



2009

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: Asics Corporation,
Hanesbrands
COUNTRY: China
FACTORY CODE: 400215134H
MONITOR: Level Works Limited
AUDIT DATE: October 27-28, 2009
PRODUCTS: T-Shirts, Jackets, Underwear
PROCESSES: Cutting, Sewing, Pressing,
Inspection, Packing
NUMBER OF WORKERS: 196

Company Comment: Asics, after a half year long negotiation, has decided to end its business relationship with the factory, as an active supplier as of July 2010. The decision for the exit was the result of quality and delivery performance issues. The termination was concluded under harmonious agreement. The factory had a FLA audit in October 2009 where the noncompliances observed were discussed with the factory management immediately upon the report receipt. However, in spite of Asics' repeated and continuous efforts to work with the factory, the factory failed to follow up with the company and until May 2010 had no concrete dialogue. Asics believed that it was due to the low possibility of keeping up Asics business as there was insignificant order for the factory's business needs. In June 2010, however, they did respond to the company with their updates on the progress made on the noncompliant issues, but it was not satisfactory as they failed to provide the detailed progress made or did not attend to the target deadline as proposed in the remediation.

This audit was a shared audit with Hanesbrands. The progress of improvements was updated by HBI's factory visit on January 2010, which were shared with Asics. Post Asics' exit, Hanesbrands will work with the factory directly on improving the working conditions.



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

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

Deadline Date: 06/30/2010

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

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

Supplier CAP 04/30/2010

Date:

Action Taken: HBI conducted the 1st follow-up audit on January 12, 2010. Per payroll records review of September to November 2009 and 30 employee interviews, it was noted that all employees were guaranteed legal minimum wage. Besides, it was noted that the factory provided more than legal required benefits to employees, such as:

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



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

June 1, 2010: Factory reported to Asics that remediation is going according to plan. Factory did not reply with the completion date of the plan. However, HBI has confirmed the payment of legal minimum wage to all workers on January 12, 2010 visit. Asics takes that the factory has completed the plan at least by the visit date of HBI.

Plan Complete: Yes

Plan Complete Date: 01/12/2010

Wages, Benefits and Overtime Compensation: Premium/Overtime Compensation

WBOT.10 The factory shall comply with all applicable laws, regulations and procedures governing the payment of premium rates for work on holidays, rest days, and overtime. (S)

Noncompliance

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



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

Deadline Date: 06/30/2010

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

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

Supplier CAP Date: 04/30/2010

Action Taken: HBI conducted the 1st follow-up audit on January 12, 2010. Per payroll records review of September to November 2009, and 30 employee interviews, it was noted that all employees were guaranteed legal minimum wage. Besides, it was noted that the factory provided more than legal required benefit to employees, such as:

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

June 6, 2010: Factory reported nothing to Asics about their progress regarding the overtime compensation.

Plan Complete: No

Plan Complete Date:

Freedom of Association: Right to Freely Associate

FOA.2 Workers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. The right to freedom of association begins at the time that a worker seeks employment, and continues through the course of employment, including eventual termination of employment, and is applicable as well to unemployed and retired workers. (S)

Noncompliance

Explanation: FLA Comment: The Chinese constitution guarantees Freedom of Association (FOA); however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union - the All China Federation of Trade Unions (ACFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of FOA, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. However, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms. The Amended Trade Union Act of Oct. 2001 stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. Trade unions also have an enhanced role in dispute resolution. In Dec. 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.

Plan Of Action: HBI will work with the factory to refine the role of the workers' union to let the employees express their opinions instead of requesting the factory violate the Law of the Land, i.e., form an independent union. The scheduled visit in June 2010 will follow up their work progress as the factory promised.

Deadline Date: 06/30/2010



**Supplier
CAP:**

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

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

**Supplier CAP 06/30/2010
Date:**

Action Taken: HBI conducted the 1st follow-up audit on January 12, 2010. Per document review, and 30 employee interviews, it was noted that the existing workers' unions were a branch of the ACFTU, and they did not play all the roles described by local law.

(June 6, 2010) Factory reported to Asics that they are performing positively in playing all the roles described by local law. However, the factory did not mention the detailed progress of remediation and has not provided a rough estimate of the completion date.

Plan Complete:

No

**Plan Complete
Date:**

Freedom of Association: Deduction of Union Dues and Other Fees

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

Noncompliance

Explanation: RMB 2.00 per month union membership fees were deducted from each worker's wages directly without workers' written consent. Sources: Payroll records review, management and workers interview.

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

Deadline Date: 06/30/2010

Supplier CAP: A) All employees joined the current dependent workers' unions and pay the union fee of RMB 2 at their own will. Those who joined before June 30 every year would get a shopping card worth RMB 100 before the coming CNY,

B) Factory and current workers' union will sign a formal written agreement with all employees about union fee collecting before the end of 2010.

Supplier CAP Date: 06/30/2010

Action Taken: HBI conducted the 1st follow-up audit on January 12, 2010. Per document review, and 30 employee interviews, it was noted that all employees are union members, and they pay union fees of RMB 2 at their own will. Those who joined before June 30 every year would get a shopping card worth RMB 100 before the coming CNY. The collective bargaining agreement for this item is not yet ready during our visit.

(June 1, 2010) Factory reported to Asics that remediation is going steadily according to the plan. However, the factory did not mention the detailed progress of remediation and have not provided a rough estimate of the completion date.

Plan Complete: No

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: The factory did not have a written system of progressive discipline. Sources: Factory procedures review, management and workers interview.

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

Deadline Date: 04/30/2010

Supplier CAP:

- A) Factory already set the progressive disciplinary policies.
- B) Factory will provide the initial training to management and workers about proper disciplinary procedure before the end of February 2010.
- C) New disciplinary actions records format would be collected with workers' union comments.

Supplier CAP Date: 01/30/2010

Action Taken: HBI conducted the 1st follow-up audit on January 12, 2010. Per document review, and 30 employees' interviews, it was noted that the written progressive disciplinary policy was established, but no record for verbal warning is kept in house.

(June 1, 2010) Factory reported to Asics that they have prepared the progressive disciplinary policy and started keeping disciplinary records. Factory did not mention the completion date. Factory has not provided evidence of the disciplinary records.

Plan Complete: No

**Plan
Complete
Date:**

Child Labor: Young Worker Identification System

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

Noncompliance

Explanation: There was no young worker identification system available in the factory. Even though there were no young workers working there, the factory should establish a system to identify work positions or areas not suitable for young workers, in case they need to hire young workers for ongoing business. Sources: Factory policies/procedures review and management interview.

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

Deadline Date: 04/30/2010

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

A) Factory would establish written juvenile worker management policies and procedure.

B) Factory would assign qualified staff, such as a safety officer, and communicate with an external party to assess the risk level of all production positions.

C) Provide training to managers, supervisors and persons who may have the rights to arrange employees' work positions.

Supplier CAP Date: 01/30/2010

Action Taken: HBI conducted the 1st follow-up audit on January 12, 2010. Per document review, and 30 employee interviews, it was noted that there were no juvenile workers in this facility. However, the mentioned plan had not yet been in place.

(June 6, 2010) Factory reported to Asics that they have made up and are implementing the plan. However, the factory did not mention the details of the plan or implementations. Factory has not mentioned the completion date of the plan.

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: No noncompliance reporting mechanism was available, which allows workers to contact companies directly. (Include Asics and Hanesbrands Inc.)

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

Deadline Date: 06/30/2010

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



Supplier CAP 01/30/2010

Date:

Action Taken: HBI conducted the 1st follow-up audit on January 12, 2010. Per on-site inspection and 30 employee interviews, it was noted that the factory posted the brands' contact numbers and that the employees know what these numbers are for.

(June 1, 2010) Factory reported to Asics that they have made good progress according to the remediation plan. However, the factory did not mention the completion date and did not show evidence of remediation.

Plan No

Complete:

Plan Complete Date:

Hours of Work: General Compliance Hours of Work

HOW.1 Employers shall comply with all local laws, regulations and procedures concerning hours of work, public holidays and leave. (S)

Noncompliance

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



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

Deadline Date: 06/30/2010

Supplier CAP: Factory always obeys all relative local laws, including those about working hours, wages, benefits, health and safety, environmental protection, etc. Factory promised the case found by the audit firm is a slip of a pen. They will enhance the record system to make sure no such mistakes occur again. A. Factory will provide training to all eligible employees who make daily production records and other business records, to promote their awareness of importance in accuracy of records. B. Factory will assign staff from top management to inspect all records regularly. Will investigate in depth to get the actual data, in case mismatched records come out. C. Factory really welcomes customers to have future unannounced audits to check the legal compliance conditions. These audits are helpful for improving the current management system, making it better and better.

Supplier CAP Date: 04/30/2010

Action Taken: HBI conducted the 1st follow-up audit on January 12, 2010. Per payroll records review of September to November 2010, and 30 employee interviews, it was noted that all employees were guaranteed legal minimum wage. Besides, it was noted that the factory provided more than legal required benefit to employees, such as:

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

(2010/6/1) Factory reported nothing to ASICS about their progress regarding to accurate attendance records.

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

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

Deadline Date: 06/30/2010

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

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

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

C) Factory really welcomes customers to have future unannounced audits to check legal compliance conditions. These audits are helpful for improving current management system, making it better and better.

Supplier CAP 04/30/2010

Date:

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



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

(June 1, 2010) Factory reported nothing to Asics about their progress regarding proof of giving rest days to all workers.

Plan No
Complete:

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



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

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

C) Factory really welcomes customers to have future unannounced audits to check the legal compliance conditions. These audits are helpful for improving the current management system, making it better and better.

Supplier CAP Date: 04/30/2010

Action Taken: HBI conducted 1st follow-up audit January 12, 2010. Per payroll records review of September-November 2009 and 30 employee interviews, was noted all employees were guaranteed legal minimum wage. Besides, was noted that factory provided more than legal required benefit to employees, such as:

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

(June 1, 2010) Factory reported nothing to Asics about their detailed Time Recording System. It was already communicated to HBI, though. Factory has not given us the evidence of Time Recording System.

Plan Complete: No

Plan Complete Date:
