



2010

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: Hanesbrands
COUNTRY: El Salvador
FACTORY CODE: 7200221261
MONITOR: GMIES
AUDIT DATE: December 1 – 3, 2010
PRODUCTS: Shirts
PROCESSES: Receiving and Downloading
Fabric; Sewing; Inspection, Exporting
NUMBER OF WORKERS: 792

FLA Comment: This report was submitted with a corresponding corrective action plan to the FLA and was reviewed by FLA staff. In an effort to improve the effectiveness of remediation, the FLA has provided feedback and recommendations to the Company; however, the following recommendation has not been agreed to or incorporated by the Company: retroactive payment of pending 2010 Christmas bonus and severance pay in accordance with the local labor law (see WBOT.5 below). The report is posted in its current state and is considered finalized. Updates on the progress of the corrective actions will be posted when received by the company.



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Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses

WBOT.5 Employers shall provide all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave, severance payments and 13th month payments, to all eligible workers within legally defined time periods. In addition, all leave and bonuses shall be calculated correctly. (S)

Noncompliance

Explanation: There is a noncompliance of this benchmark for the following reasons:

1. Christmas bonuses and severance are not calculated based on the average of the last 6 months, when it is mandatory by Salvadoran labor law. (Articles 119 and 199 of Code of Labor) Factory is only considering the basic wages.
2. Factory does not provide nursing mothers with the 1 paid daily hour to breastfeed their babies as labor law suggests. (Article 312 of the Code of Labor) Management admitted that they have never granted this right.

**Plan Of
Action:**

1. Management to commit - in writing - that all worker entitlements and benefits will be made in compliance with the local labor law. In order to create sustainability in the work environment, please consider asking factory management to define or enhance Wage and Benefits policy and procedures that: a) define the principles and rules for providing wages, worker entitlements and benefits; b) describe a commitment to full payment of wages, worker entitlements and benefits based on local labor law; c) establish the frequency of wage payment and benefit contributions; and d) establish the method of wage and entitlement/benefit payments. Encourage management to create procedures that establish a system to ensure workers' compensation, entitlements and benefits are paid based on local law regulations.
2. Ensure that factory management complies with the labor law requirement of nursing mothers (1 hour) and assist management in developing a plan to ensure nursing mothers have one hour off as required.

**Deadline
Date:** 05/10/2011

Supplier CAP: 1. This year the Christmas bonus calculations will be realized based on the average of the last 6 months, starting April 2011. The factory will write a procedure with guidelines for the calculation of Christmas bonuses and vacations. The procedure will be communicated to all employees.

2. [Factory name] will have an appropriate space in order for the nursing mothers to take 1 hour every day so they can extract milk. This will remain in refrigeration until they go back to their homes. [Factory name] will write a procedure with schedules and every aspect related to the operation of this nursing mothers' site.

Supplier CAP Date: 04/30/2011

Action Taken: 1. Vacation bonus is already paid based on average. Christmas bonuses will be paid this year also based on average. Factory already has Ministry of Labor's approval to have collective vacations in December; this means that all employees will be paid based on average. Severance has not been paid based on average; the plant says that according to law they are not supposed to pay based on average, just based on minimum wage. The plant has not yet written and communicated the procedure to all employees. The plant will have it ready by July 8.

2. The nursing mother's site is not ready yet, even though factory has been receiving training in this matter by CALMA, a NGO that is expert in this matter. The nursing mothers' site will be ready by August 10, 2011.

Plan Complete: No

Plan Complete Date:



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: Despite that all employees are covered by Social Security, factory does not pay social contributions to the Salvadoran Social Security Institute and Pensions Fund Systems for those workers who do not rest during vacation. The additional amount of money that these workers receive for work during their vacation period should be included in the social contributions, but factory does not include them. This was corroborated from payroll review of last vacation payment. Management admitted that they do not include these payments in the social security system. Several delayed payments were corroborated to the Social Security and Pension Funds in the past months: contributions corresponding to March and April 2010 were paid 3 and 5 days late. Also, there are several contributions paid to the Pension Funds System (AFPs) with delay: November and December 2009 and January, March, April, May, June, July and August of 2010. These delayed payments range from 1 to 9 days.

Plan Of Action:

1. Factory management is expected to comply with on-time worker/management contributions to pension fund carriers (locally known as AFP's).
2. Hanesbrands (HBI) CSR will require from [Factory name] a copy of the proof of payment from the social security and pensions fund payroll. This will be done on a monthly basis. The HR department will be in charge of checking that there are no delays in the payments.
3. HBI understands that factory has obtained approval from the Ministry of Labor on collective vacations; therefore, it is expected that no employees come to work during this period. HBI will verify compliance.

Deadline Date: 05/10/2011



Supplier CAP: 1. As of December 2010, all the payments to the social security are being paid on time. The HR department will be in charge of checking that there are no delays in payments.

2. In relation to the discounts for worked vacations, the company has adopted the policy of having collective vacations as of December 2011. No one will be allowed to work on vacation.

3. [Factory name] will provide HBI copies of the payments to the social security and pensions fund on a monthly basis.

Supplier CAP Date: 12/01/2011

Action Taken: The factory has been able to pay all social security and pension funds payrolls on time. In regards to the social security and pensions funds discounts for employees who work during vacations, the plant has not had any vacations this year because they have filed a permit request to have collective vacations in December 2011.

Plan Complete: No

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: Deductions applied by factory are so high they exceed the limits set by Articles 132, 133 and 136 of the Code of Labor; loans seized and all deductions from the salary cannot exceed 20%. These deductions are mainly due to loans that the owner of the factory provides to the employees. Employees decide how much they want to be deducted from their biweekly salary and management discounts the amount the workers decided. However, in the last payroll of salaries reviewed, several cases were found exceeding the limits of 20% of total deductions from wages. In the worst case, a worker was deducted 90% of his salary (including the legal withholding to the pension fund and social security). In such a way, employees are receiving less money than legal minimum wage. A small sample of 10 workers exceeding this limit was reviewed; however, in the payroll, several cases could be seen of employees receiving less salary than the legal minimum wage.

Plan Of Action:

1. Factory management will not exceed the 20% limit of loans discounted from employees' salaries based on local regulations. Accounting and HR will control this issue. These departments will check all employees' salaries still receiving more than the 20% limit and will do all the necessary modifications, with the purpose of not exceeding the limit. A policy will be required to be written and communicated to all employees.
2. HBI's CSR manager will be responsible for follow up.

Deadline Date: 05/10/2011

Supplier CAP: 1. Accounting and HR will control this issue. These departments will check all earnings still being discounted. We will do adjustments to each salary payment, with the intention of not exceeding the percentage established by law so that workers can cover their needs with the salary they receive. A policy will be written and communicated to all employees.

Supplier CAP Date: 03/30/2011



Action Taken: 1. This issue was addressed in May 2011. All personal loans were adjusted so that monthly fees could not surpass 20% of salary as required by law. The plant only needs to complete the written policy and communicate it to the employees.

Plan Complete: No

Plan Complete Date:

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

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

Noncompliance

Explanation: Christmas bonuses and severance are not calculated based on the average of the last 6 months, when it is mandatory by Salvadoran labor law. (Articles 119 and 199 of Code of Labor) Factory is only considering the basic wages. Besides, there is no documentary evidence showing that factory is paying vacations based on the last 6 months' average. (Articles 119 and 183 of the Code of Labor) Furthermore, there is no evidence showing that workers are resting during the 15 days that the law requires for annual vacations. Factory is paying the relevant amount of money, but workers do not rest. According to management, employees who want to get more money ask for work during this period. However, this practice is prohibited by the Code of Labor* and Constitution claims that workers cannot resign their labor rights. Most interviewed workers confirmed that if they want, they can work during the vacation period.

*Articles 177, 185 and 188 of Code of Labor

Plan Of Action: Management to commit - in writing - that all worker entitlements and benefits will be made in compliance with local labor law. In order to create sustainability in the work environment, please consider asking factory management to define or enhance Wage and Benefits policy and procedures that: a) define the principles and rules for providing wages, worker entitlements and benefits; b) describe a commitment to full payment of wages, worker entitlements and benefits based on local labor law; c) establish the frequency of wage payment and benefit contributions; d) establish the method of wage and entitlement/benefit payments. Encourage management to create procedures that establish a system to ensure workers' compensation, entitlements and benefits are paid based on local law regulations.

Deadline Date: 01/01/2012

Supplier CAP: As of 2011 we will comply with the recommendations of making calculations based on the average of the last 6 months and of having all personnel take collective vacations in December 2011. The factory will write a procedure with guidelines for the calculation of Christmas bonuses and vacations. The procedure will be communicated to all employees.

2. In relation with discounts for worked vacations, company has adopted the policy of having collective vacations as of December 2011. No one will be allowed to work on vacation. This policy will be communicated to all employees.

Supplier CAP Date: 12/01/2011

Action Taken: 1. Vacations bonus is already paid based on average. Christmas bonuses will be paid this year also based on average. Factory already has Ministry of Labor's approval to have collective vacations in December, meaning that all employees will be paid based on average. Severance has not been paid based on average; plant says that according to law they are not supposed to pay based on average, just based on minimum wage. The plant has not yet written and communicated the procedure to all employees. The plant will have it ready by July 8.

Plan Complete: No

Plan Complete Date:



Freedom of Association: General Compliance Freedom of Association

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

Noncompliance

Explanation: Factory has dismissed 2 members of the union board this year. One of these union leaders was fired in May 2010 and the other in October 2010. Management claimed that these dismissals were based on the low performance of these employees; however, no documentary evidence was shown. It is against the law, as Article 248 of Code of Labor claims, for members of union boards to only be fired when the relevant public authority orders the dismissal. Besides, members of the board assured that the General Manager continuously offers money to the union leaders for them to resign and leave the factory. Since May 2010 up to this date, 3 union leaders have suddenly left the factory without providing any explanation. However, before they left, the 3 of them told the other members of the board that the General Manager had called them to offer money in order to quit the factory and the union. The union leaders interviewed revealed that now, they have been called by the General Manager, who offered them money to leave the factory, too. In this way, the General Manager is trying to dissolve the trade union.

Plan Of Action: As an immediate action, company should ensure that management will not terminate union board members without following local labor law requirements and that under no circumstance will a union board member be offered compensation to leave the factory. Furthermore, company to consider improving CAP by requiring that factory management define or enhance Freedom of Association policy and procedures that: a) describe the rules and principles for worker participation or representation; b) commit to recognize and respect the right of employees to freedom of association and collective bargaining; c) ensure that workers will not be subject to intimidation or harassment in the exercising of their right to join or refrain from joining any organization of their choosing; d) define the disciplinary process should any violation of the policy occur; e) define communication protocols; and f) define accountability of enforcement and/or implementation.

Deadline Date: 05/10/2011



Supplier CAP: We are aware of the immunity status of employees who form the union's directive board and we must respect it. Certainly in May 2010 the company dismissed a female worker, but company didn't know that she belonged to a union, the union directive board agreed to not reinstall her. In the October case where an employee was dismissed, she was reinstated because she made a commitment of good behavior; employee was not a member of the union's directive board. Also, we want to express that we have all records of personnel dismissed from work at our plant; we are open to show in any audit these records and the reasons of dismissal.

Supplier CAP Date:

Action Taken: The plant conducted Freedom of Association training for all managers, supervisors and union board of directors on June 2011.

Plan Complete: No

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: In May 2010, unionized employees carried out a stoppage for the dismissal of 1 of the board members. In this context, the General Manager threatened death to the relatives of one board member who was participating in the protest. While the stoppage was being carried out, this union leader received a call to her cell phone. It was an anonymous call from a man who "called in the name of [Owner/General Manager name] (who is the owner of the factory and the General Manager)." This man, with other 3 men, was at the house of this union leader and told her, that if the protest continues "her family would assume the consequences." The next day, union leaders decided to put an end to the stoppage.

Plan Of Action: As an immediate action, company should ensure that management will not terminate union board members without following local labor law requirements and that under no circumstance will a union board member be offered compensation to leave the factory. Furthermore, company to consider improving company action plan (CAP) by requiring that factory management define or enhance Freedom of Association (FOA) policy and procedures that: a) describe the rules and principles for worker participation or representation; b) commit to recognize and respect the right of employees to freedom of association and collective bargaining; c) ensure that workers will not be subject to intimidation or harassment in the exercising of their right to join or refrain from joining any organization of their choosing; d) define the disciplinary process should any violation of the policy occur; e) define communication protocols; and f) define accountability of enforcement and/or implementation.

Deadline Date: 05/10/2011

Supplier CAP: The company has investigated the accusations mentioned; nevertheless, these accusations could not have been related to any one of our employees and we do not discard that any external person to this company is using the name of management for personal ends. [Factory name] established an agreement with the union, in which we commit to work together to guarantee a suitable environment.

Supplier CAP Date:

Action Taken: N/A

Plan Complete: No

Plan Complete Date:

Freedom of Association: Anti-Union Discrimination/Dismissal, Other Loss of Rights, and Blacklisting

FOA.12 Employer shall not engage in any act of anti-union discrimination, i.e. shall not make any employment decisions which negatively affect a worker, based wholly or in part on a workers' union membership or participation in union activity, including the formation of a union, previous employment in a unionized facility, participation in CB efforts or in a legal strike. Employment decisions include: hiring; termination; job security; job assignment; wages; bonuses; allowances; compensation and benefits; promotion; downgrading; transfer; (vocational) training; discipline; and assignment of work and conditions of work. The use of blacklists used to contravene the exercise of the right to FOA also constitutes anti-union discrimination. (S)

Noncompliance

Explanation: Affiliated employees in this module complain that management, through the supervisor, is always trying to hinder their reaching the production target, which is collective. Supervisor removes key employees in the module's production chain and takes them to other modules; subsequently, they are not able to reach the production target. By records reviewed, it was corroborated that members of this module almost never earn bonuses, except the ones that are taken to other modules. Supervisors and production manager recognized that these changes are made; however, they alleged that employees can be taken and placed in other modules according to factory production needs and that such decisions are not made on the basis of union affiliation. Moreover, supervisor of Module 12-2 explained that they do not reach production targets because the union board members frequently ask for authorization to leave the facilities.

Plan Of Action: 1. Factory management (including middle management, upper management and both union reps) to participate in a FOA training exercise. Training agenda items should include: anti-union discrimination/dismissal, non-retaliation, other loss of rights, etc. The training will be led by HBI CSR and legal department; a FLA representative will be invited to participate as an observer.

2. HBI expects and will verify that all production targets can be reached by employees within regular working hours.

Deadline Date: 05/10/2011

Supplier CAP: In order to achieve excellent communications within our factory, we have taken the following steps:

1. In January 2011 we began an information campaign to advertise our grievance channels so all of our employees can express their claims freely.

2. We gave training to all of our supervisors to improve their abilities in managing people.

3. The movement of employees between teams was necessary during 2010 because the plant transitioned to multi-styles. The Ministry of Labor audited our plant and we have their reports that show that there is no discrimination to the employees belonging to the union.

4. We will investigate the harassment and discrimination accusations from the supervisor [Employee name] towards union members. Regardless of the investigation results, we will talk with this supervisor and remind her of the company's anti-harassment and discrimination policy.

5. Establish and deploy a progressive discipline program. All employees will be trained.

Supplier CAP Date:

Action Taken: 1. The plant trained all managers and supervisors on disciplinary practices, freedom of association, discrimination and harassment. The plant also has a progressive discipline program where all employees have the right to challenge a disciplinary action.

Plan Complete: No

**Plan
Complete
Date:**

Harassment or Abuse: Discipline/Review of Disciplinary Action

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

Noncompliance

Explanation: The disciplinary system does not include the possibility for employees to appeal or question any disciplinary action against them. It was corroborated from records review and management admitted it.

Plan Of Action: Company to improve this CAP by ensuring that factory management creates a formalized "appeal process" in cases, whereby workers can challenge disciplinary actions against them. The updated disciplinary system should include possibilities for workers to have the disciplinary actions imposed on them reviewed by someone. Furthermore, factory management to communicate the updated disciplinary system to the workforce through the bulletin board and the PA system (regularly).

Deadline Date: 05/10/2011

Supplier CAP: For the application of the disciplinary measures, the HR department is to verify and evaluate reasons why the employees receive disciplinary warnings. All employees are free to sign or reject the warnings; they are also free to speak with the general manager of the plant if they feel that the warning is unfair.

Supplier CAP Date:

Action Taken: N/A

Plan No
Complete:

Plan
Complete
Date:

Harassment or Abuse: Discipline/Written Disciplinary System

H&A.5 Employers shall maintain a system of written disciplinary rules, procedures and practices. Disciplinary rules, procedures and practices shall be clearly communicated to all workers. (P)

Noncompliance

Explanation: Despite that the factory has different levels of sanctions (verbal warnings, written warnings, suspension and termination) the disciplinary system is not clear on when and how these sanctions will be applied. In such a way, there is an open door for the arbitrary application of disciplinary measures. In practice, however, there is no evidence of arbitrariness, the disciplinary system of the factory is not clear.

Plan Of Action: Company to require factory management to create/improve its disciplinary policy and procedures that: a) include the principles and rules for workplace conduct/discipline; b) describe how management shall maintain an escalating disciplinary process which clearly defines conditions under which an employee may be reprimanded; c) describe how employees are informed of (i) why disciplinary action taken, (ii) what type of action taken and (iii) of their rights to appeal; d) describe how each type of method gets executed; and e) specific timetable for each step of the process.

Deadline Date: 05/10/2011

Supplier CAP: We will proceed to modify the current manual in order to have more transparency in this subject and also to establish a progressive discipline program. All the adjustments will be done by the end of April 2011 and will be communicated to all employees.

Supplier CAP Date: 04/14/2011

Action Taken: The manual has not been modified; it will be modified with the recommended practices by July 8.

Plan No
Complete:

Plan
Complete
Date:

Harassment or Abuse: Discipline/Verbal Abuse

H&A.11 Employers shall not use any form of verbal violence, including screaming, yelling, or the use of threatening, demeaning, or insulting language, as a means to maintain labor discipline. (S)

Noncompliance

Explanation: 20% of interviewed workers revealed that supervisors display verbal abuse. These employees pointed out 3 specific supervisors: a) supervisor in charge of modules 7, 8, 9 and 10; b) supervisor in charge of module 1-22; and c) supervisor in charge of module 12-2. In these 3 cases, verbal abuse implies screaming and shouting. All workers who complain about this verbal abuse said that they have never reported this problem because they think nothing will change and they could lose their job.

Plan Of Action: 1. HBI will request that senior factory management ensure a harassment and/or abuse-free workplace and that managerial positions commit - in writing - to maintain a harassment and abuse-free workplace. In order to create sustainability, factory management will create Non-Harassment and Abuse policy and procedures that describes: a) a commitment that every employee shall be treated with respect and dignity; b) that no person will be subject to any physical, sexual, psychological or verbal harassment or abuse; c) and defines the disciplinary process should any violation to this policy occur. Management to create procedures that describe: a) how factory management includes non-harassment/abuse protections in the worker's life cycle; b) how employees use the grievance system for complaints, investigation and resolution of harassment-related concerns; c) how decisions are announced and consequences implemented; and d) assigning someone responsible for each step of the process.

Deadline 05/10/2011
Date:



Supplier CAP: With the purpose of supporting a harmonious labor environment:

1. Labor Conflicts Office was established;
2. Labor climate survey is done every week by the HR department;
3. Information campaign will be held March 15 to re-inform all supervisors about the anti-abuse policy; and
4. Every Monday, HR department is communicating the grievance channels to all employees.

Supplier CAP Date: 03/15/2011

Action Taken: The FLA report is not clear enough about which specific supervisors have been harassing the employees through yelling. The module numbers written in the report cover pretty much all the plant; however, management has given anti-abuse and anti-harassment training to all supervisors. The plant has kept doing the workplace climate surveys and has applied disciplinary actions to supervisors who have had bad results in the surveys. It is an ongoing process, even though the last results are satisfactory.

Plan Complete: No

Plan Complete Date:

Harassment or Abuse: Security Practices/Body Searches

H&A.15 All security practices shall be gender-appropriate and non-intrusive, so that the dignity of the worker concerned is protected when a search is undertaken. Searching of bags and other personal items to prevent theft is acceptable. Body searches and physical pat-downs shall only be undertaken when there is a legitimate reason to do so and upon consent of the worker, unless a state official with the power to do so (such as police officer) has ordered the search. Body searches cannot be undertaken in public and the person who undertakes the search shall be of the same sex as the person who is being searched. (S)

Noncompliance

Explanation: 80% of female workers interviewed complained about the way one of the security guards touches them, a female security guard who is rude. Female employees complained that the body search procedure is excessive, as this guard touches them in a rude way, touching their genital parts and sometimes hitting. Some of these workers said that they have reported this problem to the HR Management, but the situation continues. Management claimed that, due to the stealing of fabric and other materials, they ordered the security guards to conduct a more meticulous body search procedure.

Plan Of Action: Factory management to conduct random checks as to whether or not the body search process is being implemented as intended. Also, request ongoing training for security guards. Lastly, communicate to workers about the body search process and enable them to communicate directly in case of any deviation to this policy.

Deadline Date: 05/10/2011

Supplier CAP: The HR department did investigations on the case and the results showed us that a security guard was not using the correct method of security searches. It made the decision to change personnel for this position, with the purpose of avoiding this type of disadvantage. From this one situation, the HR department is supervising the way the guards check the personnel. Trainings on March 30 have been programmed for the security guards.

Supplier CAP Date: 03/30/2011

Action Taken: There was training with the security guards where they were informed about the proper technique of doing the security revisions on employees. Please see attachments.

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: There is no documentary evidence that workers are orally informed about HBI standards. It was corroborated from employee interviews and management also recognized it.

Plan Of Action: Factory management shall internalize code of conduct by communicating - regularly - code standards in written and verbal forms, and also to every new employee hired.

Deadline Date: 08/31/2011

Supplier CAP: [Factory name], with the support of our client, will coordinate trainings on the fundamental basic principles of HBI and will coordinate (the schedule will be sent later) brochure to be delivered to all employees.

Supplier CAP Date: 04/15/2011

Action Taken: This training is still pending. It will be done by August 20.

Plan Complete: No

**Plan
Complete
Date:**

Code Awareness:

GEN.3 Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.

Noncompliance

Explanation: There is not a communication channel in place which allows employees to report any noncompliance directly to the company.

Plan Of Action: This issue is under discussion even though HBI will work closely with [Factory name's] HR department to strengthen their grievance channels, using HBI as a best practice.

Deadline Date:

Supplier CAP: This issue is under discussion.

Supplier CAP Date:

Action Taken: N/A

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: From observation tour it was corroborated that basic first aid supplies were out of date. In first aid kit #6, gloves and gauze were found which had expired in 2009 and the alcohol did not have an expiration date. Extinguisher #35 at warehouse was seen blocked by old machinery and it was not accessible to reach.

Plan Of Action: An inventory will be established for the first aid supplies. A checklist will be done. The delegate of industrial safety will do weekly safety inspections on the whole plant, including first aid cabinet, checking expiration dates of medicine, supplies, proper maintenance, fire extinguisher accessibility and safety equipment.

Deadline Date: 05/10/2011

Supplier CAP: An inventory will be established for the first aid supplies. A checklist will be done. The delegate of industrial safety will do weekly inspections on the first aid cabinet, checking the expiration dates of the medicines, supplies and equipment.

Supplier CAP Date: 04/30/2011

Action Taken: The plant is still working on doing the weekly audits.

Plan Complete: No

Plan Complete Date:

Hours of Work: Annual Leave/Wage Payments

HOW.18 Employers shall provide workers taking annual leave their normal or average wages for the full period of annual leave in advance, unless specified differently under local laws, regulations and procedures. (S)

Noncompliance

Explanation: Regarding Christmas bonuses, factory does not respect seniority of those workers whose employment contracts have been renewed. In such a way, factory is affecting the Christmas bonuses and workers are receiving less money.

Plan Of Action: Company to consider requesting that factory management maintains workers' seniority for the purpose of calculating and paying the Christmas bonuses in accordance to local labor law.

Deadline Date: 05/05/2011

Supplier CAP: This issue was corrected in December 2010.

Supplier CAP Date: 12/10/2010

Action Taken: No further actions required.

Plan Complete: No

Plan Complete Date:
