



2008

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: Hanesbrands (HBI)

COUNTRY: Indonesia

FACTORY CODE: 720033877G

MONITOR: Bureau Veritas –CPS Indonesia

AUDIT DATE: October 23 – 24, 2008

PRODUCTS: Knit Tops and Bottoms,
Ladies, Men's, Kids

PROCESSES: Cutting, Sewing, Finishing,
Packing

NUMBER OF WORKERS: 1730

Company Comment: Facility proposed by HBI sourcing team 10/07; initial audit done 11/24/07. PC assigned external auditor to perform follow-up audits every 3- 4 months. Factory nominated for seasonal sportswear products, with medium capacity for HBI brands that first 5 months. Due to less continual customer orders, last shipment for HBI from facility made the end of 3/08. PC Korean agent did not place further orders. Henceforth, facility kept as open supplier for 12 months in sourcing matrix since price and capacity were less competitive than others. However, facility called for inactivation from PC agent owing to global economic recession where focus given to core suppliers only. Hence, decision to exit facility purely business-driven, not compliance-driven. Our agent confirmed would not be using facility anymore, FLA IEM audit was 10/23/08. HBI communicated CAP follow-up report to agent and factory. Both provided detailed feedback, timelines and improvement evidence, all sent to FLA periodically. Until late 1/09, HBI internal auditor visited facility, checked corrective actions on spot and held meetings with factory management for further improvement. Management expressed cooperation even when were no HBI orders for long time. Via FLA efforts, noted that Columbia Sportswear was current brand sourcing from facility. After communication with them, confirmed that Columbia Sportswear would carry forward CAP effort in facility. No critical issues observed under codes of child labor, forced labor or harassment from any internal or external audit; however, factory has lack of written policies and procedures in these codes and lack in creating system for communicating to workers. One critical issue observed was excessive OT hours and improper time recording method. As per HBI follow-up audit and remediation efforts 1/09, factory management improved time tracking documents and all hours presented in 1 record, but excessive OT hours still a pending issue. It was confirmed that now Columbia Sportswear will take on continual monitoring of CAP in facility.



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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: 1. There were improper legally mandated benefits provided to workers as follows:

a) Factory provided meal OT allowance (Rp. 3,500 per day for operator & Rp. 5,000 per day for staff), instead of nutritious meal as required by law/regulation.

b) Lack of entitled casual leave included in granted Company Regulation and entitled leave notification posted. It did not include clause explaining what happens if member of worker's household dies. In this case, worker shall be entitled to 1 day of paid leave.

Laws: a) Labor Minister Decree No. KEP.102/MEN/VI/2004 regarding OT Hours and OT Pay, Article: 7.1, stated Company assigning workers during OT work is under obligation to (a) pay OT pay; (b) provide chance for enough rest; (c) provide meals and drinks at least 1,400 calories if OT work executed for 3 hours or more. Article 7.2 stated that meals and drinks provided could not be replaced by money.

b) Labor Act UU No.13/2003 regarding Working Hours, Subsection 4, Article 93(4) stated wages paid to employee be included in same manner as mentioned at paragraph (2c): Employee is married, 3 days pay; Marriage of child, 2 days pay; Child's circumcision, 2 days pay; Child's baptism, 2 days pay; Wife gives birth/has miscarriage, 2 days pay; Husband/wife, parent/parent in law, or child or daughter in law passes away, 2 days pay; and Family member in house passes away, 1 day's pay. Article 82 stated (1) Female workers entitled to 1.5 month rest period before time estimated by obstetrician or midwife to give birth and another 1.5 month rest period thereafter. (2) Female worker who has miscarriage entitled to rest period of 1.5 months or rest period. Article 84 stated workers using leave right as mentioned in Article 82 obliged to receive full wage.

2) Delayed payment to JAMSOSTEK. Last payment made was for July 2008, conducted in September 2008. According to management information, it happened that there was delayed payment by their customers; hence, they delayed payment of JAMSOSTEK. Due to this reason, it could not be fully verified whether or not current employed workers (1,730 workers in main factory and 690 workers in factory 2) already enrolled to JAMSOSTEK and their own managed healthcare security program. In practice, factory made less than 1 payment record for all workers (main factory and factory 2) of each JAMAOSTEK and own managed healthcare security.

Law: Act No.3/1992 regarding Social Security Scheme (JAMSOSTEK), Article 3 (2) stated every worker has right to participate in JAMSOSTEK. Article 6 stated Social Security Scheme consists of working accident security, death security, pension fund and healthcare security. Article 16(1): worker, husband/wife and children have right to get healthcare security. Government Regulation (PP) No.14/1993 regarding Implementation of JAMSOSTEK, Article 2.1 stated employer obligated to register employees to JAMSOSTEK consisting of working accident security, death security, pension fund and healthcare security. Article: 2(3); employer who employs minimum of 10 workers or pays minimum Rp 1,000,000 wages/month must have employees participate in JAMSOSTEK. Article 10 stated JAMSOSTEK payment should not be later than 15th day of next month.)

3) Based on last JAMSOSTEK payment receipt for July 2008, all workers covered to JAMSOSTEK packet, covering working accident security, death security, pension fund. Factory provided own managed healthcare security (JPK) for workers by joining in cooperation with 1 local hospital named [Hospital name]. However, based on agreement made with hospital, benefits of healthcare security provided to workers still not fully in accordance with benefits of JAMSOSTEK healthcare scheme yet. Currently, factory only provided benefits based on services used by workers. Furthermore, although MOU between hospital and factory stated service covered workers and their families, has not yet been official notification provided to workers on how to use service for family, what family members entitled to use service, etc. Currently, is just simply posted procedure that use of health JPK was for workers only. Posting only indicated how to use service during working hours, was no information on how to use service outside working hours. Also, was no indication there were other efforts or encouragement from management to ensure all workers have been well acknowledged on kinds of service provided by JPK and if it was for friendly use by workers and entitled family members. Also, recommendation letter of owned and managed healthcare security has been expired since August 1, 2007.

Law: Act No.3/1992 regarding JAMSOSTEK, Article 3 (2) stated every worker has right to participate in JAMSOSTEK. Article 6 stated JAMSOSTEK consisted of working accident security, death security, pension fund and healthcare security. Article 16(1): worker, husband/wife and children have right to get healthcare security. Government Regulation (PP) No.14/1993 regarding Implementation of JAMSOSTEK, Article 2.1 stated employer is obligated to register employees to JAMSOSTEK, consisting of working accident security, death security, pension fund and healthcare security. Article: 2(3); employer who employs minimum of 10 workers or pays minimum Rp 1,000,000 wages/month must have employees participate in JAMSOSTEK. Labor Minister Regulation No. PER 01/MEN/1998 article 1-2 stated Company may establish own healthcare security as long service standard better than what JAMSOSTEK gives. Article 15 stated if Company establishes its own healthcare security with better service standard than what JAMSOSTEK gives, the employer shall ask for legalization to the chief of local labor department.



4) Based on payroll records of all-in payment workers review, noted that pension fund contribution of JAMSOSTEK scheme based on basic wages only, not on monthly wage.

Law: Government Regulation (PP) No.14/1993 regarding Implementation of JAMSOSTEK, Article: 9.3 stated Contribution for Pension Fund is 5.7% of monthly wage for each worker, paid by employer (3.7%) and by employee (2%).

Plan Of Action: HBI ensures supplier correct 3 issues: provide OT meal to workers instead of money; pay for social security fund in timely manner per legal requirement; document causal leave policy in factory regulation and communicate to employees.

Deadline Date: 01/31/2009

Supplier CAP: Immediate action:

1. Factory would provide meal and drink of at least 1400 calories when workers worked more than 3 hours by January 9, 2009.
2. Factory would pay JAMSOSTEK payment by January 9, 2009.
3. Causal leave policy should be included in Factory Regulation by end of January.

Supplier CAP Date: 01/31/2009

Action Taken: 1st follow-up audit on January 29, 2009:

1. (Completed Action) Factory had approval letter from local labor department (April 16, 2008) to allow factory to provide meal OT allowance instead of nutritious meal because requested from workers, who prefer money to buy own food, not receive from factory.
2. (Incomplete Action) Factory still did not include causal leave (If a member of worker's household dies) in Factory Regulation.
3. (Completed Action) Was on-time payment on JAMSOSTEK. Last JAMSOSTEK payment paid for December 2008 conducted on January 12, 2009.

Plan Complete:

Plan Complete Date:

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: 1. Improper all-in payment practice potentially led to improper OT payment. Moreover, was an unclear salary system in determining worker category that receives 'All In' and 'Non-All In' payment, as no available supporting documentation to review. In practice, factory applied 'All In' payment to all office staff, mechanics, supervisors, chief, some production operators in QC, production administrators, etc. For these kinds of workers, no more OT payment compensated, regardless how much OT work done, as was already included in salary package provided. Per regulation, not all workers categorized as those who hold structural positions in company; have obligation, responsibility and authority on company policy; get higher wages and receive better facilities compared to ordinary workers. From randomly selected samples, these workers received total salary ranging Rp. 900,000 - 6,000,000 per month with basic wage Rp. 600,000 - 3,600,000 per month plus fixed allowance: position allowance (if any), OT compensation allowances and unfix allowance: OT meal allowance (if any). Wage and all allowances provided will be deducted if workers cannot come to work. Actually for some workers, if OT work compensated, total salary earned could be possibly more than 'All In' salary received.

Law: Labor Act UU No. 13/2003, regarding Working Hours, Chapter XI Paragraph 4 Article 77.2: Working hours as mentioned under subsection (1) cover: a) 7 hrs/day and 40 hrs/wk for 6 days/wk or b) 8 hrs/day, 40 hrs/wk for 5 days/wk. Article 78: Entrepreneurs who require workers to work OT under obligation to pay OT wage. Circular letter SE-2/M/BW/1987 regarding definition of staff who do not get OT wage: 1) Employee in position in Company Organizational Structure which has obligation, responsibility, and authority to contribute, think and execute company policy in order to reach and smoothen company development. 2) OT wage is wage paid to employee as reward for work at employer's request that exceeds work hours/days (7 hrs/day, 40 hrs/wk); or is on Sunday rest, or national holiday stated by government. 3) For worker mentioned in point 1), it is considered normal not to get OT wage, although they work more than normal work hour requirements. 4) Criteria of staff worker: a) Those who hold structural positions in company organization; b) Those that have obligation, responsibility, and authority towards company policy; c) Those that get higher wages than others; d) Those who receive better facilities compared to other employees.

2. Based on provided records review, improper salary structure applied for 'All-In' workers. While from agreed salary package, composition will be applied 60%-66% basic wage and 40% fixed allowance.

Law: Labor Act No. 13/2003 Article 94: If wages composed of basic wage and fixed allowances, amount of basic wage must not be less than 75% of total amount of basic wages and fixed allowances.

3. Although service year allowance already provided to workers and by law exact amount not stipulated, noted that determined amount of service year allowance received by workers who work more than 1 year not based on written agreement between worker/ union/worker's representative and employer, was solely based on employer decision. Currently, workers who worked 1 year received service year allowance as much as Rp. 100/month, those who worked 2 years as much as Rp. 200/month with additional Rp. 100/month for every additional year. Current amount given not appropriate and could not afford to buy cup of drinking water or candy. Was no evidence indicating factory used salary grid according to workers' occupations/qualifications/experience.

Law: Labor Minister Regulation PER-01/MEN/1999, Regarding Legal Minimum Wage, Article 13 (2): minimum wage shall be applied to workers with less than 1 service year. Article: 14 (3): review for wage that shall be received by workers who work more than 1 year based on written agreement between employee/union and employer. Labor Act (UU) No. 13/2003, Article: 92: (1) Entrepreneurs shall formulate structure and scales of wages by taking into account level, position, years of work, education and competence of worker. (2) Entrepreneurs shall review workers wages periodically by taking into account enterprise's financial ability and productivity. Labor Minister Decree No. KEP-49/MEN/IV/2004 regarding Determination Structure and Scales of Wages, Article 2 stated: Entrepreneurs shall formulate structure and scales of wages in company. Article: 3 stated: In formulating structure and scales of wage as mentioned under subsection (2), based on job analysis, job description and job evaluation.

Plan Of Action: HBI will assist factory in understanding requirements of "All In" and "Non-All In;" then will ensure factory presents category of employees clearly in payroll. Payment should adhere to law.

Deadline Date: 03/31/2009

Supplier CAP: Factory did not have intention to pay less compensation for unclear salary system. Factory needs additional time to study sectors between "All in" and "Non-All In" employees because law interpretation is confusing. They will consult Labor Department for further advisory if necessary.



Supplier CAP 01/31/2009

Date:

Action Taken: 1st follow-up audit January 29, 2009: Factory still unclear of salary system in determining category of workers that receive 'All In' and 'Non-All In' payments. They were suggested to follow up with Labor Department.

Plan Complete:

Plan Complete Date:

Wages, Benefits and Overtime Compensation: Accurate Calculation and Recording of Wage Compensation

WBOT.17 All payments to workers, including hourly wages, piecework, benefits, bonuses, and other incentives shall be calculated and recorded accurately. (S)

Noncompliance

Explanation: Although factory issued pay slips to workers, in practice they did not keep copy of signed pay slip provided to workers. Factory just required workers to sign general payroll sheet, which was together with signatures from other workers. During audit this payroll sheet provided by management for verification. Based on blank sample of pay slip provided, slip already provided detailed information of all kinds payment applied including deduction. Pay slip consists of information as follows: total working days; position allowance; OT premium rate, calculation and payment; OT meal allowance; paid leave; attendance allowance; incentive; rounding payment made; tax deduction; JAMSOSTEK deduction.

Plan Of Action: HBI will ensure supplier keeps payroll slip on floor; reserve records for 1 year at least.

Deadline Date: 01/31/2009



Supplier CAP: Due to environmental concerns, factory didn't want to keep too many papers; therefore, asking employees to sign on summary sheet. As FLA auditor reported, we have payroll slip to employees truly. Factory needs to change practice if FLA insists to keep copy of payroll slip and current summary sheet was insufficient.

Supplier CAP Date: 11/30/2008

Action Taken: 1st follow-up audit on January 29, 2009: Factory started keeping copy of payroll slip of each worker since November 2008.

Plan Complete:

Plan Complete Date:



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: Due to inconsistency in records and information noted during audit, auditors unable to verify actual working hours and payment for following reasons:

1. Daily OT and summary working hours sheets indicated Sunday and public holiday work; work until morning; work not recorded on attendance records provided. a) Sunday work: March 30, 2008 (cutting and sewing); April 20, 2008 (QC, finishing, cleaning service); June 22, 2008 (sewing); July 13, 2008 (sample); b) Public Holiday: May 1, 2008 (sewing); c) May 7, 2008: at least 4 packing workers worked until 5:30AM; May 6, 2008: at least 1 finishing worker worked until 23:00 and 6 packing workers worked until 5:30AM; May 5, 2008: at least 5 packing workers worked until 5:30AM.

2. Meeting records between management and worker's representative dated July 7, 2008 indicated there is concern; workers asked management about OT payment for working until finished or even morning (called it 'SS,' meaning worked until finished). The management's feedback stated that SS OT will be paid double.

3. During work hours and wage verification process, information gathered that their computerized attendance records system program set up to reveal weekly work hours of not more than 60 hrs/wk as expectation limit of weekly hours standardized by almost all clients. Hence, almost all maximum hours recorded on attendance records were 21:00 (most) or 22:00 (few) per day and 60 hrs/wk. Unless is when swap rest day due to electrical blackout reason has been allowed by law/regulation, weekly work hours showed more than 60 hours and rest day work revealed on attendance records. In practice, public holiday work and Sunday work other than legal swap day will not be shown on attendance records. Furthermore if total work hours more than 60 hrs/wk occur, record will be automatically recorded at maximum, 60 hrs/wk only and balance of hours will be distributed to other weeks. Claimed mostly distribution of hours balance made within 1 month payment period only, no separate OT payment practice made.

Plan Of Action: HBI ensures supplier will provide genuine and complete time records for review; also, OT premium should be sufficiently paid to all employees with supporting. HBI plans to shift some orders to other factory since January; then production capacity will be less booked. OT hours will be decreased substantially.

Deadline Date: 06/30/2009



Supplier CAP: Immediate action: Factory always maintains authentic and accurate payroll records for review; therefore excessive OT hours noted in those records. Also, ensure sufficient OT premium paid for all hours. It is available for review during each audit.

Long term plan: Factory will control that work hours do not exceed 60 hours, because of economic downturn and orders dropped significantly.

Supplier CAP 06/30/2009

Date:

Action Taken: 1st follow up audit on January 29, 2009: Factory management confirmed that all records provided were authentic and accurate records. Based on worker interviews and document review (daily OT sheet, summary work hours sheet and payroll records) found that max OT: 4.5 to 5 hrs/ day and 25.5 hrs /wk in November and December; on Sunday, 1-2 times/month during November and December 2008 (November 14, 21, 2008; December 30, 29, 2008) They received sufficient OT premium for those extra hours.

Plan

Complete:

Plan

Complete

Date:

Forced Labor: Employment Terms/Voluntary Agreement

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

Noncompliance

Explanation: Factory employed all workers through direct employment. However, 1206 out of 1,730 workers were under specified period of time contract workers (PKWT) positioned in almost all production areas and doing jobs that are permanent by nature. While according to regulations for such conditions, employment status should be changed under permanent status (PKWTT). Additionally, contract period ranged from 3 to 12 months. Moreover, some workers' contract agreements prolonged more than once.

Law: Labor Act No. 13/2003, Article 58.1: Work agreement for specified time cannot stipulate probation. Article 59.1: Work agreement for specified time can only be made for certain job, which, due to type and nature of job, will finish in specified time, that is: (a) Work to be performed and completed at once or work temporary by nature; (b) Work whose estimated completion time not too long and no longer than 3 years; (c) Seasonal work; or (d) Work related to new product, new activity or additional product still in the experimental stage or try-out phase. Article 59.2: Work agreement for specified time couldn't be made for jobs permanent by nature. Article 59.7: Any work agreement for a specified time that does not fulfill requirements mentioned under Subsections (1), (2), (4), (5) and (6) shall, by law, become work agreement for an unspecified time. Decree of Minister of Manpower and Transmigration of Republic Of Indonesia Number: KEP. 100/MEN/VI/2004 regarding Stipulation on Implementation of Work Agreement for Specified Period of Time, Chapter III, PKWT for Seasonal Work Article 4 (1): Seasonal work is work that's execution depends on season or weather condition. (2) PKWT for work as meant in paragraph (1) can only be made for 1 type of work in certain season. Article 5 (1): Work which has to be done to fulfill orders or certain target can be executed with PKWT as seasonal work. (2) PKWT for work as meant in paragraph (1) only valid for worker who does additional work. Article 6: Entrepreneurs who employ worker based on PKWT as meant in Article 5 shall create name list of workers who perform additional work. Article 7: PKWT as meant in Articles 4 and 5 cannot be renewed. Article 15.2: In case PKWT does not fulfill stipulation as meant in Article 4 Paragraph (2), or Article 5 paragraph (2), consequently PKWT changed to PKWTT from time working relation existed.)

Plan Of Action: HBI understands this is common practice in garment industry. Due to it is adding financial burden to factory, we ensure supplier to increase number of permanent employees gradually.

Deadline Date:



Supplier CAP: This is the norm in garment industry to hire seasonal workers, as it incurs high financial burden to hire permanent workers. Long term plan: Factory planned to promote 10 seasonal employees as permanent employees per month since 2009.

Supplier CAP Date:

Action Taken: 1st follow-up audit January 29, 2009: Based on last update in January 2009 found that factory had 1500 workers out of 1771 under specified period of time contract. Factory management noted they had planned to increase permanent workers (by 10 workers per month) in 2009. However, there was no written plan available.

Plan Complete:

Plan Complete Date:

Freedom of Association: General Compliance Freedom of Association

FOA.1 Employers shall comply with all local laws, regulations and procedures concerning freedom of association and collective bargaining. (S)

Noncompliance

Explanation: No evidence to prove workers' representatives in bipartite cooperation institution democratically elected by workers to represent their interests in factory. It was noted workers listed as workers' representatives in institution not elected directly by workers. (

Law: Labor Act No. 13/2003 regarding Industrial Relationship, Chapter XI Article: 106 (3): Membership composition of bipartite cooperation institution as mentioned under subsection (2) shall include entrepreneur's representatives and worker representatives democratically appointed by workers to represent their interests in relevant enterprise.

Plan Of Action: HBI requires that supplier understands this code; also, they need to hold a re-election for a worker representative.

Deadline Date: 06/30/2009



Supplier CAP: The worker's representatives in bipartite cooperation institution appointed by recommendation of supervisors. As per FLA code provision, factory will do vote again, all employees by January 9, 2009.

Supplier CAP Date: 01/31/2009

Action Taken: 1st follow-up audit January 29, 2009: Factory management informed they held re-election for worker's representatives January 9, 2009. But based on record reviews, was not any objective evidence to prove worker's representatives in bipartite cooperation institution selected by workers directly.

Plan Complete:

Plan Complete Date:



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: Factory established simple grievance system in order for workers to voice grievances. However, was no evidence to prove that existing grievance system has been efficiently and actively utilized by workers and management. Also, no efforts undertaken by factory to educate workers about grievance system on a regular basis.

Plan Of Action: HBI ensures supplier to develop proper grievance system and have working plan on how to run system effectively, i.e., when, who, how to follow up and review suggestions from workers. HBI will provide guidance during follow-up visit.

Deadline Date: 03/31/2009

Supplier CAP: Factory will provide evidence to prove that existing grievance system has been efficiently and actively utilized by workers and management.

Supplier CAP Date: 03/31/2009

Action Taken: 1st follow-up audit January 29, 2009: There were 2 grievance boxes in production line. Grievance procedures posted in working area. Checking records for grievance box available at HR, but not suggestions from workers since August 2008. Based on interviews, most workers still did not clearly understand grievance system. So, effectiveness of grievance system could not be fully verified.

Plan Complete:

Plan Complete Date:



Freedom of Association: Other - Freedom of Association and Collective Bargaining

Other

Noncompliance

Explanation: No written policy established by management to recognize and respect freedom of association and collective bargaining. Also, no written policy or procedure supporting independent worker representation. Factory only maintained notification to workers regarding how to voice grievances.

Plan Of Action: HBI ensures supplier to write this policy and communicate to employees properly.

Deadline Date: 01/31/2009

Supplier CAP: Factory will establish written policy by management to recognize and respect freedom of association and collective bargaining; also will establish written policy or procedure supporting independent worker representation by January 9, 2009.

Supplier CAP Date: 01/09/2009

Action Taken: 1st follow-up audit January 29, 2009: Factory had set up factory Code of Conduct including freedom of association, collective bargaining policy and worker representation procedure. Code of conduct training provided to all workers December 15, 2008. Code of conduct had been posted in working area.

Plan Complete:

Plan Complete Date:

Harassment or Abuse: Discipline/Review of Disciplinary Action

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

Noncompliance

Explanation: No evidence to prove current practice of disciplinary system provides workers with an opportunity to reply, challenge or make appeals against termination. Furthermore, no evidence to prove factory provides relevant education and training to their workers.

Plan Of Action: HBI requires supplier to set up complete disciplinary system. Also, this system should be properly communicated to employees.

Deadline Date: 01/31/2009

Supplier CAP: Factory will maintain that current practice of disciplinary system applied has provided workers with an opportunity to reply, challenge or make appeals against termination. Also, it will be planned to have training to all employees in December.

Supplier CAP Date: 12/31/2008

Action Taken: 1st follow-up audit January 29, 2009: Factory set up factory Code of Conduct including a disciplinary system (opportunity to reply, challenge or make appeals against termination). Code of conduct training had been provided to all workers December 15, 2008, which mentioned about disciplinary system also. Code of conduct had been posted in working area.

Plan Complete:

Plan Complete Date:

Harassment or Abuse: Discipline/Worker Awareness and Participation of Workers

H&A.6 Workers must be informed when a disciplinary procedure has been initiated against them. Workers have the right to participate and be heard in any disciplinary procedure against them. Employers shall maintain written records of all disciplinary actions taken. Workers must sign all written records of disciplinary action against them. Such records must be maintained in the worker's personnel file. (P)

Noncompliance

Explanation: No proper record keeping system for warning letters issued to workers. Warning letters maintained separately from individual personnel files. Furthermore, no evidence to prove factory has practice to provide copy of issued warning letter to their workers.

Plan Of Action: HBI ensures supplier to put all warning letters in workers' personnel files.

Deadline Date: 01/30/2009

Supplier CAP: Factory would keep all warning letters with each worker's personnel files.

Supplier CAP Date: 12/30/2008

Action Taken: 1st follow-up audit January 29, 2009: Based on workers' personnel file review, found factory started keeping warning letter in each worker's personnel file since December 2008.

Plan Complete:

Plan Complete Date:

Harassment or Abuse: Discipline/Training of Management

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

Noncompliance

Explanation: No training ever conducted for supervisor and manager level on applying appropriate disciplinary practices. Factory has only conducted Harassment and Abuse training for workers on a supervisory level; training held October 14, 2008.

Plan Of Action: HBI requires that factory carry on training about disciplinary system to supervisor and managerial levels per their time schedule.

Deadline Date: 06/30/2009

Supplier CAP: Factory will conduct Harassment and Abuse training for supervisors and managers in mid-2009 because similar topic had been done in October 2008.

Supplier CAP Date: 06/30/2009

Action Taken: 1st follow-up audit January 29, 2009: No objective evidence to prove that Harassment and Abuse training has been conducted on supervisor and manager levels.

Plan Complete:

Plan Complete Date:

Harassment or Abuse: Other - Harassment or Abuse

Other

Noncompliance

Explanation: Factory has not maintained harassment and abuse policy on site.

Plan Of Action: HBI ensures supplier to write this policy and communicate to employees properly.

Deadline Date: 01/31/2009

Supplier CAP: Factory will post harassment and abuse policy on site November17, 2008.

Supplier CAP Date: 11/27/2008

Action Taken: 1st follow-up audit January 29, 2009: Factory had set up factory Code of Conduct including harassment and abuse policy and posted in working area.

Plan Complete:

Plan Complete Date:

Child Labor: Other - Child Labor

Other

Noncompliance

Explanation: Although there was no child labor found, factory did not maintain child labor policy and age verification procedure system on site.

Plan Of Action: HBI ensures supplier to write this policy and communicate to employees properly.

Deadline Date: 01/31/2009

Supplier CAP: Factory will post child labor policy and age verification procedure system on site November17, 2008.

Supplier CAP Date: 11/27/2008

Action Taken: 1st follow-up audit January 29, 2009: Factory had set up factory Code of Conduct, including child labor policy and age verification procedure system and posted in working area.

Plan Complete:

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: Workers who applied for maternity leave required to submit copy of family card (Kartu Keluarga) and copy of marriage letter, which is only available for workers who are legitimately married, while such requirement not stipulated so by law.

Law: Labor Act UU No.13/2003, Article 82.1: (1) Female workers entitled to 1.5 month rest period before time are estimated by obstetrician or midwife to give birth and another 1.5 month rest period thereafter. Article 84: Every worker who uses her right to take rest period as specified under points B, C and D of Subsection (2) of Articles 79, 80 and 82 shall receive her wages in full.

Plan Of Action: HBI ensures supplier to understand this issue and cancel submission requirement of marriage certificate and family card before maternity leave is approved.

Deadline Date: 01/31/2009

Supplier CAP: Factory will consider revising this policy, but it was not the purpose of discrimination. It is just common procedure in a legal entity with numerous employees.

Supplier CAP Date: 01/31/2009

Action Taken: 1st follow-up audit January 29, 2009: Based on reviews, factory regulation found that regulation still requires copy of family card (Kartu Keluarga) and copy of marriage letter from females who need to take maternity leave.

Plan Complete:

Plan Complete Date:

Non-Discrimination: Other - Non-Discrimination

Other

Noncompliance

Explanation: There was no non-discrimination policy and/or procedure maintained on site.

Plan Of Action: HBI ensures supplier to write this policy and communicate to employees properly.

Deadline Date: 01/31/2009

Supplier CAP: Factory posted non-discrimination policy/or procedure on site November17, 2008.

Supplier CAP Date: 11/27/2008

Action Taken: 1st follow-up audit January 29, 2009: Factory had set up factory Code of Conduct, including non-discrimination policy and/or procedure and posted in working area.

Plan Complete:

Plan Complete Date:

Code Awareness:

GEN.2 Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.

Noncompliance

Explanation: Company currently sent compliance staff and designated service provider to have common social compliance audit visit only. No evidence indicated that Company has undertaken other efforts (e.g., Company's COC training, COC project, etc) to educate management and employees about Company's standards on a regular basis.

Plan Of Action: HBI conducted social compliance training for all suppliers in Indonesia on August 5, 2008. Supplier had assigned management and compliance staff to participate in this training. Then, they will train employees in factory after course. Additionally, we posted our HBI Global Standards for Supplier policy in workshops to ensure all of them know our code of conduct. We will plan for additional training in mid-2009 if budget allows.

Deadline Date: 01/31/2009

Supplier CAP: Actually, factory was educated Company's standards, but only for supervisors and managers. So, they have planned to educate Company's standards for all employees by December 30, 2008.

Supplier CAP Date: 12/30/2008

Action Taken: 1st follow-up audit January 29, 2009: Factory had set up factory Code of Conduct. Code of conduct training provided to all workers on December 15, 2008. Code of conduct has been posted in working area.

Plan Complete:

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 evidence indicating that there is a noncompliance reporting mechanism, including a non-retaliation policy, which allows factory workers to contact the Company.

Plan Of Action: HBI will work to ensure there is an effective means of communication between factory workers and HBI management.

Deadline Date:

Supplier CAP: Factory will cooperate with HBI if they set up the contact channels to employees.

Supplier CAP Date:

Action Taken: 1st follow-up audit January 29, 2009: Though HBI report channel has not yet been developed, factory has developed the following grievance channels: They had 2 grievance boxes in production line. Grievance procedure had been posted in working area.

Plan Complete:

Plan Complete Date:

Miscellaneous: Illegal Subcontracting

MISC.1 Illegal Subcontracting

Noncompliance

Explanation: The subcontracted production applied by factory for Company's order only related to embroidery at an outside facility. However, no evidence to show factory communicated code principles to the subcontractor used.

Plan Of Action: HBI ensures supplier to send notice to their subcontractor about the code principles.

Deadline Date: 01/31/2009

Supplier CAP: Factory will keep communication evidence with subcontracted factory about code principles.

Supplier CAP Date: 03/31/2009

Action Taken: 1st follow-up audit January 29, 2009: No objective evidence to show factory had communicated code principles to subcontractor.

Plan Complete:

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: 1. Factory has only conducted medical examination for 17 workers, while no occupational medical examination ever been conducted for other workers.

Law: The Safety Act UU No.1/1970, regarding Occupational Safety Law Chapter III, Article 8.2: Employer shall be obligated to have all workers under their supervision regularly inspected by doctor designated by employer and confirmed by Director. Labor Minister Regulation No PER-02/MEN/1980 regarding Periodical Medical Examination, Articles 2, 3, 9: Any undertaking as referred to in Subsection 2 (2) of Safety Act No. 1/1970 shall provide pre-medical examination, periodical examination and special medical examination to workers.)

2. It was noted that factory has never conducted Hazard Assessment in facility to identify ESH hazards and appropriate response for risks that might occur. Also, factory has never conducted ergonomic measurement in workplace.

Law: Labor Ministry Circular No. SE-05/BW/1997: Factory shall maintain hazard assessment to determine if personal protective equipment sufficient for working conditions.)

Plan Of Action: HBI requires that supplier provide medical examination to additional employees per their time schedule. Also, they should have conducted work hazard assessment by end of March or before.

Deadline Date: 03/31/2009

Supplier CAP: 1. Factory has plans to do medical examinations on 10 persons per month from January 1, 2009.
2. Factory will conduct Hazard Assessment in the facility by March 31, 2009.

Supplier CAP Date: 03/31/2009

Action Taken: 1st follow-up audit January 29, 2009:

1. Factory has only given 17 workers medical examinations and no objective evidence to ensure when medical examinations will be provided to other workers.
2. No objective evidence as to Hazards Assessment available in factory.

Plan Complete:

Plan Complete Date:

Health and Safety: Worker Consultation

H&S.4 The health and safety policy shall be developed and implemented in consultation with workers or their representatives. (P)

Noncompliance

Explanation: No written health and safety policy/procedure maintained in factory.

Plan Of Action: HBI ensures supplier to prepare H&S policy and procedures in accordance to the requirements of FLA.

Deadline Date: 03/31/2009

Supplier CAP: Factory will develop the health and safety policy.

Supplier CAP Date: 01/31/2009

Action Taken: 1st follow-up audit January 29, 2009: No evidence to conclude H&S policy had been completed.

Plan Complete:

**Plan
Complete
Date:**

Health and Safety: Permits and Certificates

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

Noncompliance

Explanation: 1. Boiler operator working in factory has never participated in boiler operator training conducted by local labor department.

Law: Labor Minister Regulation PER-01/MEN/1988, Chapter III Regarding Qualifications, Article 3(f): Operator for boiler shall graduate exams from local labor department cq. subunit maintenance and control.)

2. Factory provided clinic on site with 1 paramedic (nurse); however, the paramedic (nurse) has not received HYPERKES (Hygiene, Factory, Health and Safety) training.

Law: Labor Minister Regulation No. PER-01/MEN/1979 regarding Obligation of HYPERKES (Hygiene, Factory, Health and Safety) Training for Company's Paramedics, Article 1: Every company is obliged to participate in its company's paramedics for HYPERKES (Hygiene, Factory, Health and Safety) training.

Plan Of Action: HBI ensures supplier to have boiler operator and nurse to participate in training and obtain relevant certificates.

Deadline Date: 01/31/2009

Supplier CAP: 1. Actually, factory has boiler operator who got certification of boiler training, but problem is only 1 person controls all boilers. Factory will hire 1 more boiler operator who has certification of boiler training by January 16, 2009.

2. Factory had nurse who had HYPERKES training until October 10, 2008, but she has since resigned, so factory is finding new nurse who has HYPERKES training document.



Supplier 01/31/2009
CAP Date:

Action 1st follow-up audit January 29, 2009 by HBI auditor:
Taken:

1. Additional boiler operator still not hired.
2. New nurse who had HYPERKES training still not available in factory.

Plan
Complete:

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: Last fire evacuation training conducted by factory was August 16, 2008. However, was no evidence factory conducted fire evacuation drill once in every 6 months since factory could not show previous documentation of evacuation training.

Law: Labor Minister Decision KEP.186/MEN/1999, regarding Fire Management Unit in Work Location Article 2(1): Employer shall be obligated to prevent, alleviate and extinguish fire, to run training for fire management in work location.

Plan Of HBI ensures supplier to work out its training plan per time schedule. Also, training
Action: documents should be properly documented for review.

Deadline 08/31/2009
Date:



Supplier CAP: Immediate action: Factory will make plan to do evacuation training by January 9, 2009.

Supplier CAP Date: 08/31/2009

Action Taken: 1st follow-up audit January 29, 2009: Factory had a plan to set up evacuation training 2 times in years 2009: 1st on 16 February 16, 2009; 2nd on August 16, 2009.

Plan Complete:

Plan Complete Date:

Health and Safety: Safety Equipment and First Aid Training

H&S.10 All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be available in sufficient numbers throughout the factory, maintained and stocked as prescribed and easily accessible to workers. A sufficient number of workers shall be trained in first aid and fire fighting techniques. (S)

Noncompliance

Explanation: Were incomplete first aid supplies in first aid kit boxes provided in production areas. In general, first aid kits contained fabric bandages, cotton balls, ammoniac inhalants, antiseptics, adhesive tape and alcohol. But, no burn cream, gloves or scissors provided.

Plan Of Action: HBI ensures supplier to implement long term plan about adequacy of first aid supplies in production floor.

Deadline Date: 03/31/2009

Supplier CAP: Immediate action: Factory completed first aid supplies in first aid kit boxes in production areas on November 26, 2008.

Long Term Plan: Factory makes sure all medical equipment shall be available in sufficient numbers throughout facility by assigning nurse to check the first aid box on daily basis and sign checklist.

Supplier CAP Date: 03/31/2009

Action Taken: 1st follow-up audit January 29, 2009: Site observation found that most first aid boxes still missing items.

Plan Complete:

Plan Complete Date:

Health and Safety: Personal Protective Equipment

H&S.11 Workers shall be provided with effective and all necessary personal protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to health and safety hazards, including medical waste. (S)

Noncompliance

Explanation: Workers working with chemicals at spot cleaning section were only using fabric gloves, instead of rubber gloves.

Plan Of Action: HBI ensures supplier to provide sufficient PPE to chemical handling workers. Also, we propose them to post reminding sign in workstation.

Deadline Date: 01/30/2009

Supplier CAP: Immediate action: Factory provided rubber gloves at spot cleaning section on November 26, 2008.

Long Term Plan: Factory makes sure of all effective and necessary personal protective equipment in the future.

Supplier CAP Date: 12/30/2008

Action Taken: 1st follow-up audit January 29, 2009: Site observation found chemical operators already had fully provided PPE equipment such as chemical masks and rubber gloves, etc.

Plan Complete:

Plan Complete Date:

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: No evidence to prove that the chemical handling training has been provided to workers.

Plan Of Action: HBI ensures the factory to conduct the chemical handling training at least once a year.

Deadline Date: 01/30/2009

Supplier CAP: Factory will establish chemical handling training the workers by January 9, 2009 or before.

Supplier CAP Date: 12/12/2008

Action Taken: 1st follow-up audit January 29, 2009: They had set up chemical safety training for all chemical operators on December 12, 2008.

Plan Complete:

Plan Complete Date:

Health and Safety: Material Safety Data Sheets/Worker Access and Awareness

H&S.14 Material Safety Data Sheets (MSDS) for all chemicals used in the factory must be available at the usage and storage sites of the chemicals, in the local language and the language(s) spoken by workers, if different from the local language. Workers shall have free access to MSDS. (P)

Noncompliance

Explanation: Factory has provided MSDS for most chemicals used. However, was no MSDS for acetone, which is used in the spot cleaning section.

Law: Labor Minister Decree No. KEP.187/MEN/1999 regarding Hazardous Chemicals Control at Work, Articles 2, 3: Company using, storing, wearing, producing and transporting hazardous chemicals at work place is obliged to control chemicals by MSDS. Article 16: MSDS shall be put down in place which is easily noticed by the worker.

Plan Of Action: HBI ensures the supplier to provide sufficient information on MSDS.

Deadline Date: 01/30/2009

Supplier CAP: Immediate action: Factory provided MSDS for acetone on November 26, 2008.
Long Term Plan: Factory will make sure all MSDS of chemicals used have been provided.

Supplier CAP Date: 11/30/2008

Action Taken: 1st follow-up audit January 29, 2009: MSDS of acetone had been posted at chemical usage area and they had assigned safety officer to be responsible for all MSDS in factory.

Plan Complete:

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: Based on observation, electrical panel in material warehouse found open. Moreover, it was also found that 1 electrical panel blocked by material at fabric warehouse.

Law: Safety Act UU No.1/1970, regarding Occupational Safety Law, Article 3: (1) Working condition requirements include: (a) to avoid and reduce risk and to overcome accidents such as fire, etc., (d) to provide a way to escape in case of fire or any emergency condition.)

Plan Of Action: HBI ensures that supplier will remove obstruction at fabric warehouse and cover electrical panel properly.

Deadline Date: 01/31/2009

Supplier CAP: Immediate action: Factory removed obstruction at fabric warehouse and covered electrical panel in material warehouse on November 26, 2008.

Long Term Plan: Factory will make sure that all necessary ventilation, plumbing, electrical, noise and lighting services 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.

Supplier CAP Date: 11/30/2008

Action Taken: 1st follow-up audit January 29, 2009: Site observation found all electrical panels in factory free from any obstruction. Factory had assigned safety officer to be responsible for internal inspection.

Plan Complete:

Plan Complete Date:

Health and Safety: Machinery Maintenance and Worker Training

H&S.18 All production machinery, equipment and tools shall be regularly maintained and properly guarded. Workers shall receive training in the proper use and safe operation of machinery, equipment and tools they use. Employers shall ensure safety instructions are either displayed/posted near all machinery or are readily accessible to the workers. (S)

Noncompliance

Explanation: Factory has provided eye shields for overlock machines. However, it was noted that eye shields were not used by workers.

Plan Of Action: HBI requires that supplier provide education and monitoring on overlock machine operation.

Deadline Date: 03/31/2009

Supplier CAP: Immediate action: Each morning, factory educated all workers on use of eye shields. This was done until December 6, 2008.

Long Term Plan: Factory to make sure to control that all production machinery, equipment and tools are regularly maintained and properly guarded with supervisor monitoring program daily.

Supplier CAP Date: 01/30/2009

Action Taken: 1st follow-up audit January 29, 2009: Site observation found that most workers who worked with overlock machines still did not use eye shields.

Plan Complete:

Plan Complete Date:

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: Based on observation, bathroom facilities provided for male workers did not appear clean and well maintained.

Law: Labor Minister Regulation No.7 of 1964 regarding Condition of Health, Cleanness and Lighting in Workplace, (9) A clean lavatory is lavatory which fulfills following conditions: a) does not smell; b) is not dirty; c) does not have flies, mosquitoes or other insects; d) is provided with sufficient clean water for use; e.) can be easily cleaned; f) is cleaned at least 2-3 times a day. (10) Doors of lavatories shall easily close.

Plan Of Action: HBI ensures that the supplier will have a long term plan on bathroom cleaning work.

Deadline Date: 01/31/2009

Supplier CAP: Immediate action: Factory cleaned the bathroom facilities for male workers on November 26, 2008.

Long Term Plan: Factory makes sure all bathroom facilities are clean and they would check twice a day.

Supplier CAP Date: 01/30/2009

Action Taken: 1st follow-up audit January 29, 2009: Male bathroom/toilet facilities were clean and well maintained during the audit. However, there was no objective evidence of cleaning plan for bathroom/toilet.

Pln Complete:

Plan Complete Date:

Health and Safety: Toilets

H&S.23 Employers shall establish the number of toilets required under applicable laws within reasonable distance of the workplace. (S)

Noncompliance

Explanation: There were a total of 15 male toilets and 35 female toilets, where there were 469 male workers and 1,261 female workers in factory. Based on local law, factory needs 14 more male toilets and 44 more female toilets. Based on this observation, there were no long queues found in toilets, even though the numbers were insufficient.

Law: Labor Minister Regulation PER-07/1964, regarding Condition of Health, Cleanness and Lighting in Workplace, Article 6: (6): The scale of lavatories must be as follows: for 1-15 workers = 1 lavatory; 16-30 workers = 2 lavatories; 31-45 workers = 3 lavatories; 46-50 workers = 4 lavatories; 61-80 workers = 5 lavatories; 81-100 workers = 6 lavatories; and additionally for every 100 workers is 6 lavatories.)

Plan Of Action: HBI recommends that factory work out plan to increase number of toilets by mid-2009.

Deadline Date: 06/30/2009

Supplier CAP: Factory will submit application for government permit letter from local labor department by January 31, 2009. Then, they will make a plan to install toilets in mid-2009.

Supplier CAP Date: 06/30/2009

Action Taken: 1st follow-up audit January 29, 2009: The number of toilets is still same. And, improvement plan is still not available.

Plan Complete:

Plan Complete Date:

Health and Safety: Toilets/Restrictions

H&S.24 Employers shall not place any undue restrictions on toilet use in terms of time and frequency.
(P)

Noncompliance

Explanation: Workers must take a permission card in case they have to go to the toilet. The toilet cards are implemented strictly to sewing workers only. No workers could go to the toilet if they did not have a permission card.

Plan Of Action: HBI told factory to remove the toilet card system. We will ensure that a card is provided for at least 10 persons. Also, workers are allowed to go to toilet without card if they have an emergency.

Deadline Date: 01/31/2009

Supplier CAP: Factory will remove the toilet card system.

Supplier CAP Date: 11/30/2008

Action Taken: 1st follow-up audit January 29, 2009: The toilet card system is still used in factory. However, it was found that workers could go to toilet without a card if they had an emergency.

Plan Complete:

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)

Noncompliance

Explanation: It was noted that the last drinking water test analysis conducted was in October 2007. Factory has not conducted a drinking water test analysis since then.

Plan Of Action: HBI ensures that the factory will conduct annual testing on drinking water. HBI recommends that factory should add this policy to their H&S Committee.

Deadline Date: 01/31/2009

Supplier CAP: Factory already conducted drinking water test analysis in October 17, 2008.

Supplier CAP Date: 01/09/2009

Action Taken: 1st follow-up audit January 29, 2009: Factory conducted drinking water test in October 17, 2008.

Plan 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: Based on randomly provided time card records review, it was noted maximum OT hours found were as follows:

- 5.5 hrs/day or until around 22:00 on at least September 15, 16, 25, 2008 for sewing workers at lines 16 and 3.

- 74.5 hrs/wk in at least 2 sewing lines, 3 workers, September 15 to 21, 2008, while other sewing workers worked 64-71.5 hrs/ wk in same period. Excessive work hours occurred due to electrical blackout and coming long mass leave starting at the end of September 2008 (religious holidays). Nevertheless, since inconsistency records and information noted, unable and misleading to fully verify actual work hours.

Law: Labor Act UU No.13/2003, regarding Working Hour, Chapter XI, Paragraph 4, Article 77.2: Working hours as mentioned under Subsection (1) cover: a) 7 hrs/day, 40 hrs /wk, 6 days/wk or b) 8 hrs/day, 40 hrs/wk, 5 days a week. Article 78.1: Entrepreneurs who require workers to work longer than work hours determined under Subsection (2) of Article 77 must meet the following requirements: a) Approval of relevant worker; b) Maximum OT work of 3 hrs/day and 14 hrs/wk.)

Plan Of Action: HBI works out with sourcing team to shift orders to other suppliers from this supplier, to ensure they are not overbooked on production. Then, OT hours would be decreased since February onward. HBI will conduct continual monitoring of this supplier for first half of 2009, to ensure their production planning is properly controlled. We plan to visit factory in around 3 months.

Deadline Date: 06/30/2009

Supplier CAP: Immediate Action: Factory would try to properly arrange production and make sure it complies with all local laws, regulations and procedures concerning hours of work, public holidays and leave.

Long Term Plan: Factory would continuously reduce OT hours. So, factory trying to meet legal work hours from December and will be within local law from January 9, 2009.

Supplier CAP Date: 06/30/2009



Action Taken: 1st follow-up audit January 29, 2009: Factory management confirms that all records provided were authentic and accurate records. Based on worker interviews and document review (daily OT sheet, summary work hours sheet, payroll records), it was found that:

*Max OT: 4.5 to 5 hrs/day, 25.5 hrs/wk

*Sunday : 1-2 times/month during November and December 2008 (November 14, 21, 2008 and December 30, 2008)

Plan 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: Due to inconsistent records and information noted during audit, it has been difficult to fully verify actual work hours and payment. The following things were noticed:

1. Daily OT sheet and summary work hours sheet documents indicated Sunday work and public holidays, as well as employees working until morning. Work was not recorded on attendance records provided; a) Sunday work: March 30, 2008 (cutting and sewing); April 20, 2008 (QC, finishing, cleaning service); June 22, 2008 (sewing); and July 13, 2008 (sample). b) Public Holiday: May 1, 2008 (sewing); c) May 7, 2008: at least 4 packing workers worked until 5:30AM; May 6, 2008: at least 1 finishing worker worked until 23:00 and 6 packing workers worked until 5:30 AM; May 5, 2008: at least 5 packing workers worked until 5:30 AM.

2. Meeting records between management and worker's representative indicated there is concern asked by workers to management about OT payment for working until finish or even morning (they called as 'SS').

Plan Of Action: HBI will ensure that supplier documents all work hours on 1 time record. HBI will also decrease work hours, as we may decrease some orders to them from January 2009. HBI auditor will hold a meeting with factory management to ensure they will present all time records for review.

Deadline Date: 01/31/2009

Supplier CAP: Factory will maintain authentic and accurate time records.

Supplier CAP Date: 03/31/2009

Action Taken: 1st follow-up audit January 29, 2009 by HBI auditor: Factory manager confirms that all records provided were authentic and accurate. Based on worker interviews and documents review (daily OT sheet, summary work hours sheet, payroll records) it was found that:

*Max OT: 4.5 to 5 hrs/day and 25.5 hrs/week

*Sunday: 1-2 times/month during November and December 2008 (November 14, 21, 2008 and December 30, 2008)

Plan Complete:

Plan Complete Date:

Hours of Work: Overtime/Positive Incentives

HOW.9 Employers shall use positive incentive schemes to induce overtime and shall ensure such incentive schemes are known by workers. (P)

Noncompliance

Explanation: There were no positive incentive schemes used to induce OT.

Plan Of Action: HBI will ensure that supplier has positive incentive schemes to induce OT. Also, it should be well informed all employees.

Deadline Date: 03/31/2009

Supplier CAP: Factory will establish positive incentive schemes to induce OT by January 9, 2009.

Supplier CAP Date: 01/31/2009

Action Taken: 1st follow-up audit January 29, 2009 by HBI auditor: Positive incentive scheme was not available in factory yet.



**Plan
Complete:**

**Plan
Complete
Date:**
