Company Comment: Factory has become inactive as of September 2011. A message was sent from the HBI sourcing team advising that they would not place any bulk production orders to this facility from September, 2011. The factory has been deactivated in the system since then. HBI engaged a third party auditing firm to perform an audit at November 2010, and no zero tolerance violations were identified. HBI internal team conducted a follow up audit in March 2011 to ensure that the factory had taken steps to address the major non-compliances that were identified by FLA. To the best of HBI’s knowledge, there were no other FLA affiliated brands sourcing from the factory at the time of HBI’s exit to take over remediation.

*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.
CONTENTS:

Wages, Benefits and Overtime Compensation: General Compliance Wages, Benefits and Overtime Compensation ........................................................................................................... 3
Wages, Benefits and Overtime Compensation: Timely Payment of Wages ................................................. 4
Wages, Benefits and Overtime Compensation: False Payroll Records ....................................................... 6
Wages, Benefits and Overtime Compensation: Other - Wages, Benefits and Overtime Compensation .... 7
Freedom of Association: Right to Freely Associate .................................................................................. 9
Freedom of Association: Grievance Procedure ....................................................................................... 11
Non-Discrimination: Recruitment and Employment Practices (Job Advertisements, Job Descriptions, Evaluation Policies) .............................................................................. 12
Code Awareness: ................................................................................................................................. 14
Code Awareness: ................................................................................................................................. 15
Code Awareness: ................................................................................................................................. 16
Health and Safety: General Compliance Health and Safety ....................................................................... 18
Health and Safety: Notification and Record Maintenance ........................................................................... 19
Health and Safety: Evacuation Requirements and Procedure ..................................................................... 21
Health and Safety: Chemical Management and Training ........................................................................... 24
Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance ........................................... 26
Health and Safety: Sanitation in Factory Facilities .................................................................................... 27
Health and Safety: Food Preparation ......................................................................................................... 29
Health and Safety: Other - Health and Safety .......................................................................................... 31
Hours of Work: General Compliance Hours of Work .................................................................................. 34
Hours of Work: Rest Day ......................................................................................................................... 36
Hours of Work: Time Recording System ................................................................................................... 38
Wages, Benefits and Overtime Compensation: General Compliance

Wages, Benefits and Overtime Compensation

WBOT.1 Employers shall comply with all local laws, regulations and procedures concerning the payment of wages and benefits, including overtime compensation. In any case where laws and the FLA Code are contradictory, the standard that provides the greatest protection for workers shall apply. Where provisions are lacking, employers shall take measures to reasonably accommodate matters concerning the payments of wages and benefits, including overtime compensation. (S)

Noncompliance

Explanation: New Finding: Factory has not contributed medical insurance for 7 foreign staff members (Korean and Chinese managers and supervisors).

Plan Of Action: Hbl will conduct quarterly visits and ensure the supplier takes the following actions:

1. The factory should contribute to medical insurance for all foreign staff members.
2. Factory management and all foreign staff members should receive training on the relevant legal requirements.
3. Establish an internal monitoring system to guarantee that all employees will get benefits per legal requirements.

Deadline Date: June 30, 2011

Deadline Date: 06/30/2011

Action Taken: Hbl follow-up audit: March 3, 2011

Pending: Factory did not contribute medical insurance for 6 Foreign staff yet (3 Korean and 3 Chinese managers and supervisors).

Plan Complete: No
**Wages, Benefits and Overtime Compensation: Timely Payment of Wages**

WBOT.4 All wages, including overtime compensation shall be paid within legally defined time limits. When no time limits are defined by law, compensation shall be paid at least once a month. (S)

**Noncompliance**

**Explanation:** Salary and severance allowance are not paid to workers within 7 days as required by law. According to the collective bargaining agreement (CBA), this should be paid on the 15th of the following month; however, in practice, it is paid on the 20th.

**Plan Of Action:** Will follow up on this issue by visiting the facility at least every 6 months.

**Deadline Date:** 02/28/2009

**Supplier CAP:** Will pay on 15th each month from now on.

**Supplier CAP Date:** 09/30/2008

**Action Taken:** Based on reviews of salary and severance allowance payment records from July and August 2008, the factory paid workers within 7 days, as required by law.

**Plan Complete:** Yes

**Plan Complete Date:** 09/24/2008
Action Verified: No

Action Verified Text: Pending: Factory still retains its old practice, despite the fact that the new CBA said that factory will pay workers according to Article 43 of the Labor Code, i.e., within 7 days.

Action Verified Date:

Follow-up Plan of Action: Hbl will conduct quarterly visit and ensure the supplier to take the following actions:

1. Factory management should receive training on the relevant legal requirements.
2. Update the HR policy for the date of severance payment.
3. Factory should pay the salary and severance allowance to resigned workers within 7 days from the resigned date.
4. Communicate this requirement to all employees, i.e., post an announcement, provide training, etc.
5. Establish internal monitoring system to guarantee that all employees will get benefits per legal requirements.

Deadline Date: February 28, 2011

Hbl follow-up audit: March 3, 2011

Completed: The factory paid to the workers within 7 days as required by law.

Sources: salary reviews, severance allowance payment records for resigned workers in December 2010 and January 2011
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: Factory uses 2 sets of payroll records in order to hide excessive overtime. Overtime of more than 2 hours a day is paid separately from the official payroll.

Plan Of Action: Company auditor will visit the factory on September 24, 2008, to ensure the facility has complied and will follow up on the issue by visiting the facility at least every 6 months.

Deadline Date: 02/28/2009

Action Taken: The factory already consolidated the payroll information into a single set of records, effective on August payroll. Source: payroll record review

Plan Complete: Yes

Plan Complete Date: 09/24/2008

Action Verified: No

Action Verified Text: Pending: Factory still separates out extra OT records and payroll, but showed monitors both sets of records.
Follow-up Plan of Action:  

HbI will conduct quarterly visits and ensure the supplier takes the following actions: 1. Factory should stop using any multiple payrolls and time records and identify all root causes of working hours. 2. HbI should provide training to factory management on the importance of transparency. 3. Factory should commit to tracking the working hours completely and presently for auditors’ review. 4. Communicate this requirement to all levels of management. Deadline Date: June 30, 2011  

HbI follow-up audit: March 3, 2011  

Completed: The factory already consolidated the time records and payroll records into 1 set of records with an effective date of December 2010. They assigned compliance staff to be internal monitor for factory social compliance system. Sources: payroll and time record review.

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

Other  

Noncompliance  

Explanation: Factory is late in paying social insurance, e.g., until end of June 2008, factory only pays social insurance up to April 2008.  

Plan Of Action: Company auditor will visit the factory on September 24, 2008, to ensure this issue is corrected and will continue to follow up on this issue by visiting the facility at least every 6 months.  

Next Action: The factory must pay for social insurance in a timely fashion and submit the evidence of social insurance payment records to HbI. HbI auditors will follow up on this issue on the next visit.  

Deadline Date: 02/28/2009  

Supplier CAP: Will pay it on time from now on. Confirmed that the social insurance had been paid for June and July.
Supplier CAP Date: 12/31/2008

Action Taken: The last social insurance payment was in June 2008.
Source: social insurance payment record review

Plan Complete: No

Action Verified: Yes
Action Verified Text: Completed: Factory is up to date in paying social insurance. Last payment paid on November 30, 2010 for October.

Action Verified Date: 12/17/2010
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: Vietnam has not ratified ILO Conventions 87 or 98. Under Vietnamese law, all unions are required to affiliate with the single trade union, the Vietnam General Confederation of Labor (VGCL), which is affiliated with the Communist Party. With respect to such union monopolies, the ILO Committee on Freedom of Association has stated that “the rights of workers to establish organizations of their own choosing implies . . . the effective possibility of forming . . . [trade unions] independent both of those which exist already and of any political party.” Vietnam's legal framework is therefore not compatible with the ILO Principles on Freedom of Association and, as such, all factories in Vietnam fail to comply with the FLA Code standard on Freedom of Association.

Plan Of Action:

1. Company communicated the findings with factory management on August 22, 2008.
2. Company auditor will visit the factory on September 24, 2008, to further discuss this issue, because they have no idea how to set up proper communication channels other than to set up another union. This is a pending issue.

Deadline Date: 02/28/2009

Supplier CAP: Since the law requires that all unions are required to affiliate with the single trade union - VGCL, we cannot set up another union because it would violate the law. However, we could consider setting up a Welfare Committee and inviting the workers representative to join. Also, set up the grievance system to ensure that workers have means to communicate with management.

Supplier CAP Date: 02/28/2009
**Action Taken:**  
*Ongoing*: The factory set up a grievance system policy and Welfare Committee. The Welfare Committee will conduct the meeting 1-2 times per month, the last meetings were on August 9 and 13, 2008. The minutes of the meeting covered the workers' complaints about the suggestions' box.

**Plan Complete:**  
No

**Plan Complete Date:**

**Action Verified:**  
No

**Action Verified Text:**  
*Pending*: Factory set up a grievance system and posted policies on suggestion boxes. Some letters were received and responses were filed. However, the Welfare Committee was not established as per factory's action plan.

**Action Verified Date:**

**Follow-up Plan of Action:**  
Hbl will conduct quarterly visits and ensure that the supplier takes the following actions:

1. All employees, including management, should receive training on the grievance procedure.

2. Establish grievance channels between workers and management, such as suggestion box, employees' committee, etc.

3. Establish internal monitoring system to review the effectiveness of grievance channels.

**Deadline Date:** June 30, 2011
HbI follow-up audit: March 3, 2011

Completed:

1. They had provided a suggestion box, posted the list of the Employees' Committee and grievance channels procedure on work floors.

2. Most workers were aware of the grievance channels. Sources: 1) on-site observation, 2) worker interviews

Freedom of Association: Grievance Procedure
FOA.26 Employer shall have in place written grievance procedures that allow first an attempt to settle grievances directly between the worker and the immediate supervisor but that, where this is inappropriate or has failed, it is possible for the worker to have the grievance considered at one or more steps, depending on the nature of the grievance and the structure and size of the enterprise. Employers shall ensure that the grievance procedures and applicable rules are known to workers. (P)

Noncompliance

Explanation: Communication with workers should be improved. The union is not fulfilling its role in communicating and mediating between workers and management. Suggestion box system is rarely used and not well understood.

Deadline Date:

Action Taken:

Plan Complete: No

Plan Complete Date:

Action Verified: No
Completed: Factory set up a grievance system and posted policies on the suggestion boxes. Some letters were received and responses were filed. However, the Welfare Committee was not established per the factory's action plan.

Action Verified Date: 12/17/2010

Non-Discrimination: Recruitment and Employment Practices (Job Advertisements, Job Descriptions, Evaluation Policies)

D.3 Recruitment and employment policies and practices, including job advertisements, job descriptions, and performance/job evaluation policies and practices shall be free from any type of discriminatory bias. (S)

Noncompliance

Explanation: New Finding: Job announcement posted at the factory gate shows discriminatory bias. Factory says it is recruiting “female” workers for sewing jobs. Factory does not apply non-discrimination principles.

Plan Of Action: Hbl will conduct quarterly visits and ensure the supplier takes the following actions:

1. Factory management should receive training on relevant code requirements.

2. Establish hiring policy to make sure there is compliance with the anti-discrimination policy in the factory.

3. Provide anti-discrimination practices' training to all supervisors and management.

4. Communicate anti-discrimination policy to all employees.

5. Establish internal monitoring and management review systems to review the effectiveness of the hiring policy and of anti-discrimination.

Deadline Date: March 31, 2011
**Hbl follow-up audit**: March 3, 2011

**Ongoing**:

1. There were no job announcements posted in the factory and/or the surrounding area.

2. Factory management is in the process on updating job advertisements to ensure there is no discrimination content.

**Sources**: 1) on-site observation, 2) discussion with factory management

---

**Deadline**

**Date:**

**Action Taken:**

**Plan Complete**: No

**Plan Complete Date:**
Code Awareness:
GEN.1 Establish and articulate clear, written workplace standards. Formally convey those standards to Company factories as well as to licensees, contractors and suppliers.

Noncompliance

Explanation: The company's code of conduct was not provided to the factory.

Plan Of Action:
Company auditor will bring the soft copy to the factory for printing at follow-up visit on September 24, 2008.

Deadline Date: 10/30/2008

Supplier CAP: Will follow up with Hbl.
Supplier CAP Date: 09/24/2008

Action Taken: Hbl auditor already provided the Hbl posters to the factory on the audit day (September 24, 2008).

Plan Complete: Yes

Plan Complete Date: 09/24/2008

Action Verified: Yes

Action Verified Text: Completed: 2 code of conduct posters were posted in Vietnamese for Hanesbrands. Code of conduct training has been conducted, but refresher training should be done.
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: The company's code of conduct was not posted in the factory. No code training program or worker awareness information was available in the factory.

Plan Of Action:

1. Company auditor will bring the soft copy to factory for printing at follow-up visit on September 24, 2008.
2. Inform the factory to add this topic to their employee orientation training.
3. Will continue follow up on this issue by visiting the facility at least every 6 months.

Deadline Date:
Supplier CAP:
Will post Hbl GSS poster and add this code awareness topic in employee orientation training.

Supplier CAP Date:
Action Taken: Pending: The factory received Hbl posters on the day of the audit, but, they have not added Hbl's Code of Conduct to their employee orientation training program yet.
<table>
<thead>
<tr>
<th>Plan Complete:</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan Complete Date:</td>
<td></td>
</tr>
<tr>
<td>Action Verified:</td>
<td>Yes</td>
</tr>
<tr>
<td>Action Verified Text:</td>
<td>Completed: 2 code of conduct posters were posted in Vietnamese for Hanesbrands. Code of conduct training has been conducted, but refresher training should be done.</td>
</tr>
<tr>
<td>Action Verified Date:</td>
<td>12/17/2010</td>
</tr>
</tbody>
</table>

**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 secure communications channel for company employees and employees of contractors and suppliers to report noncompliances of workplace standards.

**Plan Of Action:** HbI will study the effective means of communication channels between factory workers and company.
Deadline Date: 02/28/2009

Action Taken: No

Plan Complete Date:

Action Verified No

Action Verified Text: Ongoing: No hotline or channel exists for workers to contact Hbl.

Action Verified Date:

Follow-up Plan of Action: Hanesbrands will ensure the following actions:

1. Review the current grievance channels set up in the factory.

2. Encourage open communication between management and employees.

3. Hbl auditor to visit the factory on a quarterly basis and conduct employee interviews on site and off site.

4. Strictly adhere to anti-retaliation policy.

Deadline Date: June 30, 2011
Hbl follow-up audit: March 3, 2011

Ongoing:

1. Hbl auditor to visit the factory on a quarterly basis and conduct employee interviews on site and off site.

2. Strictly adhere to anti-retaliation policy.

3. Review the current grievance channels set up in the factory.

4. Encourage open communication between management and employees.

---

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: Factory has not conducted annual environmental monitoring or testing as required.

Plan Of Action: Company auditor will visit facility on September 24, 2008 and will: 1) confirm that the environmental monitoring is completed and 2) obtain a copy of the written report for review and consideration of any further actions needed to ensure full compliance.

Deadline Date: 09/30/2008

Supplier CAP: Will conduct the environmental monitoring in September.

Supplier CAP Date: 09/30/2008

Action Taken: The factory has been conducting environmental monitoring since June 26, 2008. The report addresses noise level, dust, temperature, etc. Factory has a plan to conduct the environment monitoring at least once a year. (The next will be in June 2009.)
Plan Complete: Yes

Plan Complete Date: 09/24/2008

Action Verified: Yes


Health and Safety: Notification and Record Maintenance
H&S.7 Employers shall notify the relevant authorities of all illnesses and accidents as required by applicable laws. All illness, safety and accident reports shall be maintained on site for at least one year, or longer if required by law. (P)

Noncompliance

Explanation: Factory lacks a proper system for tracking, investigation, and prevention of work accidents.

Plan Of Action: Company auditor will confirm the system is set up on September 24, 2008, and will follow up by visiting the facility at least every 6 months.

Deadline Date: 02/28/2009

Supplier CAP: Have set up the proper system for tracking, investigation, and prevention of work accidents. Supporting document sent to company.
<table>
<thead>
<tr>
<th>Supplier CAP Date:</th>
<th>08/30/2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Action Taken:</td>
<td>The factory has set up tracking investigation and prevention of work accident procedure on August 1, 2008, and started to keep first records on August 12, 2008.</td>
</tr>
<tr>
<td>Plan Complete:</td>
<td>Yes</td>
</tr>
<tr>
<td>Plan Complete Date:</td>
<td>08/30/2008</td>
</tr>
<tr>
<td>Action Verified:</td>
<td>No</td>
</tr>
<tr>
<td>Action Verified Text:</td>
<td>Pending: Procedures for handling labor accidents were set up on June 10, 2008. However, no investigation or reporting was conducted.</td>
</tr>
<tr>
<td>Action Verified Date:</td>
<td></td>
</tr>
</tbody>
</table>

**Follow-up Plan of Action:**

Hbl will conduct quarterly visits and ensure the supplier takes the following actions:

1. Establish accident investigation procedures to be part of the EHS program.
2. Review the root cause analysis for conducting the corrective action taken.
3. Document all the investigation results and serve for review during audit.
4. Assign a safety officer to be an internal monitor for factory health and safety program.

*Deadline Date: March 31, 2011*

*Hbl follow-up audit: March 3, 2011*

*Completed:* They prepared an accident investigation report, which includes the root cause analysis and corrective action taken. They assigned the safety officer to be an internal monitor for factory health and safety programs.
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: Fire alarm works only for new workshop, not for old factory or warehouse buildings. No instructions posted for operation of alarm system at the control center in the security room. Old materials warehouse is a fire hazard, containing piles of combustible materials and fabric scraps awaiting removal, re-export or recycling. The building is officially no longer in use and lacks proper fire safety precautions. Local fire inspection found that the main new building lacks lightning protection per fire code and approved design specs. About 20 workers work in an unsafe second “temporary” cutting workshop located at the back of the old materials warehouse, without adequate emergency exits or fire precautions.

Plan Of Action: Company auditor will follow up on September 24, 2008, to ensure the old warehouse is no longer used.

Deadline Date: 09/30/2008

Supplier CAP: Factory will close this old area and ensure that no worker is working there.

Supplier CAP Date: 09/24/2008

Action Taken: The factory already closed the old materials warehouse and no workers worked in this building.

Sources: observation; discussion with workers and factory management

Plan Complete: Yes
Pending: Fire alarm system in the old workshop is still not functioning. A dozen workers were found working in the supplemental cutting section in the old warehouse building. Roller door was shut, but there was an open exit door leading to factory 1. Exit signs were present and fire extinguishers by the exits appeared to be inspected regularly. This area is reportedly used only sometimes for overflow, when the main cutting section cannot handle all the orders.

New Finding: Fire inspection on August 31, 2009, called for several improvements which have not yet been made. New factory has 2 fire pumps, while older factory has 1 pump. The 2 pump systems are separate and have not been connected as requested by the fire department. Electric roller doors were found to be unsuitable for evacuation, so factory was requested to install several manual exit doors in case of emergency, but only 1 was installed in the old factory.

Hbl will conduct quarterly visits and ensure the supplier takes the following actions:

1. New fire alarm system should be installed at the old workshop.

2. Connect 2 fire pump systems as required by law.

3. All exits should be free to access, unlocked, and free from any obstruction.

4. Assign the safety officer to be an internal monitor for factory health and safety program and to understand what the root cause of those EHS issues.

5. Conduct health and safety internal inspection once a month.

Deadline: February 28, 2011
Hbl follow-up audit: March 3, 2011

Pending:

1. Fire alarm system in the old workshop is still not functioning.

2. They had 2 fire pumps while older factory has 1 pump. The 2 pump systems are separate and have not been connected as requested by the fire department.

3. They had established safety internal monitoring since November 2010, but they did not conduct the internal monitoring in January and February 2011.

Completed:

1. Fire extinguisher inspection was conducted once per month, the last one was February 24, 2011.

2. There were 4 emergency exits for each production floor. Exits remain open during work hours.

3. Based on-site observation all exits are unlocked and free from obstruction.

4. They assigned a safety officer to be an internal monitor for factory health and safety programs.
Health and Safety: Chemical Management and Training

H&S.13 All chemicals and hazardous substances shall be properly labeled and stored in accordance with applicable laws. Labels shall be placed in the local language and the language(s) spoken by workers, if different from the local language. Workers shall receive training, appropriate to their job responsibilities, concerning the hazards, risks and the safe use of chemicals and other hazardous substances. (S)

Noncompliance

Explanation: Large container of acetone found at 1 production line without proper label or instructions for use. Another container found in the spot cleaning room, also without proper warning label. No chemical training for workers using chemicals or doing spot cleaning.

Plan Of Action: Company auditor will follow up on September 24, 2008, to ensure the chemical management system is workable in factory.

Deadline Date: 02/28/2009

Supplier CAP: 1. Have provided proper label and instructions for chemicals.

2. Will train workers when using chemicals.

Supplier CAP Date: 12/31/2008

Action Taken: Based on observation, found that there was material safety data sheet (MSDS) posted in chemical-use area and chemical labels posted for all chemical containers in working area. However, they did not set up the chemical training program for chemical operators yet. The factory promised to set up the chemical safety training program for the chemical operators by the end of November 2008.

Plan Complete: No

Plan Complete Date:
Action Verified: No

Action Verified Text:
Pending: Acetone in spot clean room is labeled and has MSDS, but ventilation remains minimal and respirator masks appear to be unused. Another unlabeled container of acetone found in cutting section of “Factory 2” (old materials warehouse) together with a can of Pull-out 2. No MSDS for Pull-out 2 and no documented chemical safety training for spot cleaning workers.

Follow-up Plan of Action:
Hbl will conduct quarterly visits and ensure the supplier takes the following actions:
- MSDS should be provided for all chemicals used in factory.
- Chemical safety training should be arranged for all chemical users.
- Conduct health and safety inspection once a month and document the inspection records.

Deadline date: March 31, 2011

Hbl follow-up audit: March 3, 2011

Completed: Gave on-site observation; all chemical containers are labeled and posted MSDS are in the chemical-use area. They had arranged chemical safety training for all chemical users since November 8, 2010. They assigned the safety officer to be an internal monitor for the factory health and safety program.
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: The new factory building is clean, well organized and has good ventilation. However, the temperature in the old factory production area is high. No official test report, further testing, and monitoring recommended.

Plan Of Action: Company auditor will review the daily measurements and obtain the written report when conducting follow-up visit on September 24, 2008, and will work directly with the facility to ensure methods are in place to keep the temperature lower.

Deadline Date: 02/28/2009

Supplier CAP: Will measure the room temperature daily and observe 3 months before developing the solution, since the current building is hard to improve the ventilation. Also, will give the survey to workers in this factory for their feedback.

Supplier CAP Date: 12/31/2008

Action Taken: The factory management noted that they have a plan to close the old production building by the end of this year and move all production process to new production building. Therefore, they did not have a modification plan for the current production building.

Plan Complete: No

Plan Complete Date:

Action Verified: Yes
Action Text:

Completed: Environment test reports available and in order for 2009 and 2010. According to test reports, temperature meets standards.

Action Verified Date:

12/17/2010

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: Toilets lack working sinks, running water, and soap.

Plan Of Action:

Company auditor will follow up on September 24, 2008, to ensure the factory repairs the working sinks, running water, and soap.

Deadline Date:

02/28/2009

Supplier CAP:

Have repaired and added the working sinks, running water, and soap. Sent supporting document to company.

Supplier CAP Date:

12/31/2008

Action Taken:

All toilets had running water arranged during the audit. 1 female toilet in the cutting department still lacks working sinks. In all toilet, no soap was available. Source: on-site observation

Plan Complete:

No
Plan
Complete
Date:

Action Verified:
No

Action Verified Text:
Ongoing: Toilet hygiene remains poor. Sinks improved, but soap still lacking and several doors broken.

Action Verified Date:

Follow-up Plan of Action:
Hbl will conduct quarterly visits and ensure the supplier takes the following actions:
Toilet condition should be improved i.e., clean, hygienic, running water, soap available, and retain privacy. Assign personnel to clean regularly and maintain inspection records. Conduct health and safety inspection once a month and document the inspection records.

Deadline Date: March 31, 2011

Hbl follow-up audit: March 3, 2011

Pending: Toilet hygiene is generally acceptable. Factory assigned cleaning workers to clean the toilet 2 times per day. No soap is available in toilet. Several toilet doors are broken. Assigned safety officer to be an internal monitor for factory health and safety program.

Source: on-site observation
Health and Safety: Food Preparation

H&S.25 All food made available to workers shall be prepared, stored, and served in a safe and sanitary manner in accordance with all applicable laws. All workers handling food shall be provided with the tools and equipment necessary to do so in a safe and sanitary manner. (S)

Noncompliance

Explanation: Canteen hygiene is poor. No sink for hand washing. Personal protective equipment (PPE) is not used regularly and flies and vermin (rats) were seen in the canteen area.

Plan Of Action: Company auditor will follow up on September 24, 2008, to ensure compliance and will continue to monitor the situation, including that regular pest control services is in place, by visiting the facility at least every 6 months.

Deadline Date: 02/28/2009

Supplier CAP: Will improve the hygienic condition of the canteen by doing pest control regularly. Should discuss with the cleaning department for the frequency of pest control.

Supplier CAP Date: 12/31/2008

Action Taken: Canteen hygiene is still poor. PPE is not used regularly and flies and vermin (rats) are still seen in the canteen area. However, there was a sink for hand washing available during the audit. The factory management says that they will get the food safety certificate within this year and that they have a plan to do the pest control program within this year. Source: on-site observation

Plan Complete: No

Action Verified: No
Pending: Canteen has a sink for hand washing and staff wear masks and head covering, but no boots. Some pest control has apparently been done.

Hbl will conduct quarterly visits and ensure the supplier takes the following actions: The hygiene of the canteen should be improved. Pest control system should be set up. Conduct health and safety inspection once a month and document the inspection records.

**Deadline Date: March 31, 2011**

**Hbl follow-up audit: March 3, 2011**

Pending: Canteen staff are assigned to clean the kitchen and canteen after lunch time; however, no record is available. The factory provided boots to canteen staff. Factory signed contract with the external pest control service provider from December 15, 2010 to December 15, 2011.
Health and Safety: Other - Health and Safety

Other

Noncompliance

Explanation:

1. No HSE training for new workers or existing workers was conducted or documented.

2. Safety Committee was formed as required and is said to hold quarterly meetings, but there are no records or documents of these meetings.

3. Cooking gas containers are unchained and exposed to the elements and not protected from rain or standing water.

4. PPE is distributed, but workers do not always use it consistently. Monitors saw cutting workers with gloves in the morning, but no gloves in the afternoon. These had apparently been locked away for safekeeping after monitor's initial inspection.

5. Clinic has 3 beds, but lacks curtains or any provisions for privacy.

6. Spot cleaning rooms have no exhaust ventilation and instead use an oscillating fan.

7. Factory has a competent compliance officer, but lacks experienced HSE staff.

Plan Of Action:

Company auditors will follow up on September 24, 2008, to ensure compliance. Hbi will conduct the 2nd follow-up visit in early 2009 to follow up on those 7 H&S issues.

Deadline Date:

02/28/2009

Supplier CAP:

1. Will set up HSE training for workers by end of September and document the evidence.

2. Have kept the Safety Committee meeting minutes from now on. Supporting document sent to company.

3. Will keep separate cooking gas containers in safe and covered area by the end of September.

4. Will set up the PPE training for users and post the reminder signage on their working area by the end of October.

5. Will add the curtains on each bed by the end of September.
6. Will discuss with engineer on how to resolve this issue.

7. Will train HSE to the staff regularly (i.e., quarterly committee meeting).

<table>
<thead>
<tr>
<th>Supplier</th>
<th>12/31/2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAP Date:</td>
<td></td>
</tr>
<tr>
<td>Action Taken:</td>
<td>1. There was objective evidence to prove that HSE training was conducted for new workers or existing workers. However, the factory manages to promise that the HSE training program will be conducted for the new workers or existing workers within November 2008.</td>
</tr>
<tr>
<td></td>
<td>2. The last Safety Committee was conducted on August 5, 2008 and minutes of meeting were available during the audit.</td>
</tr>
<tr>
<td></td>
<td>3. Cooking gas containers were still unchained and exposed to the elements and not protected from rain or standing water. However, the factory promised that this issue will be improved by the end of November 2008.</td>
</tr>
<tr>
<td></td>
<td>4. Based on observation, all cutting operators always used metal glove during work. But, there was no objective evidence of cutting safety training program set up for the cutting operators after July 2008. However, the factory management informed that the HSE training program (including cutting safety training program) will be conducted for new workers or existing workers within November 2008.</td>
</tr>
<tr>
<td></td>
<td>5. Clinic beds still lack curtains or any provisions for privacy. However, the factory management informs that they will add the curtains on each bed by the end of November 2008. Spot cleaning rooms still have no exhaust ventilation and still use an oscillating fan. The factory informs that they will discuss with an engineer how to resolve this issue.</td>
</tr>
<tr>
<td></td>
<td>7. The safety training still lacks experienced HSE staff.</td>
</tr>
<tr>
<td>Plan Complete:</td>
<td>No</td>
</tr>
<tr>
<td>Plan Complete Date:</td>
<td></td>
</tr>
<tr>
<td>Action Verified:</td>
<td>No</td>
</tr>
</tbody>
</table>
Pending:

1. General HSE training is not conducted annually for all workers. Last HSE training was 2008.

2. Safety Committee does not meet regularly and keep minutes.

3. Racks have been installed for cooking gas containers, but several full canisters were left standing unprotected.

4. Mail gloves are used in cutting, but PPE use remains inconsistent; in the afternoon, several workers seen cutting without gloves.

5. Curtains still lacking in clinic.

6. Spot clean room lacks real exhaust ventilation and has a small bathroom sized exhaust fan, an open window and oscillating floor fan.

7. In November 2010, training conducted for 2 factory HSE officers.

Hbl will conduct quarterly visits and ensure the supplier takes the following actions:

1. All cooking gas containers should be stored in safe condition and in a well fire protection area.

2. Curtains should be arranged for clinic.

3. PPE should be provided by the factory freely and be properly used by workers.

4. The ventilation should be adequate within the chemical-use area.

5. Conduct health and safety inspection once a month and document the inspection records.

Deadline Date: March 31, 2011
**Hbl follow-up audit:** March 3, 2011

**Pending:**

1. Racks had been installed for cooking gas containers, but several full canisters were left standing unprotected.

2. Curtains still lacking in clinic. 3. Spot clean room is still inadequately ventilated because it only a small size exhaust fan, an open window, and an oscillating floor fan, are provided.

**Completed:**

1. All cutting operators had used metal gloves when performing work.

*Source: on-site observation*

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**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:** Excessive overtime worked frequently in excess of code and legal limits, i.e., over 4 hours per day and 12 hours per week.

**Plan Of Action:** Company auditor will insure plan is immediately put in place during follow up on September 24, 2008. We will continue to monitor the working hours on week days in our ongoing audits at least every 6 months and ensure the OT payment is sufficient and paid in timely manner.

**Deadline Date:** 02/28/2009

**Supplier CAP:** Will discuss with production department and develop a plan on how to decrease the work hours.
<table>
<thead>
<tr>
<th>Supplier CAP Date:</th>
<th>12/31/2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Action Taken:</strong></td>
<td>Maximum overtime found was 20 hours/day (start OT at 4:30pm and finish OT at 12:00pm the next day) during August 2008. The total working hours were 28 consecutive hours. The factory promised to discuss with production department and to develop a plan on how to decrease the work hours.</td>
</tr>
<tr>
<td>Plan Complete:</td>
<td>No</td>
</tr>
<tr>
<td>Plan Complete Date:</td>
<td></td>
</tr>
<tr>
<td>Action Verified:</td>
<td>No</td>
</tr>
<tr>
<td>Action Verified Text:</td>
<td>Pending: Workers still worked overtime more than 4 hours per day, 16 hours per week, and 300 hours per year.</td>
</tr>
<tr>
<td>Action Verified Date:</td>
<td></td>
</tr>
<tr>
<td>Follow-up Plan of Action:</td>
<td>Hbl will conduct quarterly visits and ensure the supplier takes the following actions:</td>
</tr>
<tr>
<td></td>
<td>1. Factory management should receive training on relevant legal requirements.</td>
</tr>
<tr>
<td></td>
<td>2. Establish overtime policy where the working hours and payment are in accordance with local legal requirements.</td>
</tr>
<tr>
<td></td>
<td>3. Communicate OT policy to all employees.</td>
</tr>
<tr>
<td></td>
<td>4. Factory will review production plans or take other measures in order to reduce overtime hours to within legal limits.</td>
</tr>
<tr>
<td></td>
<td>5. Factory is considering its long-term capacity plans and is evaluating shift adjustments and headcount.</td>
</tr>
</tbody>
</table>
Deadline Date: December 31, 2011
Hbl follow-up audit: March 3, 2011
Pending: Reviewed payroll records for December 2010 and January 2011; maximum overtime is 5 hours per day and 20 hours per week (maximum total work hours: 68 hours/week).

**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:** Factory workers worked 1 Sunday in February with premium pay, but without a compensating day off as the law requires.

**Plan Of Action:** Company auditor will review the records and continue to monitor the working hours, include a rest day and ensure that compensation leave is arranged. Will continue to monitor by visiting the facility at least every 6 months.

**Deadline Date:** 02/28/2009

**Supplier CAP:** Will guarantee 1 rest day per week from now on. Will maintain a record for compensation leave in case a worker works on rest day.

**Supplier CAP Date:** 12/31/2008

**Action Taken:** The factory still worked on Sunday, the last Sunday was on September 7, 2008. The factory guarantees 1 rest day per week for workers in the coming months.

**Plan Complete:** No
Plan
Complete
Date:

Action Verified:
No

Action Verified
Text:
Pending: Workers worked 2 to 3 Sundays per month in September, October, and November 2010.

Action Verified
Date:
12/17/2010

Follow-up Plan of Action:
Hbl will conduct quarterly visits and ensure supplier takes the following actions:

1. Factory management should receive training on relevant legal requirements.

2. Establish rest day work policy and payment in accordance with local law requirements.

3. Communicate the rest day work policy to all employees.

4. Factory will review production plans or take other measures in order to reduce rest day work.

5. Factory is considering its long-term capacity plans and is evaluating shift adjustments and headcount.

Deadline Date: February 28, 2011

Hbl follow-up audit: March 3, 2011

Completed: No Sunday work was found in December 2010 and January 2011. Assigned the compliance staff to be an internal monitor on factory social compliance system.

Sources: worker interviews, time record review
**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:** Overtime over 2 hours in 1 day is recorded separately from official swipe card records.

**Plan Of Action:** Company auditor will visit the factory on September 24, 2008, to ensure compliance by the facility.

**Deadline Date:** 10/10/2008

**Supplier CAP:** Will discuss with the management on how to consolidate all hours in 1 set of records. However, we always disclose true and complete records no matter how many records we possess. Workers' wages are calculated correctly and paid on time.

**Supplier CAP Date:** 12/31/2008

**Action Taken:** The factory had already consolidated the time record in 1 set, effective in August 2008.

**Source:** time record review

**Plan Complete:** Yes

**Plan Complete Date:** 09/24/2008

**Action Verified:** No
Pending: Workers only swipe at 8:30pm for 1 day in a week, overtime until 8:30pm on other days are still recorded in a separate record.

Follow-up Plan of Action:

HBI will conduct quarterly visits and ensure the supplier takes the following actions:

1. Factory should stop using any multiple payroll and time records and identify all root causes of working hours.
2. HBI should provide training to factory management on the importance of transparency.
3. Workers are required to track all hours on ONE set of records/machine.
4. Factory should commit to track the working hours completely and present for auditors' review.
5. Communicate this requirement to all levels of management.

Deadline Date: February 28, 2011

HBI follow-up audit: March 3, 2011

Completed: The factory had already consolidated 1 set of time records, effective from December 2010.

Sources: payroll and time records review