the agency. Local law also requires that the factory's equipment should be subject to a mechanical safety inspection in order to monitor compliance to mechanical safety standards. The factory has no certificates for such inspection.

Plan Of Action: The factory should obtain the electrical safety inspection certificate from [Name of local government agency] for the electrical installations. The power generator must be registered and inspected. The fuel-fired generator must also be inspected with supporting documentation to prove that this has been done properly.

Deadline Date: 02/24/2011

Action Taken: On February 24, 2011, Hanesbrands performed a follow-up audit, and noted that the issue was still outstanding. As per email communication with the factory dated December 2011, the factory claimed that an inspection of the equipment and premises is done on an annual basis by a local engineering office, which gives approval of renewal of the company's business permit. Another follow-up audit will take place in February 2012 in order to establish a thorough understanding of how the factory management handles the electrical installations, and to understand how the power generator and other equipment is inspected.
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### Health and Safety: Evacuation Requirements and Procedure

H&S.9 All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, the installation and maintenance of an employee alarm and emergency lighting systems, ensuring aisles/exits are not blocked and that workers are not blocked within their workstations, employee education, evacuation procedures, etc.) shall be complied with. Workers shall be trained in evacuation procedures. Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually. (S)

#### Noncompliance

**Explanation:** Auditors found a number of stumbling and tripping hazards in the workplace. Glass shards were found along the walkway leading to the factory's toilet facilities. The path leading to the canteen is partially blocked by a part from a machine and an upright pole. In the cutting area, an overhead pole juts from the table within some of the workers' height, posing a safety hazard. Local safety standards (Manual of Occupational Safety and Health Standards 3.01) require that “...parts of floors over which any person is liable to walk shall be sufficiently even to afford safe walking and ... shall be free from holes and splinters, improperly fitted gutters or conduits, protruding nails and bolts, projecting valves or pipes, or other projections or obstructions which create stumbling hazards.”

**Legal Reference:** Manual of Occupational Safety and Health Standards 3.01

**Plan Of Action:** The factory should designate a person responsible for safety in the workplace. He or she will be responsible for ensuring that the workplace is free from hazards. He or she should come up with an internal mechanism to prevent the same violations from happening again.

**Deadline Date:** 02/28/2011
Action Taken: On February 24, 2011, Hanesbrands performed a follow-up audit, and noted that the path and aisles were free from obstructions. As per email communication with the factory dated December 2011, the factory claimed that a memo had been issued to inform the employees to keep the aisles and walkways free from any obstacles. A further follow-up audit will take place in February 2012 to ensure that all the outstanding issues have been remediated.

Plan Complete: No

Plan Complete Date:

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: Cutters and many sewing machine operators were found not wearing the needed dust masks.

Plan Of Action: Supplier should provide dust masks to workers, and train them on how to use it and the reasons for using it.

Deadline Date: 02/24/2011

Action Taken: On February 24, 2011, Hanesbrands performed a follow-up audit, and noted the following:

- Posters showing how to use the PPE and the reasons to use the PPE were found posted in the production area.

- Training to enhance the workers' awareness of PPE was organized on February 22, 2011 for workers in the cutting and sewing departments. A further follow-up audit will take place in February 2012 to inspect if the workers from both the cutting and sewing departments continue to wear the mask.
Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance

H&S.17 All necessary ventilation, plumbing, electrical, noise and lighting services shall be installed and maintained to conform to applicable laws and in such a manner as to prevent or minimize hazardous conditions to workers in the facility. (S)

Uncorroborated Evidence of Noncompliance

Explanation: The factory's guard dog is kept in the power generator room, which may pose a risk if the dog chews the wires. The electrical panel in the front of the shop floor was open.

Plan Of Action: The guard dog should not be kept in the power generator room. The power generator should be inspected on a periodic basis.

Deadline Date: 02/24/2011

Action Taken: On February 24, 2011, Hanesbrands performed a follow-up audit, and noted that the guard dog has been removed from the power generator room. As per email communication with the factory dated December 2011, the factory claimed that the power generator is regularly inspected by the head of the [Name of fire authority]. In addition, an inspection record is to be attached to the generator. A further follow-up audit will take place in February 2012 to review the inspection records attached to the power generator.

Plan Complete: No
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: Not all sewing machines are equipped with the needed safety guards: needle guard, eye protection plate (for the special sewing machines), and conveyor belt.

Plan Of Action: All the sewing machines should be equipped with these safety devices: needle guard, eye protection plate and conveyor belt.

Deadline Date: 02/24/2011

Action Taken: On February 24, 2011, Hanesbrands performed a follow-up audit, and observed that all sewing machines have been equipped with protective guards. No follow-up actions are deemed necessary.

Plan Complete: No

Plan Complete Date:
Health and Safety: Medical Facilities

H&S.21 Medical facilities shall be established and maintained in factories as required by applicable laws. Medical staff shall be fully licensed and recognized under applicable local rules and regulations. An appropriate number of medical staff shall be on duty during all working hours, including any type of overtime, as required under local law. An appropriate stock of medical supplies shall be maintained at all times. Medicines of which the expiration date has passed must be replaced immediately and disposed of in a safe manner. (P)

Noncompliance

Explanation: Factory has no part-time registered nurse, as legally required. Local law (Occupational Safety and Health Standards 1963.02) requires a part-time nurse for a non-hazardous facility with 100-199 workers. The facility has 110-plus workers and employees.

Legal Reference: Occupational Safety and Health Standards 1963.02

Plan Of Action: The factory should look for a part-time nurse as required by local regulation.

Deadline Date: 03/24/2011

Action Taken: On February 24, 2011, Hanesbrands performed a follow-up audit, and noted that the factory was in the process of looking for a part-time nurse. As per email communication with the factory dated December 2011, the factory advised us that due to unstable orders, the size of the factory had been reduced to a number less than 100. Instead of hiring a part-time nurse, the factory communicated with the Red Cross Chapter to express its intention to send an employee for training as a first-aider. A further follow-up audit will take place in February 2012 to follow-up on the status of the training of a first-aider.

Plan Complete: No
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:** The canteen and toilet facilities were found to be inadequately cleaned and maintained. The kitchen was infested with ants and cockroaches. Leftovers litter the canteen floor. The toilet facilities, on the other hand, are not adequately supplied with pails and dippers. There are no hand-wash facilities (no sink with which to wash hands). The doorjamb is worn out due to termite infestation.

**Plan Of Action:** The factory has to improve the sanitary conditions of the canteen and toilets, in particular:

- The kitchen should be clean and tidy without ants and cockroaches.
- No leftovers should be found on the canteen floor.
- The toilets will be adequately equipped with pails and dippers.
- Replace the doorjamb.

**Deadline Date:** 02/24/2011

**Action Taken:** On February 24, 2011, Hanesbrands performed a follow-up audit, and noted the following:

- The factory assigned a cleaning service company to clean the toilets periodically.
- A bigger trashcan was put inside the canteen.
- Pails and dippers were provided in each of the toilets.
- Doorjamb has been fixed.

A further follow-up audit will take place in February 2012 to further review the sanitary conditions of the canteen and toilets.

**Plan Complete:** No
Health and Safety: Other - Health and Safety
Other

Noncompliance

Explanation: The factory's waste is not adequately managed. The factory has no waste management plan. Its domestic waste is not segregated and is left to pile up.

Plan Of Action: The factory should establish a waste management plan. This plan should be well communicated to the workers.

Deadline Date: 02/24/2011

Action Taken: On February 24, 2011, Hanesbrands performed a follow-up audit, and noted that the factory had established a waste management plan. The plan has been posted in the facility to enhance workers' awareness.

Plan Complete: No
**Hours of Work: Public Holidays**

HOW.13 Employers shall provide workers with all official public holidays as required under local laws, regulations and procedures. (S)

**Noncompliance**

**Explanation:** A management interview and document review indicates that holiday pay is not paid to agency workers and apprentices/contractuals. Payroll records reviewed show that only the factory’s permanent/regular workers receive the legally mandated holiday pay. When asked, management confirmed this. Local law (Labor Code of the Philippines, Article 94) mandates that “every worker shall be paid his regular daily wage during regular holidays....” The law regulating [Name of enterprise has been removed] (RA 9178), a status of a small-sized business of which [Name of subcontractor has been removed] has been granted, also stipulates that workers of the [Name of enterprise] "shall be entitled to the same benefits given to any regular employee such as social security and healthcare benefits."

Legal Reference: Labor Code of the Philippines, Article 94

**Plan Of Action:** The factory should ensure that the apprentices and agency workers are entitled to the holiday pay, and other benefits as required by relevant local regulations.

**Deadline Date:** 04/09/2011

**Action Taken:** On February 24, 2011, Hanesbrands performed a follow-up audit, and noted that this issue was still outstanding. As per email communication with the factory dated December 2011, the factory advised us that all employees including apprentices and agency workers will be entitled to holidays starting April 9, 2011. A follow-up audit will take place in February 2012 to validate the factory's communication.

**Plan Complete:** No

**Plan Complete Date:**
Hours of Work: Annual Leave
HOW.14 Employers shall provide workers with paid annual leave as required under local laws, regulations and procedures. (S)

Noncompliance

Explanation: Agency workers are not provided with the legally mandated paid type of leave. According to the management and agency workers interviewed, the agency workers are only allowed unpaid leave. They can take off work if they give reasonable notice to management, but those days missed would not be paid. Management disclaims any employer-employee relationship between them and the agency workers, such that they are not obligated to provide these agency workers the legally mandated benefits that they give their regular workers. (See MISC.1 and WBOT.2 for related findings.) Per local law, a worker is entitled to the following paid leaves: service incentive leave (5 days every year for workers who have worked at least one year) (Article 95, Labor Code of the Philippines), paternity leave (RA 8187), and solo parent leave (RA 8972). Local law (Art 280, Labor Code of the Philippines) defines regular employment as that where a worker "has been engaged to perform activities which are usually necessary or desirable in the usual business or trade of the employer, except where the employment has been fixed for a specific project or undertaking the completion or termination of which has been determined at the time of the engagement of the employee or where the work or service to be performed is seasonal in nature and the employment is for the duration of the season." By this definition, the agency workers are the factory's regular workers.

First, agency workers in the factory are employed in production jobs (cutting, sewing, packing) that are basic and regular to the factory's operations throughout the year. Cutting, sewing, and packing cannot be seasonal in nature since these operations are present throughout the year; only the workers that do those regular jobs are replaced and temporary. The local law also provides that "any employee who has rendered at least one year of service, whether such service is continuous or broken, shall be considered a regular employee with respect to the activity in which he is employed and his employment shall continue while such activity exists." Document review (agency workers' 201 files) and worker interviews indicate more than a year's service of some of these agency workers.

Plan Of Action: When the factory signs an agreement with the agent, the agreement must include a clause requiring that the agent must pay the workers the salary and all related mandated benefits pursuant to the pertinent local regulations. The factory has a due care to ensure that the agent adheres to the local regulations. A copy of all the relevant documents (payroll, time cards, personnel records, etc.) has to be maintained at the factory for audit purposes.
Deadline Date: 04/24/2011

Action Taken: On February 24, 2011, Hanesbrands performed a follow-up audit and the issue was still outstanding. Hanesbrands was advised that since January 2012, the factory had ceased the employment of agency workers. As a consequence, this violation has been disposed. A further follow-up audit will take place in February 2012 to ensure that the factory’s claim is valid, i.e., there are no agency workers.

Plan Complete: No