FLA Comment: This report was submitted with a corresponding corrective action plan to the FLA and was reviewed by FLA staff. In an effort to improve the effectiveness of remediation, the FLA has provided feedback and recommendations to the company, however the recommendations have not been agreed or incorporated by the company. The report is posted in its current state and is considered finalized. Updates on the progress of the corrective action will be posted when received by the company.
CONTENTS:

Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses ...... 3
Wages, Benefits and Overtime Compensation: Deposit of Legally Mandated Deductions .......... 4
Harassment or Abuse: Discipline/Progressive Discipline .................................................. 5
Harassment or Abuse: Discipline/Written Disciplinary System ........................................... 6
Harassment or Abuse: Discipline/Verbal Abuse .................................................................. 7
Harassment or Abuse: Violence/Harassment/Abuse ............................................................... 8
Harassment or Abuse: Punishment of Abusive Workers/Supervisors-Managers .................. 9
Non-Discrimination: General Compliance Non-Discrimination .......................................... 10
Miscellaneous: Code Awareness .......................................................................................... 11
Health and Safety: General Compliance Health and Safety .................................................. 12
Health and Safety: Evacuation Requirements and Procedure .............................................. 13
Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance ....................... 14
Health and Safety: Drinking Water ....................................................................................... 15
Hours of Work: Rest Day ..................................................................................................... 16
Hours of Work: Time Recording System .............................................................................. 17
Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses

WBOT.5 Employers shall provide all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave, severance payments and 13th month payments, to all eligible workers within legally defined time periods. In addition, all leave and bonuses shall be calculated correctly. (S)

**Noncompliance**

**Explanation:** Payment of legal benefits (Christmas and Fourteenth Month) are miscalculated because the factory applies the average of salaries for the last 6 months, when labor law requires to take account of the average of salaries for the last 12 months.

**Source:** payroll review

**Legal References:** Articles 2, 5, and 6 of Fourteenth Month of Salary in Concept of Social Compensation Regulations

**Plan Of Action:** The 13th month salary has been calculated and paid, based on the average salary for the last 12 months. This formula will be applied to the 14th month salary next year.

**Deadline Date:** 12/16/2010

**Supplier CAP:**

**Supplier CAP Date:**

**Action Taken:** No further action required.

**Plan Complete:** Yes

**Plan Complete Date:**
Wages, Benefits and Overtime Compensation: Deposit of Legally Mandated Deductions

WBOT.13 All legally mandated deductions for taxes, social insurance, or other purposes shall be deposited each pay period in the legally defined account or transmitted to the legally defined agency. This includes any lawful garnishments for back taxes, etc. The employer shall not hold over any of these funds from one pay period to the other unless the law specifies that deposits are to be made less frequently than pay periods (e.g., monthly deposits, weekly pay). If the law does not specify, then deposits shall be made before the next pay period in all cases. (S)

Uncorroborated Evidence of Noncompliance

Explanation: Auditors could not corroborate the legal payment of the relevant contribution to the Honduran Social Security Institute corresponding to June 2010, because there was not a reliable documentary proof of such payment. The management only had a copy of the check, not a receipt with the stamp of the bank.

Plan Of Action: A copy of receipt for to the month of June 2010 was obtained from the Honduran Social Security Institute.

Deadline Date: 12/16/2010

Supplier CAP:

Supplier CAP Date:

Action Taken: No further action required.

Plan Complete: Yes

Plan Complete Date:
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: There is no evidence that factory has a written system of progressive discipline.

Plan Of Action: Articles 43 to 54 of [Factory name's] Internal Regulation Manual talk about the progressive discipline system and it is clearly explained. The Internal Regulation Manual is posted in a visible and transited area inside the plant. Also, during the newly hired induction, the discipline process is explained to all new employees. In the employee files, there is a signed acknowledgment letter that indicates that all these procedures were explained to the employees.

Deadline Date: 12/16/2010

Supplier CAP:

Supplier CAP Date:

Action Taken: No further action required.

Plan Complete: Yes

Plan Complete Date:
Harassment or Abuse: Discipline/Written Disciplinary System

H&A.5 Employers shall maintain a system of written disciplinary rules, procedures and practices. Disciplinary rules, procedures and practices shall be clearly communicated to all workers. (P)

**Noncompliance**

**Explanation:** Although the HR Manager said that they had a policy and procedure for handling discipline, there was no documentary evidence of the disciplinary procedure that factory applies in place. Management only showed the working rules, but they do not specify anything about discipline.

**Plan Of Action:** Articles 43 to 54 of [Factory name's] Internal Regulation Manual talk about the progressive discipline system and it is clearly explained. The Internal Regulation Manual is posted in a visible and transited area inside the plant. Also, during the newly hired induction, the discipline process is explained to all new employees. In the employee files, there is a signed acknowledgment letter that indicates that all these procedures were explained to the employees.

**Deadline Date:** 12/16/2010

**Supplier CAP:**

**Supplier CAP Date:**

**Action Taken:** No further action required.

**Plan Complete:** No

**Plan Complete Date:**
Harassment or Abuse: Discipline/Verbal Abuse
H&A.11 Employers shall not use any form of verbal violence, including screaming, yelling, or the use of threatening, demeaning, or insulting language, as a means to maintain labor discipline. (S)

Noncompliance

Explanation: Most (75%) workers complained of verbal abuse at the factory. In particular, they revealed that the production and HR managers scream at them and talk to them in a rude and disrespectful way. These workers assured that this mistreatment happens very often.

Plan Of Action: Our Global Business Standards have been reinforced to all managers and supervisors (attendance signature attached). Additionally, an external company will give a training on employment treatment, this is a 12-session course that will begin in early 2011. Labor satisfaction surveys will take place once a month; results and action plans (if needed) will be posted in the plant. Also, internal compliance audits will be performed by CSR department twice a year.

Deadline Date: 06/01/2011
Supplier CAP:
Supplier CAP Date:
Action Taken: No
Plan Complete Date:
Harassment or Abuse: Violence/Harassment/Abuse

H&A.13 Employers shall ensure that the workplace is free from any type of violence, harassment or abuse, be it physical, psychological, sexual, verbal, or otherwise. Employers shall refrain from any action – and shall take all appropriate action to ensure that all workers refrain from any action – that would result in an intimidating, hostile or offensive work environment for workers. (S)

Noncompliance

Explanation: Factory has not taken all appropriate measures to ensure workplace is free from any type of harassment or abuse: Management mentioned its policy regarding harassment and abuse and also talked about its "open door policy," based on all workers having the right to directly report any problem regarding labor conditions. However, 68% of interviewed employees revealed that this mechanism is not effective because it is not reliable. Some of them have reported cases of verbal abuse, but nothing changes. Others considered that if they complain, there could be retaliation. In writing, there is not a procedure for workers to report any instance of harassment or abuse.

Plan Of Action: Our Global Business Standards have been reinforced to all managers and supervisors. Additionally, an external company will give a training on employment treatment, this is a 12-session course that will begin in early 2011. A more effective communications program has been implemented. The solutions to all complaints that come through our open door policy, round tables, and suggestion boxes will be posted in the plant so employees can verify that reported issues are being taken care of.

Deadline Date: 06/01/2011

Supplier CAP:

Supplier CAP Date:

Action Taken:

Plan Complete: No

Plan Complete Date:
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: Up to this moment, managerial personnel involved in verbal abuse cases reported by employees have not been disciplined.

Plan Of Action: Our Global Business Standards have been reinforced to all managers and supervisors (attendance signature attached). Additionally, an external company will give a training course on employment treatment, this is a 12-session course that will begin in early 2011.

Deadline Date: 06/01/2011

Supplier CAP: 

Supplier CAP Date: 

Action Taken: 

Plan Complete: No 

Plan Complete Date: 
Non-Discrimination: General Compliance Non-Discrimination

D.1 Employers shall comply with all local laws, regulations and procedures concerning non-discrimination. (S)

Noncompliance

Explanation: Management has not hired the required legal number of workers with a disability: 4 workers with a disability for each 100 employees. The presence of just 6 workers in the facilities with a disability was corroborated when there must be, at least, 44 employees with a disability.

Legal Reference: Art. 2 of Law of Employment Promotion for People with Disability

Plan Of Action: Corporate HR will evaluate and consult with the Legal Department and will proceed accordingly.

Deadline Date: 04/01/2011

At Hanesbrands we believe in equal employment opportunities. Job applicants are entitled to respect and should be judged only on the basis of their qualifications, demonstrated skills, and achievements. Hanesbrands prohibits discrimination based on a person's disability.

Plan Complete: No

Plan Complete Date: 04/01/2011
Miscellaneous: 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: 85% of interviewed workers assured that brand standards are not explained to them. Besides, there is no documentary evidence showing that management has to informed employees about HBI standards and accomplished its compulsory.

Plan Of Action: Our Global Business Standards are rolled out to 100% of [Factory name] employees every year. All newly hired workers receive training on Global Business Standards as part of their induction process. Employees sign an acknowledgment card and a copy of it can be found in their file.

Deadline Date: 12/16/2010

Supplier CAP:

Supplier CAP Date:

Action Taken: No further action required.

Plan Complete: Yes

Plan Complete Date:
Health and Safety: General Compliance Health and Safety

H&S.1 Employers shall comply with all local laws, regulations and procedures concerning health and safety. (S)

Noncompliance

Explanation: Most aisles are not clearly marked and are also blocked by boxes full of production. Besides, aisles do not have the legal space between each other. In production lines and in warehouse, 4 aisles found with less than 1.0 meter space between them.

Source: observation tour

Legal Reference: The Honduran General Rules about Preventive Measures requires 1.2 meters between main aisles and 1.0 meter between minor aisles.

Plan Of Action:

1. All aisles will be repainted during the month of December. Inspections will be made quarterly to ensure all aisles are properly marked.

2. Safety coordinator will conduct daily walkthroughs of plant. Additionally, weekly inspections will be made and documented to ensure aisles are free of obstacles at all times.

3. A new layout has been elaborated and changes will be made effective in January 2011.

Deadline Date: 01/10/2011

Supplier CAP:

Supplier CAP Date:

Action Taken:  

Plan Complete: No  

Plan Complete Date:
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: There are no evacuation plans posted. Factory does not even have an approved evacuation plan. Management explained that they are going through a revision process of all evacuation procedures.

Plan Of Action: The evacuation plan is already posted in the plant. The new layout will be sent to the fire department for its approval and will be posted in the first week of January.

Deadline Date: 01/10/2011

Supplier CAP:

Supplier CAP Date:

Action Taken:

Plan Complete: No

Plan Complete Date:
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)

Noncompliance

Explanation: Most sewing department workers do not use the relevant earplugs, when music from the speaker is so loud it exceeds the legal limit of 85 decibels. In 3 speakers in the sewing department, the levels corroborated by auditors were: 92, 93, and 96 decibels. Workers agree with the playing of music, but it should not be so loud that it exceeds legal limits.

Source: observation tour
Legal Reference: Article 353 of General Rules about Preventive Measures

Plan Of Action: A noise survey will be conducted and an action plan will be put together (if needed) based on the result of the study.

Deadline Date: 02/28/2011

Supplier CAP:
Supplier CAP Date:

Action Taken: No

Plan Complete: No

Plan Complete Date:
Health and Safety: Drinking Water

H&S.26 Safe and clean drinking water shall be freely available at all times, within reasonable distance of the workplace. Drinking water shall be of a reasonable temperature and the means to drink water (cups, etc.) must be safe and sanitary and available in an appropriate number. (S)

Uncorroborated Evidence of Noncompliance

Explanation: Clean water is not available for workers: several complaints from workers who assured that the water the factory provides them to drink is dirty. They say it smells and tastes awful; 2 workers said that they have found worms and cockroaches. When auditors asked factory to show documentary evidence of water testing, they admitted they have not conducted such testing in the last year.

Plan Of Action: Water analysis was made for all drinking fountains in the plant by a private laboratory and the Ministry of Health. The results were that no bacteria were found. Weekly maintenance and cleaning will be performed to the water fountains and water analysis test will be performed every 2 months. The results will be posted at each drinking fountain.

Deadline Date: 12/16/2010

Supplier CAP:

Supplier CAP Date:

Action Taken: No further action required.

Plan Complete: No

Plan Complete Date:
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: There was documentary evidence that employees have worked without a rest day for each 7-day period.

1. 1 temporary employee worked 2 continuous weeks without a rest day from August 2-15, 2010.

2. 5 employees in Logistic Department did not have a rest day from August 2-8, 2010.

3. 1 clerical employee worked 2 continuous weeks without a rest day in June 2010.

Plan Of Action: The overtime and working hours' policies will be reinforced. HR and Plant managers will have direct control and will keep track of every single employee's working overtime to keep it under the established and approved limits. Only HR and plant managers will authorize overtime hours.

Deadline Date: 12/16/2010

Supplier CAP:

Supplier CAP Date:

Action Taken: No further action required.

Plan Complete: No

Plan Complete 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: Factory does not have a reliable and accurate time tracking system for employees, due to the several corrections and mistakes found at the beginning and at the end of the daily shift records. These corrections have been made by hand.

Plan Of Action: A new software of time and attendance (PR 2000) will be implemented during the first quarter of 2011.

Deadline Date: 02/28/2011

Supplier CAP:

Supplier CAP Date:

Action Taken: Time and attendance software are being evaluated and shall be up and running by 2013.

Plan Complete: No

Plan Complete Date: