

### FLA Audit Profile

Factory Code	720012889G
Country	Cambodia
FLA Affiliate	Hanesbrands
Monitor	Kenan Institute Asia
Audit Date	August 7-8, 2008
Products	Sport wear, T-shirt, Short and Pants
Processes	Cutting, Sewing, Ironing, QC, Packing
Number of Workers	3,267



**FAIR LABOR**  
ASSOCIATION™

***FLA Comment:** In situations where a FLA-affiliated Company is no longer sourcing from a factory that has received an Independent External Monitoring visit, the Company shall submit information on (a) the reason for exiting; (b) the status of compliance and summary of efforts to remediate noncompliances in the factory; and (c) plans to follow up on critical issues. The FLA-affiliated Company in this case has submitted the following information, which has not been verified by the FLA:*

**Comment from Company:** This facility manufactured for the Company's European order since mid-2007 however due to the numerous quality issues and cost competitive reasons, the order was shifted to Bangladesh where the Company has competitive advantage on duty items. The exit plan was informed by our European sourcing team in September 2008. They informed that the last shipment in the factory should be around mid January 2009. Additionally, the percentage of production for Hanesbrands dropped gradually since last summer. We were 5% or less on their total capacity in Fall 08.

Hanesbrands could not conduct the follow up work continuously because the factory closed in late January. The factory is in the process of liquidation as they have machines and inventory in the premises. The December and January wages were not paid to the workers. It was informed that the court was handling the liquidation work and releasing the due wage to employees once it was completed. Due to the owner had returned to Malaysia and all factory staffs had left the company in late January, we did not have latest update of this factory liquidation process.

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## Wages, Benefits and Overtime Compensation: N. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
08/07/2008	External	FLA Independent External Monitoring	Kenan Institute	1 (out of 5)

**Explanation:** Due to inconsistency between the time records and payroll ledgers with the OT data sheets, production and broken needle records disclosed that the factory operates OT after 18.00 (18.00-20.00) and the pay roll ledgers and time records presented during auditing are not revealed of those OT working hours; thus, those records are falsely represented and unable to verify the accurate recording of OT hours.

**Plan Of Action:** Company had set the meeting with factory compliance team on Oct 10 and discussed this issue. It was assured that they understood the FLA audit and disclosed all GENUINE and COMPLETE records from now on. Also, factory presented the excessive OT hours and Sunday work records for our review. It is noted that the factory had paid per legal requirement with workers' signature on receipt. Company will monitor the factory to combine all records into ONE set of documents, to ensure no other hidden records. It was planned to have follow up visit in January 2009

**Deadline Date:** 01/31/2009

**Supplier CAP:** Hbl had explained to the factory for the importance of full transparency of record and factory has no intention to hide any records from now on. They are willing to show all records to any auditors. It is confirmed that factory has paid workers accurate and sufficient wages for all hours. They will present all hours in ONE set of records after restructuring the documents procedures within 3 months.

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

**Action Taken:** Factory is closed for a month from Oct 10 to Nov 7 due to reduced orders. Therefore, the action taken is postponed until factory reopens. Meeting with payroll dept immediately & sent April/Aug 2008 payroll record by separate email to Hbl for review. Hbl follow up visit on 12/29/08 by Hbl representative: Factory provided the payroll records from Sept'08 to November'08. It was found that the payroll records of November'08 had been added with an additional column for night OT hour and Sunday OT hour. This is a corrective action and reflection of their commitment as done during 1st visit of HBI auditor on Oct 10, 2008 that the factory will keep records all hours of work in one payroll records since November'08. Means, now the OT payment is paid according to legally required % to all employees for all work hours. However, due to global economic recession and decreasing order dramatically, they did not have excessive OT or Sunday work in November'08 and onwards. (attached payroll file sent to FLA for records)

**Plan Complete:**

**Plan Complete Date:** 12/29/2008

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

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## **Wages, Benefits and Overtime Compensation: O. 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)

<b>Audit Date</b>	<b>Audit Type</b>	<b>Audit Scope</b>	<b>Auditor</b>	<b>Score</b>
08/07/2008	External	FLA Independent External Monitoring	Kenan Institute	1 (out of 5)

**Explanation:** Due to inconsistency between the time records and payroll ledgers with the OT data sheets, production and broken needle records disclosed the factory operates OT after 18.00 (18.00-20.00) and the pay roll ledgers and time records presented during auditing are not revealed of those OT working hours; thus, those records are falsely represented and therefore unable to verify the accurate recording of OT hours.

**Plan Of Action:** Company had set the meeting with factory compliance team on Oct 10 and discussed this issue. It was assured that they understood the FLA audit and disclosed all GENUINE and COMPLETE records from now on. Also, factory presented the excessive OT hours and Sunday work records for our review. It is noted that the factory had paid per legal requirement with workers' signature on receipt. Company will monitor the factory to combine all records into ONE set of documents, to ensure no other hidden records. It was planned to have follow up visit in January 2009

**Deadline Date:** 01/31/2009

**Supplier CAP:** Hbl had explained to the factory for the importance of full transparency of record and factory has no intention to hide any records from now on. They are willing to show all records to any auditors. It is confirmed that factory has paid workers accurate and sufficient wages for all hours. They will present all hours in ONE set of records after restructuring the documents procedures within 3 months.

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

**Action Taken:** Factory is closed for a month from Oct 10 to Nov 7 due to fewer orders. Therefore, the action taken is postponed until factory reopens. Meeting with payroll dept immediately & sent April/Aug 2008 payroll record by separate email to Hbl for review. Hbl follow up visit on 12/29/08 by Hbl representative: Factory provided the payroll records from Sept'08 to November'08. It was found that the payroll records of November'08 had been added with an additional column for night OT hour and Sunday OT hour. This is a corrective action and reflection of their commitment as done during 1st visit of HBI auditor on Oct 10, 2008 that the factory will keep records all hours of work in one payroll records since November'08. Means, now the OT payment is paid according to legally required % to all employees for all work hours. However, due to global economic recession and dramatically decreased orders, they did not have excessive OT or Sunday work in November'08 and onwards. (attached payroll file sent to FLA for records)

**Plan Complete:**

**Plan Complete Date:** 12/29/2008

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

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## **Wages, Benefits and Overtime Compensation: R. 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)

<b>Audit Date</b>	<b>Audit Type</b>	<b>Audit Scope</b>	<b>Auditor</b>	<b>Score</b>
08/07/2008	External	FLA Independent External Monitoring	Kenan Institute	1 (out of 5)

**Explanation:** Most workers do not know how to calculate the overtime rate as well as do not know about their benefit of leave with pay.

**Plan Of Action:** Company has advised the factory to include the topic of wage calculation in the new employee orientation training. Company will review its training manual and training records to ensure its compliance.

**Deadline Date:** 01/31/2009

**Supplier CAP:** Factory had given payroll slip to workers. Also, factory will post both English & Khmer languages for wages calculation in bulletin board. Additionally, factory plan to have orientation training to employees about wage calculation when hiring the new employees. Moreover, all employees will have labor contract. They will know how to calculate their wages.

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

**Action Taken:** Factory is closed for a month from Oct 10 to Nov 7 due to reduced orders. Therefore, the action taken is postponed until factory reopens. Wage calculation already posted in English & Khmer languages of on the bulletin board. Hbl follow up visit on 12/29/08 by Hbl representative: Factory has introduced workers orientation training program and conducted training on overtime wage calculation on 12/1/2008 with 59 attendants. Additionally, the notice for calculation of overtime wage, leave entitlements and benefits there of are posted in various languages on the bulletin boards.

**Plan Complete:**

**Plan Complete Date:** 12/29/2008

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

## Wages, Benefits and Overtime Compensation: Y. Other - Wages, Benefits and Overtime Compensation

Other

Audit Date	Audit Type	Audit Scope	Auditor	Score
08/07/2008	External	FLA Independent External Monitoring	Kenan Institute	1 (out of 5)

**Explanation:** Management and workers testimony and documents review disclosed that Management agreed with union to increase 5\$ to the basic minimum wage on May 27, 2008 through Announcement No LA-16-08, but when the government required all employers to pay Living Cost Allowance of 6\$ to workers, the management decided to add another 1\$ to the basic minimum wage on April 24, 2008 validated by Announcement No LA-24-08. However, management does not pay Living Cost Allowance to the workers as they find that they have already pay US\$6.00 to the minimum wage. The conclusion is that the management has violated the Notification of Ministry of Labor on Living Cost Allowance which it was determined US\$6 per month.

**Plan Of Action:** Company had reviewed the payroll sheets of factory. It is actually paid more OT wage when the factory combined this US\$6 into worker's basic wage. The argument is raised because the factory did not present this figure in separate column of payroll sheets. In conclusion, company does not agree this is critical issue and factory has no intention to slip cost allowances. Factory plans to seek for the consent from Labor unions as supplementary documents for this calculation approach. Company will ensure all parties (factory, unions and workers) understand this approach. The workers are subsequently received more than current approach enforced by government. (OT wage is based on: Basic wage + US\$6)

**Deadline Date:** 01/31/2009

**Supplier CAP:** Per factory announcement LA-16-08 dated 27th March 2008. The increased \$5 was due to the seriousness impact of inflation. So after the government required all employers to pay Living Cost Allowance (COLA U\$6/Mth), worker representatives / unions were agreed with factory that the company shall added U\$1. That meant total U\$6.00/month COLA and added into workers' basic salary. Workers' OT calculation based on U\$56.00 but not \$50, it is a favorable calculation method to workers, because they subsequently received more than legal required if the US\$6 was not combined into basic wage. Factory paid this US\$6 in good faith and it is for the purpose of cost of allowance during high inflation rate. In fact, the decision was made earlier than the government decision. It is unaffordable to pay additional US\$6. Factory will obtain the consent of Labor unions about this calculation method.

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

**Action Taken:** Factory is closed for a month from Oct 10 to Nov 7 due to reduced orders. Therefore, the action taken is postponed until factory reopens. Hbl follow up visit on 12/29/08 by Hbl representative: Factory entered into an agreement with the workers representatives / unions on 4/23/08 for this arrangement. All of them signed on it. In fact, considering it as the favorable side to employees as the basis of OT wage is increased when calculating the OT payment. So, the factory did not plan to reverse back to separate Cost of Living Allowance as 2 independent items. Considering the

order situation in late 2008 & 2009, the factory is unable to pay additional cost of living allowances to employees. (see attachment for agreements)

**Plan Complete:**

**Plan Complete Date:** 12/29/2008

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

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## Forced Labor: A. General Compliance Forced Labor

F.1 Employers shall comply with all local laws, regulations and procedures concerning the prohibition of forced labor. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
08/07/2008	External	FLA Independent External Monitoring	Kenan Institute	1 (out of 5)

**Explanation:** The toilets are locked before the rest break for 15 minutes thus, workers are not free to use it at all times.

**Plan Of Action:** Hbl auditor had visited the factory on 10/10/2008 and met with management to ensure the toilets to be used within working hours. We plan to conduct the follow up visit in January.

**Deadline Date:** 01/31/2009

**Supplier CAP:** Factory had informed the production departments not to lock any toilets within working hours.

**Supplier CAP Date:** 11/10/2008

**Action Taken:** Factory is closed for a month from Oct 10 to Nov 7 due to reduced orders. Therefore, the action taken is postponed until factory reopens. Hbl follow up visit on 12/29/08 by Hbl representative: This issue was happened in Building 2 but this building was closed having no operation. The Building no. 1 has no such issue and workers can go to toilet anytime.

**Plan Complete:**

**Plan Complete Date:** 12/29/2008

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

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## Forced Labor: D. Employment Terms/Prohibitions

F.4 There can be no employment terms (including in contracts or any other instruments or in any formal or informal recruitment arrangements) which: specify that employees can be confined or be subjected to restrictions on freedom of movement; allow employers to hold wages already earned; provide for penalties resulting in paying back wages already earned; or in any way punish workers

for terminating employment. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
08/07/2008	External	FLA Independent External Monitoring	Kenan Institute	1 (out of 5)

**Explanation:** The application form contains questions about nationality, race and marital status which may lead to discriminating practices.

**Plan Of Action:** Hbl auditor had visited the factory on 10/10/2008 and met with management to ensure the factory modify the application form and with a declaration statement for no discrimination. Also, we will observe the overall employee process whether it has a factor of discrimination. We plan to conduct the follow up visit in January.

**Deadline Date:** 01/31/2009

**Supplier CAP:** Factory has no intention on discrimination. It is the common practice to obtain general background information which adheres to C-TPAT requirement. We plan to put a declare statement "Factory has no kinds of discrimination" in all application form. However, the marital status is advised to be deleted as it is not relevant to C-TPAT.

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

**Action Taken:** Factory is closed for a month from Oct 10 to Nov 7 due to reduced orders. Therefore, the action taken is postponed until factory reopens. Hbl follow up visit on 12/29/08 by Hbl representative: There is no change in the application form as it is a kind of bio-data ( in ID card) but the application form is added with the statement "we have no intention of discriminating" at the bottom of it. Marital status is advised to be deleted as it is irrelevant to C-TPAT requirements.

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

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## Forced Labor: I. Employment Records

F.9 Employers shall maintain sufficient hiring and employment records to demonstrate and verify compliance with this Code provision. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
08/07/2008	External	FLA Independent External Monitoring	Kenan Institute	1 (out of 5)

**Explanation:** The workers do not receive a copy of employment contract once they join the facility or pass the probation period.

**Plan Of Action:** Hbl auditor had visited the factory on 10/10/2008 and met with management to ensure the contracts are re-print and distribute to all employees. We plan to conduct the follow up visit in January.



**Deadline Date:** 01/31/2009

**Supplier CAP:** 1) HR & Admin dept will re-print the contracts to all current employees in coming 3 months; 2) HR & Admin dept will review the procedure to ensure all employees to have contracts within 7 days after they sign.

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

**Action Taken:** Factory is closed for a month from Oct 10 to Nov 7 due to reduced orders. Therefore, the action taken is postponed until factory reopens. Hbl follow up visit on 12/29/08 by Hbl representative: 1) factory confirmed that they have reprinted the revised employment contracts and in process to list out the name of the employees; 2) HR dept confirmed that they will issue the contract to the employees once their probation period is completed. (But no new employees have joined, no evidence could be observed.)

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

## Freedom of Association: D. Deduction of Union Dues and Other Fees

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
08/07/2008	External	FLA Independent External Monitoring	Kenan Institute	1 (out of 5)

**Explanation:** No reference document that facility requested to cutting the workers' wages for union member fee revealed. Article: 129,

**Plan Of Action:** Hbl will perform follow up visit to ensure the factory had obtained the written consent letter for the deduction of union membership fee item.

**Deadline Date:** 01/31/2009

**Supplier CAP:** HR. & Admin. dept. will discuss with union for immediate actions. Factory closed and resume work on 8/Nov. So our HR. & Admin. manager will hold meeting with them on/about 21/Nov/08 and obtain the written consent agreement.

**Supplier CAP Date:** 11/30/2008

**Action Taken:** Factory is closed for a month from Oct 10 to Nov 7 due to reduced orders. Therefore, the action taken is postponed until factory reopens. Hbl follow up visit on 12/29/08 by Hbl representative: no content letter is found to be signed by cutting workers about the union membership fee.

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

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## **Freedom of Association: W. Right to Collective Bargaining/Validity of Collective Bargaining Agreement**

FOA.23 Collective bargaining agreements that have not been negotiated freely, voluntarily and in good faith shall be considered not applicable. Provisions in collective bargaining agreements that contradict national laws, rules and procedures or offer less protection to workers than provisions of the FLA Code shall also be considered not applicable. (S)

<b>Audit Date</b>	<b>Audit Type</b>	<b>Audit Scope</b>	<b>Auditor</b>	<b>Score</b>
08/07/2008	External	FLA Independent External Monitoring	Kenan Institute	1 (out of 5)

**Explanation:** Management and workers testimony and documents reviewed disclosed that Management agreed with union to increase 5\$ to the basic minimum wage on May 27, 2008 through Announcement No LA-16-08, but when the government required all employers to pay Living Cost Allowance of 6\$ to workers, the management decided to add another 1\$ to the basic minimum wage on April 24, 2008 validated by Announcement No LA-24-08. However, management does not pay Living Cost Allowance to the workers as they find that they have already pay US\$6.00 to the minimum wage. The conclusion is that the management has violated the Notification of Ministry of Labor on Living Cost Allowance which it was determined US\$6 per month. Thus, the agreement with union shall be applied to worker included the Living Cost Allowance.

**Plan Of Action:** Company had reviewed the payroll sheets of factory. It is actually paid more OT wage when the factory combined this US\$6 into worker's basic wage. The argument is raised because the factory did not present this figure in separate column of payroll sheets. In conclusion, company does not agree this is critical issue and factory has no intention to slip cost allowances. Factory plans to seek for the consent from Labor unions as supplementary documents for this calculation approach. Company will ensure all parties (factory, unions and workers) to understand this approach. The workers are subsequently received more than current approach enforced by government. (OT wage is based on: Basic wage + US\$6)

**Deadline Date:** 01/31/2009

**Supplier CAP:** Per factory announcement LA-16-08 dated 27th March 2008. The increased \$5 was due to the seriousness impact of inflation. So after the government required all employers to pay Living Cost Allowance (COLA US\$6/Mth), worker representatives / unions were agreed with factory that the company shall added U\$1. That meant total US\$6.00/month COLA and added into workers' basic salary. Workers' OT calculation based on US\$6.00 but not \$50, it is a favorable calculation method to workers, because they subsequently received more than legal required if the US\$6 was not combined into basic wage. Factory will additionally request the Labor union to agree written for the above arrangement.

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

**Action Taken:** Factory is closed for a month from Oct 10 to Nov 7 due to reduced orders.

Therefore, the action taken is postponed until factory reopens. Hbl follow up visit on 12/29/08 by Hbl representative: Factory had obtained the agreement with workers representatives / unions on 4/23/08 for this arrangement. All of them had signed on it. In fact, considering the agreement favors the side of employees as the basis of OT wage is increased when calculating the OT payment. So, the factory did not plan to reverse back to separate Cost of Living Allowance as 2 are independent items. Considering the order situation in late 2008 & 2009, the factory is unable to pay additional cost of living allowances to employees. (see attachment for agreements)

**Plan Complete:**

**Plan Complete Date:** 12/29/2008

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

## Freedom of Association: Z. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
08/07/2008	External	FLA Independent External Monitoring	Kenan Institute	1 (out of 5)

**Explanation:** Management and workers stated that facility was protested quite often last year; therefore, no CBA was present during the audit. Only the agreement between facility, union and consolation was kept and presented.

**Plan Of Action:** Hbl will perform follow up visits regularly and will review the progress of CBA is taken in place during their meetings with unions.

**Deadline Date:** 06/30/2009

**Supplier CAP:** Management will arrange meeting with worker representatives / union for CBA by end of year.

**Supplier CAP Date:** 12/31/2009

**Action Taken:** Factory is closed for a month from Oct 10 to Nov 7 due to reduced orders. Therefore, the action taken is postponed until factory reopens. Hbl follow up visit on 12/29/08 by Hbl representative: it had two collective disputes in 2008 and found the CBA had been existed in factory but the factory did not provide any meeting minutes to document the progress and timeline of resolution.

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

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## Harassment or Abuse: G. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
08/07/2008	External	FLA Independent External Monitoring	Kenan Institute	1 (out of 5)

**Explanation:** The Manager and supervisor are not trained of the disciplinary authority/practice as no training was conducted.

**Plan Of Action:** Hbl will review the training material and attendance records to ensure the training is taken in place at least twice a year

**Deadline Date:** 03/31/2009

**Supplier CAP:** HR & Admin & Compliance Dept will start to arrange the supervisors to participant the "disciplinary training" at least twice a year.

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

**Action Taken:** Factory is closed for a month from Oct 10 to Nov 7 due to reduced orders. Therefore, the action taken is postponed until factory reopens. Hbl follow up visit on 12/29/08 by Hbl representative: They plan to provide the training twice a year, but we did not find evidences for the training had been taken place in this 3 months.

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

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## Harassment or Abuse: Q. Other - Harassment or Abuse

Other

Audit Date	Audit Type	Audit Scope	Auditor	Score
08/07/2008	External	FLA Independent External Monitoring	Kenan Institute	1 (out of 5)

**Explanation:** The Grievance system is not enough clear for workers and it was not oriented with workers at all, regarding our interview with employers and training records.

**Plan Of Action:** Hbl will perform follow up visits in January and will ensure the factory committed action plans to be in place: 1) Will discuss with HR & Admin dept to improve the grievance procedures; 2) Consult the opinion with Labor Unions also; 3) Post the new procedures in bulletin board; 4) add this topic into our orientation training for new employees.

**Deadline Date:** 01/31/2009

**Supplier CAP:** 1) Will discuss with HR & Admin dept to improve the grievance procedures; 2) Consult the opinion with Labor Unions also; 3) Post the new procedures in bulletin board; 4) Add this topic into our orientation training for new employees.

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

**Action Taken:** Factory is closed for a month from Oct 10 to Nov 7 due to reduced orders. Therefore, the action taken is postponed until factory reopens. Hbl follow up visit on 12/29/08 by Hbl representative: 1) grievance procedures had been discussed between HR dept and Compliance dept; 2) no meeting is set up with unions; 3) grievance procedures are posted on bulletin board; 4) HR dept had not yet planned for orientation training.

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

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

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

Audit Date	Audit Type	Audit Scope	Auditor	Score
08/07/2008	External	FLA Independent External Monitoring	Kenan Institute	1 (out of 5)

**Explanation:** The application form contains questions about nationality, race and marital status which may lead to discriminating practices.

**Plan Of Action:** Hbl auditor had visited the factory on 10/10/2008 and met with management to ensure the factory modify the application form and with a declaration statement for no discrimination. Also, we will observe the overall employee process whether it has a factor of discrimination. We plan to conduct the follow up visit in January.

**Deadline Date:** 01/31/2009

**Supplier CAP:** Factory has no intention on discrimination. It is the common practice to obtain general background information which adheres to C-TPAT requirement. We plan to put a declare statement "Factory has no any kinds of discrimination" in all application form. However, the marital status is advised to be deleted as it is not relevant to C-TPAT.

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

**Action Taken:** Factory is closed for a month from Oct 10 to Nov 7 due to reduced orders. Therefore, the action taken is postponed until factory reopens. Hbl follow up visit on 12/29/08 by Hbl representative: There is no change in the application form as it is a kind of bio-data ( in ID card) but the application form is added with the statement "we have no intention of discriminating" at the bottom of it. Marital status is advised to be deleted as it is irrelevant to C-TPAT requirements.

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

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## Miscellaneous: A. 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.

Audit Date	Audit Type	Audit Scope	Auditor	Score
08/07/2008	External	FLA Independent External Monitoring	Kenan Institute	1 (out of 5)

**Explanation:** 1. Management team did not know about the FLA obligations as they said no any information regarding the FLA was provided them from PC. 2. Most of workers are not aware the factory's standard , policy and procedure and brand's code of conduct even the factory provided them the local language posting of Brand's CoC has been posted at the accessible place.

**Plan Of Action:** Hbl auditor had held the supplier meeting on 10/8/2008 and communicated all suppliers about FLA obligations. Then, we had visited the factory on 10/10/2008. They are well informed about FLA. We will perform follow up visit in January to ensure factory put the COC into their training topics.

**Deadline Date:** 01/31/2009

**Supplier CAP:** 1) Factory will communicate the FLA requirement to Hbl; 2) Factory will add the COC introduction in the employee orientation training since 1/1/2009

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

**Action Taken:** Factory is closed for a month from Oct 10 to Nov 7 due to reduced orders. Therefore, the action taken is postponed until factory reopens. Hbl follow up visit on 12/29/08 by Hbl representative: 1) Compliance dept had conducted the training on 12/1/2008 including the CoC topics to 50 employees; 2) HR department had not yet designed the modes and agenda of orientation training, it plans to finalize till end of January'09.

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

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## Health and Safety: J. 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)

<b>Audit Date</b>	<b>Audit Type</b>	<b>Audit Scope</b>	<b>Auditor</b>	<b>Score</b>
08/07/2008	External	FLA Independent External Monitoring	Kenan Institute	1 (out of 5)

**Explanation:** 1. Insufficient the medical items in the first aid box in the production line and it was locked by keeping the key with the line supervisors. Besides, based on the medical list in the OSH records mentioned that there are 19 medical supplies and when checking in the clinic we found that there are only 4 items disclosed. 2. A number of fire extinguishers are blocked by production and carton boxes during the working hours.

**Plan Of Action:** Hbl auditor will have follow up visit in January to ensure the following corrective actions: 1) Factory assigns the nurse to check medical items in the first aid box daily; 2) Factory will remove all items at fire extinguishers area; Post a warning sign at the fire extinguishers area to remind the workers not to place items there.

**Deadline Date:** 01/31/2009

**Supplier CAP:** 1) Factory assigns the nurse to check medical items in the first aid box daily; 2) Factory will remove all items at fire extinguishers area; Post a warning sign at the fire extinguishers area to remind the workers not to place items there.

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

**Action Taken:** Factory is closed for a month from Oct 10 to Nov 7 due to reduced orders. Therefore, the action taken is postponed until factory reopens. Hbl follow up visit on 12/29/08 by Hbl representative: 1) Compliance dept is assigned to check the first aid items daily and found the 1st aid medicines are in accordance with the attached list; 2) no blocked fire extinguishers were observed and proper sign and marking is done on the floor and the walls both.

**Plan Complete:**

**Plan Complete Date:** 12/29/2008

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

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## Health and Safety: K. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
08/07/2008	External	FLA Independent External Monitoring	Kenan Institute	1 (out of 5)

**Explanation:** 1. Workers are not wearing the mount guards and some of them have made mount guards by themselves for using when working in the dusty area; particular the sewing line working fleece fabric. 2. The workers cleaning dirty garment did not wear PPE even though, the facility has prepared the PPE (Latex gloves, goggle and respirator) 3. The cutting operator did not wear the steel-mesh gloves during operate the cutting machine.

**Plan Of Action:** Hbl auditor will have follow up visit in January to ensure the following corrective actions: 1) Provide face mask to employees; 2) Provide safety & PPE training to employees regularly; 3) Supervisor and compliance dept will monitor the production employees to ensure they comply to safety requirements.

**Deadline Date:** 01/31/2009

**Supplier CAP:** 1) Provide face mask to employees; 2) Provide safety & PPE training to employees regularly; 3) Supervisor and compliance dept will monitor the production employees to ensure they comply to safety requirements.

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

**Action Taken:** Factory is closed for a month from Oct 10 to Nov 7 due to reduced orders. Therefore, the action taken is postponed until factory reopens. Purchased 4000pcs of face masks to employees. Hbl follow up visit on 12/29/08 by Hbl representative: 1) Factory provided the face mask to the employees; 2) Conducted safety training in December'08 to employees, approximately 120 employees did participate; 3) cutting workers have not yet been provided safety training i.e. about the metal mesh gloves. (will fix it till 1/31/2009)

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

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## Health and Safety: M. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
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08/07/2008	External	FLA Independent External Monitoring	Kenan Institute	1 (out of 5)
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**Explanation:** No eye wash equipment provided in area using chemical; spot cleaning and screen printing sections.

**Plan Of Action:** Hbl auditor will have follow up visit in January to ensure the eye wash equipment is set in spot cleaning and screen printing sections.

**Deadline Date:** 01/31/2009

**Supplier CAP:** Factory will arrange eye wash equipment at the spot cleaning and screen printing sections.

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

**Action Taken:** Factory is closed for a month from Oct 10 to Nov 7 due to reduced orders. Therefore, the action taken is postponed until factory reopens. Hbl follow up visit on 12/29/08 by Hbl representative: No eye wash facility is provided. They plan to fix it by 3/31/2009.

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

## Health and Safety: R. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
08/07/2008	External	FLA Independent External Monitoring	Kenan Institute	1 (out of 5)

**Explanation:** 1. A number of sewing machines are missing needle guards. 2. The forklift drivers are not trained and do not wear the PPEs such as helmets or safety shoes. 3. No records of boiler inspections were kept; facility stated that nowadays, the hot-oil boiler is not being used, the regular boiler which uses wood was replaced and the technician is in control of it every day, in addition no emergency lighting is installed in this area. 4. No operating and safety instruction posted in boiler area.

**Plan Of Action:** Hbl auditor will have follow up visit in January to ensure the following corrective actions: 1. Factory will install all needle guards for all sewing machines; will set safety training to sewing operators regularly for machine safety. 2. Forklift drivers - will be arranged training. 3. Factory will check with Ministry Of Industry for the Inspection Certificate, and will post safety instruction as soon as possible. 4. Factory will post safety instruction for boiler.

**Deadline Date:** 01/31/2009

**Supplier CAP:** 1. Factory will install all needle guards for all sewing machines; will set safety training to sewing operators regularly for machine safety. 2. Forklift drivers - will be arranged training. 3. Factory will check with Ministry Of Industry for the Inspection Certificate, and will post safety instruction as soon as possible. 4. Factory will post safety instruction for boiler.

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

**Action Taken:** Factory is closed for a month from Oct 10 to Nov 7 due to reduced orders. Therefore, the action taken is postponed until factory reopens. 1) Have installed the needle guards for all sewing machines. Hbl follow up visit on 12/29/08 by Hbl representative plus additional info provided by factory on 12/30/08: 1) All sewing machines have attached needle guards. (Factory had conducted the training on 12/30/2008 with 92 participants ;) 2) the forklift is no longer being used; 3) Obtained the boiler inspection certificate; 4) Posted the instruction on the boiler room.

**Plan Complete:**

**Plan Complete Date:** 12/29/2008

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

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## Health and Safety: T. Bodily Strain

H&S.20 Workstations, including seating and standing arrangements and reach required to obtain tools, shall be designed and set-up in such a manner as to minimize bodily strains. Employers shall train workers in proper lifting techniques and items such as belts shall be provided. (S)

Audit Date	Audit Type	Audit Scope	Auditor	Score
08/07/2008	External	FLA Independent External Monitoring	Kenan Institute	1 (out of 5)

**Explanation:** 1. All chairs provided to the workers in production line do not have a backseat; thus, it is not in ergonomic system. 2. No floor mat provided to workers in ironing section where workers have to stand working on regular basis.

**Plan Of Action:** Hbl will discuss with factory senior management about the backseat facilities next visit because it will bring a huge finance issue to add this facility. However, we will ensure the factory to correct the floor mat issue.

**Deadline Date:** 03/31/2009

**Supplier CAP:** 1) It is costly to purchase all seats with backseat; management needs time to discuss how to finance them; 2) Floor mat will be arranged by end of Dec 2008

**Supplier CAP Date:** 03/31/2009

**Action Taken:** Factory is closed for a month from Oct 10 to Nov 7 due to reduced orders. Therefore, the action taken is postponed until factory reopens. Hbl follow up visit on 12/29/08 by Hbl representative: 1) Compliance manager had discussed with factory management about backseats; they would withhold the decision due to unstable manpower in the facility; 2) Floor mats are

not yet provided but they will purchase few mats for ironing dept as a first trail.

**Plan Complete:**

**Plan Complete Date:**

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

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## Health and Safety: U. Medical Facilities

H&S.21 Medical facilities shall be established and maintained in factories as required by applicable laws. Medical staff shall be fully licensed and recognized under applicable local rules and regulations. An appropriate number of medical staff shall be on duty during all working hours, including any type of overtime, as required under local law. An appropriate stock of medical supplies shall be maintained at all times. Medicines of which the expiration date has passed must be replaced immediately and disposed of in a safe manner. (P)

<b>Audit Date</b>	<b>Audit Type</b>	<b>Audit Scope</b>	<b>Auditor</b>	<b>Score</b>
08/07/2008	External	FLA Independent External Monitoring	Kenan Institute	1 (out of 5)

**Explanation:** 1. The number of nurses in not enough for the no. of workers: 2 for 2,000. As now facility only has 2 nurses while the workers are about 3,000. 2. No policy and procedure for the disposal of injection equipment in infirmary room. Disposals are not separated from regular disposals.

**Plan Of Action:** Hbl auditor will have follow up visit in January to ensure the following corrective actions: 1) Factory will hire 1 additional nurse; 2) Factory will prepare policy & procedure on poster.

**Deadline Date:** 01/31/2009

**Supplier CAP:** 1) Factory will hire 1 additional nurse; 2) Factory will prepare policy & procedure on poster.

**Supplier CAP Date:** 11/30/2008

**Action Taken:** Factory is closed for a month from Oct 10 to Nov 7 due to reduced orders. Therefore, the action taken is postponed until factory reopens. Hbl follow up visit on 12/29/08 by Hbl representative: 1) Due to the decrease in the number of employees from 3,000 to 1600, there is no any issue of hiring an additional nurse at the moment; they are fully aware of the requirement of field nurse. They will hire additional nurse in case they plan to increase the number of employees in the future. 2) We found that the policy and procedures on dealing and handling the medical disposal from infirmary room is posted in the clinic. The injection trash was separated from regular trash.

**Plan Complete:**

**Plan Complete Date:** 12/29/2008

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

Comments:

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## Hours of Work: B. Rest Day

HOW.2 Workers shall be entitled to at least one day off in every seven-day period. If workers must work on a rest day, an alternative day off must be provided within that same seven-day period or immediately following the seven-day period. (P)

Audit Date	Audit Type	Audit Scope	Auditor	Score
08/07/2008	External	FLA Independent External Monitoring	Kenan Institute	1 (out of 5)

**Explanation:** Inconsistency between the time recorded on ledgers, OT data sheets, production and broken needle records show OT working 2 hours per/day( 16:00-18:00) and no Sunday working; however, OT up to 21:00 was reflected in the OT data sheet and production records. The Broken needle records reveal Sunday working on May 23 and June 1,8,15, 23, 2008. The time records of packing workers on Jan 4, 18 & 25, 2008 show OT up to 24:00; thus, worker has worked 10 hours OT per day.

**Plan Of Action:** Hbl auditor will perform follow up visit regularly on coming year (around every 3 months); we will pay attention on control of OT hours, whether it is within legal limitation and 1 rest day is arranged. However, we will make sure the OT is voluntary and pay per legal requirement.

**Deadline Date:** 06/30/2009

**Supplier CAP:** 1) Management will discuss with marketing teams to take in orders plus/minus 10% coming season; 2) Arrange OT hours within legal limit and no Sunday work coming years because the labor cost is increased significantly if excessive OT.

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

**Action Taken:** Factory is closed for a month from Oct 10 to Nov 7 due to reduced orders. Therefore, the action taken is postponed until factory reopens. It has communicated that production & factory managers all overtime must be approved by Managing Director. Also, instructed payroll dept. to stop making double record. Hbl follow up visit on 12/29/08 by Hbl representative: It was found that the factory did not have significant OT work since it's reopening in mid of November'08. Occasionally, the employees worked 2hrs OT a day. However, there was no Sunday / holiday work since October'08 and till our visit day.

**Plan Complete:**

**Plan Complete Date:** 12/29/2008

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

Comments:

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## Hours of Work: D. Protected Workers (Women and Young Workers)

HOW.4 The factory shall comply with all applicable laws governing work hours regulating or limiting the nature, frequency and volume of work performed by women or workers under the age

of 18. (S)

<b>Audit Date</b>	<b>Audit Type</b>	<b>Audit Scope</b>	<b>Auditor</b>	<b>Score</b>
08/07/2008	External	FLA Independent External Monitoring	Kenan Institute	1 (out of 5)

**Explanation:** Based on a review of OT permission from Ministry of Labor & Vocational Training, it was disclosed that facility asked for permission of 2 hours OT per day; however, the OT datasheet revealed up to 6 hours (OT till 22.00).

**Plan Of Action:** Hbl auditor will perform follow up visit regularly on coming year (around every 3 months); we will pay attention on control of OT hours, whether it is within legal limitation. However, we will make sure the OT is voluntary and pay per legal requirement.

**Deadline Date:** 06/30/2009

**Supplier CAP:** 1) Management will discuss with marketing teams to take in orders plus/minus 10% coming season; 2) Arrange OT hours within legal limit and no Sunday work coming years because the labor cost is increased significantly if excessive OT.

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

**Action Taken:** Factory is closed for a month from Oct 10 to Nov 7 due to reduced orders. Therefore, the action taken is postponed until factory reopens. It has been communicated to production & factory managers that all overtime must be approved by Managing Director. Also, instructed payroll dept. to stop making double record. Hbl follow up visit on 12/29/08 by Hbl representative: Factory provided the payroll records from Sept'08 to November'08. It was found that the payroll records of November'08 added an additional column for night OT hours and Sunday OT hours. This is a corrective action and reflection of their commitment as done during 1st visit of HBI auditor on Oct 10, 2008 that the factory will keep records all hours of work in one payroll records since November'08. This means that OT is currently being paid according to legally required % to all employees for all work hours. However, due to global economic recession and decreasing order dramatically, they did not have excessive OT or Sunday work in November'08 and onwards. (see attached file of payroll)

**Plan Complete:**

**Plan Complete Date:** 12/29/2008

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

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## Hours of Work: F. 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)

<b>Audit Date</b>	<b>Audit Type</b>	<b>Audit Scope</b>	<b>Auditor</b>	<b>Score</b>
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08/07/2008 External FLA Independent Kenan Institute 1 (out of 5)  
External Monitoring

**Explanation:** Inconsistency between the time recorded on ledgers, OT data sheets, production and broken needle records show OT working 2 hours per/day( 16:00-18:00) and no Sunday working; however, OT up to 21:00 was reflected in the OT data sheet and production records. Sunday work is evident in the broken needle records on May 23 and June 1,8,15, 23, 2008. The time records of packing workers on Jan 4, 18 & 25, 2008 were reflected the OT up to 24:00; thus, worker has worked OT 10 hours per day.

**Plan Of Action:** Company had set the meeting with factory compliance team on Oct 10 and discussed this issue. It was assured that they understood the FLA audit and disclosed all GENUINE and COMPLETE records from now on. Also, factory presented the excessive OT hours and Sunday work records for our review. It is noted that the factory had paid per legal requirement with workers' signature on receipt. Company will monitor the factory to combine all records into ONE set of documents, to ensure no other hidden records. It was planned to have follow up visit in January 2009

**Deadline Date:** 01/31/2009

**Supplier CAP:** Hbl explained to the factory the importance of full transparency of records and the factory has no intention of hiding any records from now on. They are willing to show all records to auditors. Hbl confirmed factory has paid workers accurate and sufficient wages for all hours. They will present all hours in ONE set of records after restructuring the documents procedures within 3 months.

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

**Action Taken:** Factory is closed for a month from Oct 10 to Nov 7 due to reduced orders. Therefore, the action taken is postponed until factory reopens. Also, instructed payroll dept. to stop using double records. Hbl follow up visit on 12/29/08 by Hbl representative: Factory provided payroll records from Sept'08 to November'08. It was found that the payroll records of November'08 had been added with an additional column for night OT hour and Sunday OT hour. This is a corrective action and a reflection of their commitment during 1st visit by Hbl auditor on Oct 10, 2008 that the factory will keep records all hours of work in one payroll records since November'08. This means that OT payment is paid according to legally required % to all employees for all work hours. However, due to global economic recession and decreasing order dramatically, they did not have excessive OT or Sunday work in November'08 and onwards. (see attached file of payroll)

**Plan Complete:**

**Plan Complete Date:** 12/29/2008

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

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**Hours of Work: K. 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)

Audit Date	Audit Type	Audit Scope	Auditor	Score
08/07/2008	External	FLA Independent External Monitoring	Kenan Institute	1 (out of 5)

**Explanation:** Inconsistency between the time recorded on ledgers, OT data sheets, production and broken needle records show OT working 2 hours per/day( 16:00-18:00) and no Sunday working; however, OT up to 21:00 was reflected in the OT data sheet and production records. Sunday work is evident in the broken needle records on May 23 and June 1,8,15, 23, 2008. The time records of packing workers on Jan 4, 18 & 25, 2008 were reflected the OT up to 24:00; thus, worker has worked OT 10 hours per day.

**Plan Of Action:** Hbl auditor will perform follow up visit regularly in coming year (around every 3 months); we will pay attention on control of OT hours, whether it is within legal limitation. However, we will make sure the OT is voluntary and paid per legal requirement.

**Deadline Date:** 01/31/2009

**Supplier CAP:** 1) Factory does not force labor to work OT; 2) Factory plans to cut down the OT hrs to legal limitation level for coming seasons; 3) Factory will set up training for employees to ensure they understand that OT is not forced.

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

**Action Taken:** Factory is closed for a month from Oct 10 to Nov 7 due to reduced orders. Therefore, the action taken is postponed until factory reopens. Hbl follow up visit on 12/29/08 by Hbl representative: It was found that the factory did not have significant OT work since it's reopening in mid of November'08. Occasionally, the employees should work for 2hrs OT a day. However, there was no Sunday / holiday work since October'08 and up until the day of the visit.

**Plan Complete:**

**Plan Complete Date:** 12/29/2008

**Action Verified:**

**Action Verified Text:**

**Action Verified Date:**

**Comments:**

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