



2010

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: Hanesbrands, Inc.
COUNTRY: Malaysia
FACTORY CODE: 7200461243I
MONITOR: Andrew Teh
AUDIT DATE: September 23, 2010
PRODUCTS: Undergarments
PROCESSES: Cutting, Sewing, Trimming,
Packing
NUMBER OF WORKERS: 559



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Wages, Benefits and Overtime Compensation: Deposit of Legally Mandated Deductions

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

Noncompliance

Explanation: According to the Malaysia Immigration Act, employers shall provide the Foreign Worker Insurance Compensation Scheme to all migrant workers. However, the factory management was unable to present the foreign worker insurance registration and payment records for verification.

Plan Of Action: Hanesbrands (HBI) will do the following:

1. Immediate action should be made to compile all the related documents from each audit so they are available for review.
2. Amend the document retention policy by copying it; the document controller or department person in charge should keep the copy while the original document is sent to local authorities or interested party.
3. Factory management should timely review this policy and procedure.

Deadline

Date:

Action Taken: January 18, 2011, HBI internal auditor follow-up audit:

The internal auditor reviewed the Foreign Workers' Workmen Compensation Scheme Policy and validated the insurance payment receipt for the years from 2007 to 2010, including the latest one on November 18, 2010. The factory complied with the foreign workmen's compensation insurance regulation. The factory is committed to keeping the documents on site at any time during the year.

Plan **No**
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. With effect from April 1, 2009, the levy fee taken from migrant workers should be borne by employers. However, according to payroll records from June to August 2010, there were still levy deductions given to migrant workers.

2. According to Malaysian Immigration Guidelines, employers shall pay for all work permit renewal related fees, such as FOMEMA medical examination fee, work permit processing fee, stamp fee, etc. However, payroll records found that such fees have been deducted from the salaries of migrant workers.

Sources: document review, management and worker interviews

Uncorroborated Evidence of Noncompliance:

According to worker interviews, some migrant workers said that the recruitment agents in their countries of origin promised that they would earn RM 20/day. However, the migrant workers signed an employment contract with the factory that says they would be paid RM 18/day. The factory management verbally promised migrant workers an increase of their daily basic wage from RM 18 to RM 20 per day after working for 3 years, but the factory failed to fulfill this promise.

**Plan Of
Action:**

HBI will ask the supplier to do the following actions:

1. All the withholding amount from salary should be complied in law.
2. Employment contract should clearly state the withholding amount before workers sign; the pay slip should clearly list those items.
3. Regular communication should be done between employer and migrant workers to ensure the withholding amount is in accordance with law.
4. Training and education should be added on an annual basis to remind workers.
5. A grievance channel should be set up for reporting any noncompliance issue.
6. Regularly review noncompliances on this policy.

**Deadline
Date:**

**Action
Taken:**

HBI reviewed the agent agreement between the factory and the recruitment agency in 2012, and noted that, as per the agreement, the factory was required to pay the levy fee to the Malaysian Immigration Department.

A follow-up audit is required to verify that the following expenses are to be taken up by the factory: levy fee, annual medical check-up (FOMEMA), and visa (PLKS). In addition, during the follow-up audit, HBI will review if the factory will increase the daily basic salary of the migrant workers after they have worked in the factory for 3 years.

**Plan
Complete:**

No

**Plan
Complete
Date:**

Wages, Benefits and Overtime Compensation: Calculation Basis for Overtime Payments

WBOT.8 Employers shall compensate workers for all hours worked. For workers on a piece rate payment scheme or any other incentive scheme, payments for overtime hours worked shall be calculated by applying the premium rate required by law or this Code on the same payment scheme as is used for calculating wages for normal working hours, unless the payment scheme used leads to higher wages for workers. (S)

Uncorroborated Evidence of Noncompliance

Explanation: According to factory management, the normal overtime per day is only 2 hours, i.e. from 5pm to 7pm. During the peak season, the maximum overtime per day will be 4 hours/day (5pm – 7pm, 8pm – 10pm). Some migrant workers took a rest after 5pm, then started overtime from 8pm to 11pm.

According to worker interviews, some migrant workers worked on some pieced-rated trimming jobs at the hostel from 11pm until 1am and only earned about RM 1-2/hour; this was not recorded on attendance and payroll records. According to Malaysian labor law, workers shall be paid 1.5 times for working overtime during weekdays. The factory management reported that they did not allow this extra work at the hostel and were unaware of the incident and would investigate this.

**Plan Of
Action:**

1. Stop the trimming work inside dormitories immediately, as it is not a proper workplace.
2. Ensure the work performed is paid at normal wage.
3. Ensure that there is no forced labor with the purpose of hitting the target.
4. Revise the internal policy for the work arrangements that can only be performed on the production floor.
5. Communicate with all employees on this policy by posting the notice, having meetings, and conducting training.



6. Assign the HR department to monitor any violation.

7. Set grievance channel to report any noncompliance of this policy.

Deadline

Date:

Action

January 18, 2011, HBI auditor follow-up visit:

Taken:

There was an internal memo on the terms and conditions of employees' work as subcontractors dated January 24, 2010. It mentioned how workers are allowed to work outside the regular working hours inside the dormitories without any monitoring; workers' work hours; the compensation based on piece rate; and that the price could be changed without prior notification to workers. Factory management denied this arrangement after the IEM audit was conducted, as they understood HBI and FLA did not allow this. Interviewed workers admitted that after the finding was raised, work was no longer carried out in the dormitories.

Plan

No

Complete:

Plan

Complete

Date:

Wages, Benefits and Overtime Compensation: Voluntary Wage Deductions

WBOT.14 Voluntary wage deductions for savings clubs, loan payments, etc. can only be made with the express and written consent of workers and shall be documented in employee files. All such voluntary deductions shall be credited to proper accounts and funds shall not be held illegally or inappropriately by employers. (S)

Noncompliance

Explanation: According to worker interviews, there was a monthly deduction of RM 200-250 for recruitment fees for some migrant workers. A few months ago, this deduction was not shown on payroll records. It was found later that the factory has kept a separate record on recruitment loan monthly repayment deductions for August and September 2010 without any signatures.

Sources: document review, management and worker interviews

Plan Of Action:

1. Ensure that the withholding amount complies with legal requirements.
2. The withholding amount should be fully disclosed in the contract, pay slip and accounting record.
3. The transactions of receipt and payment should be genuinely confirmed by payer and payee (agent).
4. Employees should be informed about the purpose of this withholding amount via regular training and notices.
5. Set up grievance channels to reporting noncompliance.
6. Assign personnel to review any of the set forth procedures on a regular basis.

Deadline Date:

Action Taken:

HBI internal auditor conducted worker interviews during the follow-up audit on January 18, 2011, and was told that the factory started not deducting the recruitment fees from their salaries. A follow-up audit is required to better understand the recruitment process, interview additional migrant workers, and further validate if the recruitment fee is to be totally absorbed by the factory.

Plan No
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: According to worker interviews, workers occasionally worked on Sunday during the past 12 months. According to factory management, workers did not have any Sunday work for the past 12 months. Despite numerous requests, the factory management could only present both attendance and payroll records for the last 3 months, i.e., from June to August 2010 for only about 100 workers, almost at the end of the audit.

The attendance records did not allocate any column for all Sundays, so the authenticity and accuracy of the attendance and payroll records for the last 12 months could not be verified.

Sources: document review, management and worker interviews

Plan Of HBI will ask the supplier to do the following:

Action:

1. Review and update OT policy for normal OT hours in the factory; they should not exceed legal limits.
2. All overtime, including Sunday work is 100% voluntary and the overtime payment should be in accordance with legal requirements.
3. Educate employees to record all working hours.
4. All overtime records should be properly recorded and disclosed for review.

5. Management to regularly review the OT condition and set the production planning, with a maximum 6 days per week.

6. Assign personnel to review the OT working hours and report any excessive OT noncompliance.

7. Set grievance channels to report any noncompliance about OT.

Deadline

Date:

Action

January 18, 2011, HBI auditor follow-up visit:

Taken:

1. Management has already prepared the Sunday work voluntary overtime form.

2. Sunday work is stated on workers' attendance cards in January 2011. Based on interviews, workers always clock-in and clock-out, even though it is Sunday work or holiday work.

3. Supplier management has an appointed person to review this issue, [Employee name]; however, the role is not clearly stated.

Plan

No

Complete:

Plan

Complete

Date:

Wages, Benefits and Overtime Compensation: Worker Wage Awareness

WBOT.22 Employers shall make every reasonable effort to ensure workers understand the wages, including the calculation of wages, incentives systems, benefits and bonuses they are entitled to in a factory and under applicable laws. To this end, employers shall communicate orally and in writing to all workers all relevant information in the local language or language(s) spoken by the workers, if different from the local language. (P)

Noncompliance

Explanation: 1. Some workers were unclear about the production incentives calculation.

2. Workers were unclear about the annual deduction of medical treatment cost calculation (that exceeds the annual medical benefit budget provided by the employer).

Sources: document review, worker interviews, document review, management and worker interviews

Plan Of Action: HBI will ask the supplier to do the following:

1. Need to update the current employee handbook/contracts to explain how to calculate production incentives and annual deductions of medical treatment costs in employees' native languages.

2. Post the notice of those calculations on employees' communication notice board.

3. Add this topic in orientation training and annual training to employees.

4. Set grievance channels to report any noncompliance.

5. Assign personnel to review this policy and procedures on a regular basis and to report on its effectiveness to management.

Deadline Date:

Action Taken: January 18, 2011, HBI auditor follow-up visit:

The topics about the calculation methods of production incentives and medical costs are added into the orientation training, but the factory had not yet translated the written explanations into employees' native languages nor posted them on the notice board.

Plan **No**
Complete:

Plan
Complete
Date:

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

Other

Uncorroborated Evidence of Noncompliance

Explanation: According to the factory management and employment contracts, the factory would pay for the return airfare after migrant workers have completed their 3-year contract. According to worker interviews, some migrant workers have to pay for their return ticket, even after completing 3-year contract.

Plan Of Action:

1. Round trip airfare should be truly paid by employer.
2. Round trip airfare should be properly documented in the accounting records and personnel files.
3. Communicate to migrant workers about the terms and conditions or any exceptions about the round-trip airfare, by written handbook, orientation training, and annual training.
4. Set up grievance channels to report any noncompliances.
5. Assign personnel to review this policy and procedure on a regular basis and to report on its effectiveness to management.

**Deadline
Date:**

**Action
Taken:** January 18, 2011, HBI auditor conducted follow-up visit:

During document check, point #15 of the agreement between factory and agent states that the return journey will be provided upon completion of the employment contract (3 years). It is also mentioned in the workers' contract point 9.2 that the employer shall provide workers' return fare to their country of origin upon their completion of the contract period of 3 years. Workers have the option to renew their contract for another 12-month renewal on a yearly basis. During worker interviews, they admitted that they are granted return airfare and are also given a voucher ticket to show workers are granted this.

**Plan
Complete:** No

**Plan
Complete
Date:**

Forced Labor: Freedom in Employment

F.2 All workers shall have the right to enter into and to terminate their employment freely. (P)

Noncompliance

Explanation: Migrant workers do not have the right to terminate their employment freely, as their original passports are kept by the factory management due to their outstanding debt of recruitment fees and levy.

Plan Of Action:

1. The employment contract should clearly state a) the rights and obligations between employer and employees and b) the contract clauses on termination by either party, that are fairly and legally stated for all those clauses.
2. The conditions set forth in the employment contract a) have no intention of forced labor and are fully compliant to legal requirements and b) are signed by both parties on a voluntary basis after reviewing the terms and conditions.
3. Workers understand the purpose of withholding passports and can freely retrieve their passports for any legitimate action.
4. Workers should understand their rights and obligations before signing contracts, during orientation and annual training.
5. Legal personnel assigned to review the contract on a regular basis to ensure fair conditions are stated.

Deadline Date:

Action Taken: The migrant workers should have the right to gain access to their passports. The factory has installed lockers for individual workers; the lockers are located on the ground floor underneath the staircase leading to the production floor area. The managing director (MD) of [Factory name] issued a policy on April 1, 2012, stating that the factory would provide the migrant workers free access to their passports anytime when there is a need. HBI reviewed all the supporting documents, including photos, in 2012. A further follow-up audit is required to physically inspect the lockers, and to interview the migrant workers to see if they can gain access to the passport in accordance with the policy.

Plan **No**
Complete:

Plan
Complete
Date:

Forced Labor: Employer Controlled Residence

F.11 Employers shall not require workers to live in employer-owned or controlled residences as a condition of recruitment, continued employment or to receive the same terms of employment and working conditions as other workers in the same position. Employers shall not subject workers to any undue influence to persuade workers to live in such residences. (P)

Noncompliance

Explanation: As a condition of continued employment, all migrant workers are required to stay at the hostels provided inside the factory compound.

Plan Of Action:

1. Un-availed dormitory regulations are reviewed and updated in accordance with local law requirements, but not relevant to the condition of employment.
2. Un-availed dormitory regulations are communicated to all employees through internal notice and trainings on regular on a basis. At most, make it possible to translate regulations into workers' language not for the purpose of restricting movement, but to ensure the safety and security of migrant workers, who can freely move in/ out of the dormitory at their own will.
3. Set up grievance channels to report any noncompliances.
4. Assign personnel to monitor the condition if there is any violation or feedback from workers.

Action Taken: January 18, 2011, HBI auditor follow-up visit:

1. Dormitory regulations are reviewed and posted in front of the hostel gate, and do not restrict movement.
2. From worker interviews, workers do not feel any restriction of movement in the hostel; they are freely in and out of the hostel. They are fine with this arrangement.

Plan Complete: No

Plan Complete Date:

Forced Labor: Freedom of Movement/Employer Controlled Residence

F.12 The freedom of movement of workers who live in employer controlled residences shall not be unreasonably restricted. (P)

Noncompliance

Explanation: 1. The female dormitory in the factory compound's one and the only main gate (hostel #2, a 3-story building) is locked daily from 11pm to 7am. This dormitory houses more than 100 workers.

2. An internal memo dated May 17, 2010, issued by the managing director to all employees mentioned that the main gate of the factory would be closed at 8pm.

Plan Of Action: HBI will ask the supplier to do the following:

1. Remove the condition on the internal memo dated May 17, 2010.
2. Review current safety and security arrangements in hostels. Do not impose a curfew or restrict movement. Insist that workers can move freely in and out of the hostel
3. Dormitory regulations are updated in accordance with local law requirements.

4. Un-availed dormitory regulations are communicated to all employees by written notice. At most, it is possible to translate them into workers' native languages.

5. An internal monitoring system is established by assigning personnel to see to the effectiveness of the arrangements.

Deadline

Date:

Action

January 18, 2011, HBI auditor follow-up visit:

Taken:

1. Dormitory regulations are reviewed and posted in front of the hostel gate and do not restrict movement.

2. From worker interviews, workers do not feel any restriction of movement in hostel. They are freely in and out and are fine with this arrangement. During the hostel tour, we found 1 female worker who was taking medical leave and going in and out of the hostel at 11.00 AM She said that she did not feel restricted in the hostel. A further follow-up audit is considered necessary to validate that female workers' freedom of movement is not restricted.

Plan

No

Complete:

Plan

Complete

Date:

Forced Labor: Worker Ability to Terminate/Freedom of Movement

F.13 Employers shall not utilize practices that restrict a workers' ability to terminate his or her employment or freedom of movement. Examples of such practices include, but are not limited to: (the threat of) physical or mental coercion; requiring deposits; imposing financial penalties; requiring recruitment fees; setting production targets or piece rates at such a level that workers need to work beyond normal working hours (excluding overtime) as set under the FLA Code in order to make the legal minimum wage or the prevailing industry wage; and denying and hampering access to, and renewal of, identity papers and/or work permits or any other personal legal (identification) documents. (S)

Noncompliance

Explanation: Some migrant workers were working without valid work permits. Out of the total number of migrant workers (480), the factory management could only present of 249 original passports with valid work permits attached and 14 original passports with expired work permits. (9 passports were in the work permit renewal process). Therefore, there were 217 "missing" passports and work permits that could not be found and verified.

From worker interviews, some migrant workers knew that their work permits have expired; the factory management advised them not to go out of the factory. Some migrant workers have paid the work permit renewal fees by themselves in order to stay safe.

Sources: document review, management and worker interviews

Plan Of Action:

HBI will ask the supplier to do the following:

1. Review current policy and procedure. Make sure that the workers' permits are renewed and that the root cause of work permits' expiration is investigated.
2. Make sure that the procedures are refined, including those on the custody of passports, the payment of work permit renewals, and the expedition of work permit renewals for migrant workers.
3. Make sure that the workers without valid work permits are reviewed and work permits are applied for them without delay.
4. Workers are communicated to if their passports are held for custody purposes, not for restriction of movement.

5. Inform workers, in writing, about the renewal of work permits and that the employer is responsible for the borne fee.
6. Set up grievance channels for reporting any noncompliance issues.
7. Assign internal personnel to review that this policy and procedure is fully implemented
8. Management is delegated to review the feedback from migrant workers on a regular basis.

Deadline

Date:

Action

January 18, 2011, HBI auditor follow-up visit:

Taken:

1. Based on a document check, there are 725 employed migrant workers and 114 local workers.
2. Employers are keeping migrant workers' passports in a safe box. After verification, about 37.37% of passports are kept by employers, while 62.62% of the passports are processed by the Malaysian Immigration Department for 1 to 10 months.

Plan

No

Complete:

Plan

Complete

Date:

Forced Labor: Personal Worker Identification and Other Documents

F.15 Workers shall retain possession or control of their passports, identity papers, travel documents or any other personal legal documents. Employers shall not retain any such documents to restrict workers' access to them for any reason whatsoever, including in order to ensure that workers shall remain in employment in the factory. (S) Employers may obtain copies of original documents for record-keeping purposes.

Noncompliance

Explanation: The factory keeps all migrant workers' passports. Factory management asked the migrant workers to sign consent letters to hold their passports for safekeeping. However, workers could not access their original passports whenever they needed them. The original passports would only be returned to workers upon completion of employment contract period.

Sources: document review, management and worker interviews

**Plan Of
Action:**

1. The custody of passports and the procedures on taking back passports comply with local law.
2. Also, it had been stated clearly in the employment contract and consent letter.
3. Review and amend the current policy and procedures on the custody of passports, on how they are not for forced labor or for violating the code.
4. Communicate the procedures for taking back the passports to employees by notice, orientation training, and annual training.
5. Set up grievance channels to report non-compliances.
6. Assign personnel to review this policy and procedure on a regular basis

**Deadline
Date:**

Action Taken: Migrant workers should have the right to access to their passports. The factory has installed lockers for individual workers are located on the ground floor underneath the staircase leading to the production floor area. [Factory name's] Managing Director issued a policy on April 1, 2012, stating that the factory would provide the migrant workers free access to their passports anytime when there is a need.

HBI reviewed all the supporting documents, including photos, in 2012. A further follow-up audit is required to physically inspect the lockers and to interview migrant workers to see if they can gain access to their passports in accordance with the policy.

Plan Complete: No

Plan Complete Date:

Freedom of Association: Employer Interference/Constitution, Elections, Administration, Activities and Programs

FOA.5 Employers shall not interfere with the right of workers to draw up their constitutions and rules, to elect their representatives in full freedom, to organize their administration and activities and to formulate their programs. (S)

Noncompliance

Explanation: Worker representatives were appointed by the factory management and not elected by the workers.

Plan Of Action: HBI will ask the supplier to do the following:

1. Review the code of freedom of association and collective bargaining and revise the company policy on electing the worker representatives (who should be elected by workers with no intervention by factory management).
2. Post the revised policy and procedures for employees.
3. Assigned personnel to implement per revised policy.
4. Re-elect the worker representatives.
5. Review the effectiveness of the set forth procedures on electing worker representatives on a regular basis.

Deadline Date:

Action Taken: January 18, 2011, HBI auditor follow-up visit:

1. On June 30, 2010, management set up the freedom of association policy and procedure and posted it on the board.
2. On December 10, 2010, top management informed all employees to prepare for voting on employee representatives. HR department has told all employees about this voting plan.

3. On December 22, 2010, workers have submitted their own elected representatives, each is nation represented by 1 worker: Vietnam, Myanmar, Nepal, Bangladesh, and Cambodia.

4. On January 18, 2011, in-house auditor checked the internal memo dated December 10, 2010, regarding how worker representatives needed to represent workers in worker affairs; however, regular meetings between factory management and worker representatives have not yet been made.

Plan No
Complete:

Plan
Complete
Date:

Freedom of Association: Anti-Union Violence/Harassment/Abuse

FOA.10 Employers shall not in any way use violence against, threaten, intimidate, harass or abuse workers seeking to form or join workers' organizations or workers participating or intending to participate in union activities, including strikes. (S)

Noncompliance

Explanation: The company rules (clause #19) posted in the hostel stated that workers should not organize, instigate or participate in any illegal strike or demonstration on company premises.

Plan Of Action: HBI will ask the supplier to do the following:

1. Review company rules to ensure they adhere to legal requirements and do not violate the code of freedom of association.
2. Remove improper rules that potentially conflict with freedom of association.
3. Promote the grievance channels in the hostel and ensure they function.



4. Educate employees on how to form an association and collective bargaining that comply with local law.

5. Assign personnel to review this corrective action on a regular basis.

Deadline

Date:

Action

January 18, 2011, HBI auditor follow-up visit:

Taken:

1. The topic of freedom of association and collective bargaining has been delivered during new workers' orientation training.

2. Worker representatives were elected by workers. (See FOA.5.) A follow-up audit is required to validate if the clause #19 of the company rules has been discarded.

Plan

No

Complete:

Plan

Complete

Date:

Freedom of Association: Employer Interference/Police and Military Forces

FOA.11 The employer shall not in any way threaten the use of or use the presence of police or military, to prevent, disrupt or break up any activities that constitute a peaceful exercise of the right to freedom of association, including union meetings, assemblies and strikes. (S)

Noncompliance

Explanation: According to one of the rules of the "Hostel Residents' Rules and Regulations" posted by the main board company [Main Board Company name] at the female hostel, if workers commit any serious misconduct such as "riot," they will be subject to "police action," termination "without" notice and other necessary disciplinary actions.

Plan Of Action: HBI will ask the supplier to do the following:

1. Review the company rules to ensure they adhere to legal requirements and do not violate the code of freedom of association.
2. Remove the improper rules that potentially conflict with freedom of association.
3. Promote the grievance channels in the hostel and ensure they function.
4. Educate employees on how to form the association and collective bargaining and how to comply with local law.
5. Assign personnel to review this corrective action on a regular basis.

Deadline Date:

Action Taken: January 18, 2011, HBI auditor follow-up visit:

1. The topic of freedom of association and collective bargaining was delivered during orientation training.
2. Workers elected worker representatives. (See FOA.5.) A follow-up audit is required to review and discuss the Hostel Residents' Rules and Regulations with factory management.

Plan No
Complete:

Plan
Complete
Date:

Harassment or Abuse: Discipline/Fair and Non-Discriminatory Application

H&A.4 Employers shall apply disciplinary rules, procedures and practices in a fair and non-discriminatory manner to all workers. (S)

Noncompliance

Explanation: According to the "Hostel Residents' Rules and Regulations" posted by the main board company [Main Board Company] at the female hostel, if workers commit any misconduct, they will be subject to verbal warning, "suitable penalty," "downgrade," "police action". If involved in serious misconduct, such as fighting, gangsterism, gambling, "rioting," and criminal activities, they will be subject to termination "without" notice, and other necessary disciplinary actions.

Plan Of Action: HBI will ask the supplier to do the following:

1. Review the current hostel rules and regulations and identify the points that potentially violate the code on fair and non-discriminatory manners.
2. Amend the rules and regulations to adhere to law and fair practice on disciplinary action.
3. Communicate this to residents by written notice, orientation training and annual training.
4. Assign personnel to monitor this practice that adheres to the amended rules.
5. Set up grievance channels that allow employees to report non-compliances.
6. Promote grievance procedure and grievance channels to all employees.



**Deadline
Date:**

**Action
Taken:** January 18, 2011, HBI auditor follow-up visit:

1. The topic of harassment and abuse was delivered during new worker orientation training.
2. Hotline is set to communicate to top management. A follow-up audit is required to review and discuss the Hostel Residents' Rules and Regulations with factory management.

**Plan
Complete:** No

**Plan
Complete
Date:**

Harassment or Abuse: Discipline/Monetary Fines and Penalties

H&A.8 Employers shall not use monetary fines and penalties as a means to maintain labor discipline, including for poor performance or for violating company rules, regulations, and policies. (S)

Noncompliance

Explanation: An internal memo dated May 17, 2010, issued by the managing director to all employees with the subject of "Non-Compliance of Working Hours / Break Time," was posted in production areas warning that disciplinary actions such as verbal and written warnings, "deduction of overtime hour or salary," "barring of salary increment and bonus," and dismissal will be taken against those who are late without a valid reason.

**Plan Of
Action:**

HBI will ask the supplier to do the following:

1. The internal memo dated May 17, 2010, is to be rescinded.
2. The factory should revise the disciplinary policy and procedures so that no deductions from salaries will be allowed. If there is a revision, the revised policy and procedures have to be properly communicated to workers.
3. The factory should educate the workers, including the migrants, that they should be punctual, and follow the factory's working hours and break times.

**Deadline
Date:**

**Action
Taken:**

A follow-up audit is required to review the factory's disciplinary policy and procedures, and to verify what actions will be taken by the factory when the workers are not compliant with factory's regulations, in particular, the working hours and break times.

**Plan
Complete:**

No

**Plan
Complete
Date:**

Non-Discrimination: Sex-Based Wage Discrimination

D.4 There shall be no differences in remuneration for men and women workers for work of equal value. Remuneration (wages, compensation) includes the basic minimum or prevailing industry wage and any additional payments to be made directly or indirectly, whether in cash or in-kind, by the employer to the worker and arising out of the workers' employment. Such additional payments include wage differentials or increments based on seniority or marital status, cost of living allowances, housing or residential allowances, family allowances, benefits in-kind such as the allotment and cleaning of work clothes or safety equipment, and social security benefits. (S)

Noncompliance

Explanation: According to employment contracts, all migrant workers are entitled to an Attendance Allowance (RM 0.70/day) and an Overtime Meal Allowance (RM 1.50) if they work more than 3 hours a day. Burmese workers are not entitled to these rights.

Plan Of Action: HBI will ask the supplier to do the following:

1. Review the current non-discrimination policy and communicate this all workers via written notice and trainings.
2. Re-adjust the allowance structure to be the same for all migrant workers.
3. Establish internal monitoring and management review system to review all information from all grievance channels.
4. Communicate to workers about salary structure. Make them aware of this by posting about incomes and deductions on the workers' board in workers' own language, so they are fully aware of it.

Deadline Date:

Action Taken: January 18, 2011, HBI internal auditor conducted an audit. However, a further follow-up audit is required to ensure that all workers, including migrants, are entitled to equal allowances, regardless of their date of recruitment.

Plan Complete: No

Plan Complete Date:

Non-Discrimination: Marital Discrimination

D.5 Employers shall not discriminate on the basis of marital status. (S)

Noncompliance

Explanation: The employment application forms ask for information about marital status, number of children, and religion.

Plan Of Action: HBI will ask the supplier to do the following:

1. Set up a non-discrimination policy that refers to Malaysian legal requirements.
2. Revise the employment application form.
3. Communicate to workers about the non-discrimination policy by written notice and trainings.
4. Assign a person to monitor the implementation of the non-discrimination policy.

Deadline

Date:

Action Taken: January 18, 2011, HBI auditor follow-up visit:

1. Supplier has established their non-discrimination policy.
2. At least 3 workers' confirmed that even though they marked "married" as their marital status, they were still hired.

Plan Complete: No

Plan Complete Date:

Non-Discrimination: Pregnancy Testing

D.6 Employers shall not use pregnancy tests or the use of contraception as a condition of hiring or of continued employment. Employers shall not require pregnancy testing of female workers, except as required by national law. In such cases, employers shall not use (the results of) such tests as a condition of hiring or continued employment. (S)

Noncompliance

Explanation: The standard medical examination required by Malaysia Immigration/FOMEMA requires all female migrant workers to undergo a general health examination, which includes a pregnancy test, before applying for and renewing their work permit.

Plan Of Action: HBI will ask the supplier to do the following:

1. Set up a non-discrimination policy that refers to Malaysian laws and requirements.
2. Communicate to workers about the non-discrimination policy. The factory must also make sure that the general health examination strictly follows the Malaysian law. The results will not be disclosed to either the factory or the workers, so it does not affect any application or renewal of the work permit.
3. Assign a person to monitor the implementation of the non-discrimination policy.

Deadline

Date:

Action Taken: January 18, 2011, HBI auditor, follow-up visit:

1. Supplier has already set up a non-discrimination policy.
2. FOMEMA results, including their parameters, are shared with neither to the employer nor to workers. They only inform suppliers that the pertinent workers pass the medical examination and can be further processed for employment.
3. FOMEMA requirements and their fee implications have been mentioned in the agreement between the supplier and the workers' agent and in the agreement between supplier and workers.

Plan **No**
Complete:

Plan
Complete
Date:

Non-Discrimination: Medical Examination

D.11 Employers are allowed to require routine medical examination for fitness as a condition of recruitment or continued employment. Such examination shall, however, be strictly limited to assess general fitness, and not include testing for any disease or illness, such as HIV/AIDS, that does not have an immediate effect on a person's fitness and/or is not contagious. (P)

Noncompliance

Explanation: The standard medical examination required by Malaysia Immigration/FOMEMA requires all migrant workers to undergo a general health examination that includes an HIV/AIDS test before applying for or renewing a work permit.

Plan Of Action: HBI will ask the supplier to do the following:

1. Set up a non-discrimination policy that refers to Malaysian laws and requirements.
2. Communicate to workers about the non-discrimination policy. The factory must also make sure that the general health examination strictly follows the Malaysian law. The results will not be disclosed to either the factory or the workers, so it does not affect any application or renewal of the work permit.
3. Assign a person to monitor the implementation of the non-discrimination policy.

Deadline Date:

Action Taken: January 18, 2011, HBI auditor follow-up visit:

1. Supplier has already set up a Non-Discrimination policy.
2. FOMEMA results, including their parameters, are not shared to employer or workers, they only inform the suppliers that the pertinent workers have passed the medical examination and can be further processed for employment.
3. FOMEMA requirements and their fee implications have been mentioned in the agreement between supplier and workers agent and in the agreement between supplier and workers.

Plan Complete: No

Plan Complete Date:

Code Awareness:

GEN.1 Establish and articulate clear, written workplace standards. Formally convey those standards to Company factories as well as to licensees, contractors and suppliers.

Noncompliance

Explanation: The company has not conveyed its code of conduct (COC) standards to the factory and informed the factory about its association with FLA.

Plan Of Action: HBI will ask the supplier to do the following:

1. Communicate with all suppliers for the COC and on the association with FLA by emailing on an annual basis.
2. Explain FLA requirements through vendor meetings.
3. Remind the supplier about the association in each HBI audit.

**Deadline
Date:**

Action Taken: January 18, 2011, HBI auditor follow-up visit:

1. Further explained the requirements of FLA to management.
2. Implemented the audit protocol, with an explanation on the association of FLA.

Plan Complete: No

**Plan Complete
Date:**

Code Awareness:

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

Noncompliance

Explanation: The company's Code of Conduct (COC) has not been provided and communicated to factory management and workers. The workers have not been given training about the company's COC.

Plan Of Action: HBI will ensure the following actions:

1. Communicate with all suppliers for the COC and on the association with FLA by email on an annual basis.
2. Post HBI's COC poster in local languages on the work floor.



3. Assist the supplier to nominate the personnel to conduct HBI's COC trainings to employees on a regular basis.

4. Review the training progress and records from each follow-up visit.

Deadline

Date:

Action

January 18, 2011, HBI internal auditor follow-up visit:

Taken:

HBI's COC posters are posted on the notice board in Bengali, Chinese, and English. A follow-up audit is required to ensure that training on COC will be provided to all workers.

Plan

No

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: The company does not have a noncompliance mechanism that allows factory workers to directly contact the company (e.g., hotline).

**Plan Of
Action:**

HBI will ensure the following actions:

1. Review the current grievance in the factory.
2. Encourage open communication between management and employees.
3. HBI auditor to visit the factory on a quarterly basis and to conduct employee interviews on site and off site.
4. Strictly adhere to anti-retaliation policy

**Deadline
Date:**

**Action
Taken:** January 18, 2011:

HBI internal auditor conducted a factory visit. During a further follow-up audit, HBI internal auditor will provide the number of his mobile so that the workers can text or call him when necessary.

**Plan
Complete:** No

**Plan
Complete
Date:**

Health and Safety: Evacuation Requirements and Procedure

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

Noncompliance

Explanation: The aisle in the accessories store (near wooden pallet disposal area) was blocked by a mobile rack.

Plan Of Action: HBI will ask the supplier to do the following:

1. Remove the mobile rack immediately.
2. Post signs to remind workers to always keep the aisles clear.
3. Give regular awareness training to workers about the major points of fire evacuation and maintain training records.
4. Assign personnel to periodically inspect and maintain proper documentation in files.

Deadline Date:

Action Taken: January 18, 2011, HBI internal auditor follow-up visit:

1. The aisle at the accessories store was found free from obstruction.
2. There is fire drill that is required to be conducted in every 6 months.

Plan Complete: No

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: At the accessories store (near wooden pallet disposal area), an ABC and a CO2 fire extinguisher were blocked by some accessories cartons.

Plan Of Action: HBI will ask the supplier to do the following:

1. Remove the obstructions from the fire equipment.
2. Post signs to remind workers to always keep fire equipment unobstructed.
3. Give regular awareness training to workers about fire safety and maintain training records.
4. Personnel should be assigned to inspect the fire equipment periodically and to maintain inspection records.

Deadline Date:

Action Taken: January 18, 2011, HBI internal auditor conducted a follow-up visit and noted that obstacles did not block the fire extinguishers in the accessories storage area.

Plan Complete: No

Plan Complete Date:

Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance

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

Noncompliance

Explanation: 1. The temperature at the molding department hot press area is a bit warm.

2. At the accessories store (near the wooden pallet disposal area), one electrical power point socket was wrapped with adhesive tape.

Plan Of Action: Regarding the warm temperature in hot press area:

1. Improve the ventilation of the hot press area by installing more ventilation fans and a cooling system.

2. Rearrange the worktable in the hot press area in crowded conditions.

3. Install a thermometer in the hot press area to monitor the workshop temperature. Assign personnel to regularly monitor; and maintain records.

4. Provide sufficient and easy access to drinking water for molding operators.

5. Factory management is encouraged to change worker uniforms into cotton T-shirts to enable good circulation for workers' bodies.

6. Grievance policy and procedure shall be well documented and communicated among the workers periodically.

Regarding unstable electric power socket:

1. Ensure that all electric power sockets in the factory were properly installed.

2. These electric power sockets should be regularly inspected by an authorized electrician. Inspection records should be regularly maintained.

3. Training shall also include lessons on electrical safety.

**Deadline
Date:**

**Action
Taken:** January 18, 2011, HBI auditor follow-up visit:

1. There are 16 molding machines operating at same time. This will increase the room temperature by about 2 degrees C.
2. Supplier's management is turning on all the fans and opening the entire ventilation. 3 emergency doors will be opened to provide optimum air circulation within the room.
3. Supplier should provide a trolley containing workers' drinking bottles nearby so that molding operators can easily get to water.
4. From interviews with molding operators, there are no such incidents of dehydration. Dehydration symptoms, such as dizziness or becoming unconscious, have not happened. A further follow up audit is required.

**Plan
Complete:** No

**Plan
Complete
Date:**

Health and Safety: Food Preparation

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

Noncompliance

Explanation: The migrant workers did not have proper food storage; some food was left on the floor of the dormitory.

Plan Of Action: HBI will ask the supplier to do the following:

1. Supplier should take immediate action on the cleanliness issue.
2. Install food storage cabinets in the hostel.
3. Give training to residents about the hostel's hygienic conditions.
4. Assign personnel to patrol the hostel with a hygiene checklist.

Deadline Date:

Action Taken: January 18, 2011, HBI auditor follow-up visit:

1. A memo about the importance of cleanliness was issued December 14, 2010.
2. Based on this internal memo, workers, as a part of hostel, have cleaned their hostel and the surrounding area on September 25, 2010, October 9, 2010, and December 18, 2010.
3. A checklist of the hostel's cleanliness patrol also has been established. In addition there is a safety officer maintaining the hostel's cleanliness.
4. Proper food storage is now available.

Plan Complete: No

Plan Complete Date:

Health and Safety: Sanitation in Dormitories

H&S.28 All dormitories shall be kept secure, clean and have safety provisions (such as fire extinguishers, first aid kits, unobstructed emergency exits, emergency lighting etc.). Emergency evacuation drills shall also be conducted at least annually. (S)

Noncompliance

Explanation: 1. The dormitories provided for migrant workers were crowded and unsanitary.

2. Some toilets at dormitory areas were not well maintained (e.g., some were out of order, some toilet bowls were damaged).

3. The dorm showers for male migrant workers were in an open area.

4. The water supply and pressure on the top floor of the female hostel was low and unstable.

5. The dormitory kitchen area for migrant workers was dirty and not well maintained. The migrant workers did not have proper food storage; some food was left on the floor.

6. The migrant workers do not have a proper dining area in the dormitory.

7. The ventilation of hostels #3 and 4 was poor and smelly. The factory did not provide a secure and sufficient individual locker for each worker.

8. Many rice cookers left on during working hour. All these rice cookers were plugged into multiple extension cords, which is a fire hazard.

9. The shoes of male migrant workers in hostel #4 were scattered in front of the main entrance/exit floor area, which may impose a tripping hazard during a fire.

10. There was only 1 exit to the female 3-story building hostel. The main gate is locked from 11pm to 7am This may impose a fire hazard.

11. Cigarette butts were found inside the male dormitory area.

**Plan Of
Action:**

HBI will ask the supplier to do the following:

1. The supplier needs to set up dormitory conditions according to HBI's guidelines for dormitories.
2. Communicate these guidelines regarding the dormitories' conditions to all workers.
3. Set up regulations that refer to HBI's GSS Standards and dormitory guidelines.

**Deadline
Date:**

**Action
Taken:**

January 18, 2011, Hanesbrands auditor follow-up visit:

1. Supplier has already remediated some of health and safety issues, except for the ones mentioned below.
2. Separation for male showers has not yet been made.
3. The emergency exit for the women's hostel is still in 1 unit.
4. Primarily in peak hours (such as break times), the water supply and pressure on the top floor of the female hostel is low and unstable. However, the regular announcement from Water Supply Authorities stating that the uneven water supply is due to maintenance is also becoming a trend.

**Plan
Complete:**

No

**Plan
Complete
Date:**

Hours of Work: Time Recording System

HOW.6 Time worked by all workers, regardless of compensation system, shall be fully documented by time cards or other accurate and reliable recording systems such as electronic swipe cards. Employers are prohibited from maintaining multiple time-keeping systems and/or false records for any fraudulent reason, such as to falsely demonstrate working hours. Time records maintained shall be authentic and accurate. (P)

Noncompliance

Explanation: According to worker interviews, workers did work on Sunday occasionally over the past 12 months. According to factory management, workers did not have any Sunday work for the past 12 months. Despite numerous requests, factory management could only present both attendance and payroll records from the last 3 months, i.e., from June to August 2010, for only 100 workers, and that was at end of the audit. The attendance records did not allocate any column for Sundays, so the authenticity and accuracy of the time records for the last 12 months could not be verified.

Sources: document review, management and worker interviews

**Plan Of
Action:**

HBI will ask the supplier to do the following:

1. Review and update OT policy for normal OT hours in the factory, they should not be exceeding legal limitations.
2. All overtime, including Sunday work is 100% voluntary and the overtime payment should be in accordance with legal requirements.
3. Educate employees to record all working hours.
4. All overtime records should be properly recorded and disclosed for review.
5. Management should regularly review the OT conditions and set the production planning, with a maximum of 6 days per week.
6. Assign personnel to review the OT working hours and to report any excessive OT noncompliance.
7. Set grievance channels to report any noncompliance about OT.



**Deadline
Date:**

**Action
Taken:** January 18, 2011, HBI internal auditor conducted an audit. A follow-up audit is required to validate if:

1. The factory is keeping at least 1 year's payroll and time records on site.
2. All payroll and time records must be reliable and be matched with workers' representation.
3. The workers are able to have 1 day off in 7.

**Plan
Complete:** No

**Plan
Complete
Date:**

Hours of Work: Extraordinary Business Circumstance/Forced Labor

HOW.11 In case of extraordinary business circumstances, employers shall make reasonable efforts to secure voluntary overtime work prior to mandating involuntary overtime. Employers must get workers voluntary consent periodically for all overtime that is above the 12 hours as provided for in the Code and that is not due to extraordinary business circumstances. (P)

Uncorroborated Evidence of Noncompliance

- Explanation:**
1. Although there was no evidence of forced overtime working conditions, factory management did prepare the overtime records. However there was no acknowledgement (or signatures) from workers that the overtime work was done on a voluntarily basis. However, the employment contract for migrant workers contained a clause saying that workers shall work beyond normal working hours if required by the employer.
 2. According to attendance records from June to August 2010, some migrant workers in production department have worked up to 72.5 hours per week from Monday to Saturday during the first week of August. All security guards hired directly by the factory work an average of 72 hours per week.

Sources: document review, management and worker interviews

Plan Of Action: HBI will ask the supplier to do the following:

1. Review the current policy and procedures about working hours and amend the overtime application procedures.
2. Ensure that all overtime work is on a voluntary basis and pay workers in accordance with legal requirements.
3. Management should approve the necessity of OT before OT is started.
4. Require workers to sign an OT form to ensure their willingness.
5. Communicate the OT application procedures to all employees by written notice, orientation training, and annual training.
6. Assign personnel to monitor this practice on a regular basis.
7. Set up grievance channels for reporting noncompliances.
8. Management to review feedback from employees on a regular basis.

**Deadline
Date:**

**Action
Taken:** January 18, 2011, HBI auditor follow-up visit:

1. The rest day/holiday working requisition form (OT Form) has been established; based on OT Form check, 23 workers were proposed to have OT on Sunday, January 9, 2011. 21 workers put their signature on OT Forms, while 2 workers did not join due to personal matters. Those 2 workers that did not join on OT are still working on the date of follow-up visit without any disciplinary practices from employers.

2. The working hours mentioned within workers' contracts refer to the Malaysian Employment Act, a maximum 104 hours per month.

**Plan
Complete:** No

**Plan
Complete
Date:**
