



2008

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: Hanesbrands
COUNTRY: Vietnam
FACTORY CODE: 720084879G
MONITOR: Global Standards
AUDIT DATE: July 16 – 17, 2008
PRODUCTS: Apparel
PROCESSES: Cutting, Sewing, Finishing
NUMBER OF WORKERS: 1190

FLA Comment: In situations where a FLA-affiliated Company is no longer sourcing from a factory that has received an Independent External Monitoring visit, Company shall submit information on (a) reason for exiting; (b) status of compliance and summary of efforts to remediate noncompliances in 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.

Company Comment: This facility was proposed by our sourcing team in January 2008 and audit was done 1/16/2008. Auditor quoted projected sales with 20% for Hanesbrands; however, we never placed an order in this facility. Facility remained active in our database, though it did not have orders. Coincidentally, it was selected for FLA audit on 7/16/2008. Due to commitment with FLA codes, we decided to facilitate in remediation process in spite of no orders. Also, factory agreed to improve noncompliance issues. Until end of 2008, our sourcing group decided to inactivate this facility because of economy downturn and streamlining of suppliers. This facility was marked as INACTIVE in our system since January 2009. It is a business decision to exit from this facility, not a compliance decision. Also, it was confirmed that Hanesbrands never placed orders in this facility.

[The rest of the Company Comment appears on page 2; the Table of Contents for this IEM is on page 3.]



Company Comment continued from front page:

Status of compliance and summary of efforts: The FLA audit was done on 7/16/2008. Hanesbrands sent the CAP follow up-report to factory management in August and the Company compliance team conducted a CAP review meeting with the management with regard to the noncompliance issues cited during the audit. The factory management provided feedback and evidences for Company review in early September. Hanesbrands then assigned an in-house auditor to perform a follow-up audit on 9/24/2008, the results of which were sent to the FLA in timely manner. During this visit, the factory was well communicated about the corrective action plans, especially on compensation and working hours. Factory management was aware of the critical issues and was open-minded to accept the Company guidance. Also, the Company observed several health and safety issues had been corrected and employees' grievance channels had been set. The Company continued to advise the factory on their CAP until its inactivation in the system.

Plan for follow up on critical issue: Originally, the Company planned to visit the factory every 6 months; however, the sourcing team was advised of the deactivation of the supplier, as no orders were placed with them. Also, the Company observed that no other FLA-affiliated companies existed in the factory to follow up with, although a follow-up plan will be given to this factory. The Company has always tried to follow up the CAP, but did not receive any response from the factory. The factory was found to have no critical issues on child labor, forced labor and harassment either from FLA audit or internal audits.

Due to a 2010 IEV (Independent External Verification) at this factory, all updates after 2008 can be found on the IEV report [here](#).



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*Denotes a Notable Feature



Fair Wages: 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)

Notable Feature

Explanation: Factory pays some bonuses and benefits over and above legal requirements:

- Bonus on national holidays at least 25% of base salary;
 - Severance package based on salary plus allowance, not only salary;
 - Overtime at night (after 8:30pm) is paid at 200% instead of 195% as required by law;
 - Pressing workers receive additional meal (supper) when working overtime more than 2 hours in 1 day.
-



Fair Wages: Timely Payment of Wages

WBOT.4 All wages, including overtime compensation shall be paid within legally defined time limits. When no time limits are defined by law, compensation shall be paid at least once a month. (S)

Noncompliance

Explanation: Salary and severance allowance are not paid to workers within 7 days as required by law. According to the Collective Bargaining Agreement (CBA), this should be paid on the 15th of the following month, but in practice it is paid on the 20th.

Plan Of Action: Will follow up on this issue by visiting the facility at least every 6 months.

Deadline Date: 02/28/2009

Supplier CAP: Will pay on 15th each month from now on.

Supplier CAP Date: 09/30/2008

Action Taken: Based on reviews of salary and severance allowance payment records from July and August 2008, it was found that the factory paid workers within 7 days as required by law.

Plan Complete:

Plan Complete Date:



Fair Wages: False Payroll Records

WBOT.19 Employers shall not use hidden or multiple payroll records in order to hide overtime, to falsely demonstrate hourly wages, or for any other fraudulent reason. Payroll records maintained shall be authentic and accurate. (P)

Noncompliance

Explanation: Factory uses 2 sets of payroll records in order to hide excessive overtime. Overtime of more than 2 hours a day is paid separately from the official payroll.

Plan Of Action: Company auditor will visit the factory on 9/24/2008 to insure the facility has complied and will follow up on the issue by visiting the facility at least every 6 months.

Deadline Date: 02/28/2009

Supplier CAP: Will discuss with the management how to consolidate all hours in 1 set of records. However, we always disclose true and complete records no matter how many records we have. Workers' wages are calculated correctly and paid on time.

Supplier CAP Date: 11/24/2008

Action Taken: Factory Corrective Action: Complete.

Based on review payroll records found, the factory already consolidated the payroll information into a single set of records, effective on August payroll.

Plan Complete:

Plan Complete Date:



Fair Wages: Other - Wages, Benefits and Overtime Compensation

Other

Noncompliance

Explanation: Factory is late paying social insurance, e.g., until end of June 2008, factory only pays social insurance up to April 2008.

Plan Of Action: Company auditor will visit the factory on 9/24/2008 to ensure this issue is corrected and will continue follow up on this issue by visiting the facility at least every 6 months.

Next Action: The factory must pay for social insurance in a timely fashion and submit the evidence of social insurance payment records to Hanesbrands (HBI).

HBI auditors will follow up on this issue next visit.

Deadline Date: 02/28/2009

Supplier CAP: Will pay it on time from now on. Confirmed that the social insurance had been paid for June and July.

Supplier CAP Date: 12/31/2008

Action Taken: Factory Corrective Action: Incomplete. (on 9/24/2008 visit)

Based on reviews, social insurance payment records showed that the last social insurance payment was in June 2008.

Plan Complete:

Plan Complete Date:

Freedom of Association: Right to Freely Associate

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

Noncompliance

Explanation: **FLA Comment:** Vietnam has not ratified ILO Conventions 87 or 98. Under Vietnamese law, all unions are required to affiliate with the single trade union, the Vietnam General Confederation of Labor (VGCL), which is affiliated with the Communist Party. With respect to such union monopolies, the ILO Committee on Freedom of Association has stated that the rights of workers to establish organizations of their own choosing implies . . . the effective possibility of forming . . . [trade unions] independent both of those which exist already and of any political party. Vietnam's legal framework is therefore not compatible with the ILO Principles on Freedom of Association and, as such, all factories in Vietnam fail to comply with the FLA Code standard on Freedom of Association.

Plan Of Action:

1. Company communicated findings with factory management on 8/22/2008.
2. Company auditor will visit factory on 9/24/2008 to further discuss this issue, because they have no idea how to set up proper communication channels other than to set up another union. This is a pending issue.

Deadline Date: 02/28/2009

Supplier CAP: Since the Law requires all unions are require to affiliate with the single trade union - VGCL. We can't set up another union because it would violate the law. However, we could consider setting up a welfare committee and inviting the workers representative to join. Also, we had set up the grievance system to ensure the workers have means to communicate with management.

Supplier CAP Date: 02/28/2009



Action Taken: Factory Corrective Action: Complete.
The factory set up a grievance system policy and Welfare Committee. Welfare Committee will conduct meetings 1-2 times per month; the last meetings were August 9 and 13, 2008. The minutes of the meeting covered the workers' complaints about the suggestions box.

Plan Complete:

Plan Complete Date:

Freedom of Association: Grievance Procedure

FOA.26 Employer shall have in place written grievance procedures that allow first an attempt to settle grievances directly between the worker and the immediate supervisor but that, where this is inappropriate or has failed, it is possible for the worker to have the grievance considered at one or more steps, depending on the nature of the grievance and the structure and size of the enterprise. Employers shall ensure that the grievance procedures and applicable rules are known to workers. (P)

Noncompliance

Explanation: Communication with workers should be improved. Union is not fulfilling its role in communicating and mediating between workers and management. Suggestion box system is rarely used and not well understood.

Plan Of Action: Company auditor will visit the factory on 9/24/2008 to provide advice on improving the insufficient communicating issue and will follow up on the issue by visiting the facility at least every 6 months.

Deadline Date: 02/28/2009

Supplier CAP: Set up a grievance system and committee. The grievance committee has a meeting twice a month and discusses and resolves grievances from workers. Supporting document has been sent to Company.



Supplier CAP 09/30/2008

Date:

Action Taken: The factory set up a grievance system policy and Welfare Committee. Welfare Committee will conduct meetings 1-2 times per month; the last meetings were August 9 and 13, 2008. The minutes of the meeting covered the workers' complaints about the suggestions box.

Plan Complete:

Plan Complete Date:

Code Awareness:

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

Noncompliance

Explanation: Company Code of Conduct was not provided to the factory.

Plan Of Action: Company auditor will bring the soft copy to factory for printing at follow-up visit on 9/24/2008.

Deadline Date: 10/30/2008

Supplier CAP: Will follow up with HBI.

Supplier CAP Date: 09/24/2008

Action HBI auditor already provided the HBI posters to the factory on the audit day (September

Taken: 24, 2008).

Plan

Complete:

Plan

Complete

Date:

Code Awareness:

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

Noncompliance

Explanation: Company Code of Conduct not posted in the factory. No code training program or worker awareness information was available in the factory.

Plan Of Action: 1. Company auditor will bring the soft copy to factory for printing at follow-up visit on 9/24/2008.

2. Inform the factory to add this topic to their employee orientation training.

3. Will continue follow up on this issue by visiting the facility at least every 6 months.

Deadline 02/28/2009

Date:

Supplier CAP: Will post HBI GSS poster and add this code awareness topic in employee orientation training.

Supplier CAP 09/30/2008

Date:

Action Taken: Factory Corrective Action: Pending.

Factory received HBI posters on the day of audit. But, they did not add HBI Code of Conduct to their employee orientation training program yet.

Plan

Complete:

Plan

Complete

Date:

Code Awareness:

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

Noncompliance

Explanation: There is no secure communications channel to enable Company employees and employees of contractors and suppliers to report noncompliance of workplace standards.

Plan Of Action: HBI will study the effective means of communication channels between factory workers and company.

Deadline Date: 02/28/2009

Action Taken: N/A

Plan

Complete:

Plan

Complete

Date:



Health and Safety: General Compliance Health and Safety

H&S.1 Employers shall comply with all local laws, regulations and procedures concerning health and safety. (S)

Noncompliance

Explanation: Factory has not conducted annual Environmental Monitoring or testing as required.

Plan Of Action: Company auditor will visit the facility on 9/24/2008 and will confirm the environmental monitoring is completed and obtain a copy of the written report for review and consideration of any further actions needed to insure full compliance.

Deadline Date: 09/30/2008

Supplier CAP: Will conduct the environmental monitoring in September.

Supplier CAP Date: 09/30/2008

Action Taken: Factory has been conducting environmental monitoring since June 26, 2008. Report addresses the noise level, dust, temperature, etc. Factory has a plan to conduct the environment monitoring at least once a year. (The next will be in June 2009.)

Plan Complete:

Plan Complete Date:



Health and Safety: Notification and Record Maintenance

H&S.7 Employers shall notify the relevant authorities of all illnesses and accidents as required by applicable laws. All illness, safety and accident reports shall be maintained on site for at least one year, or longer if required by law. (P)

Noncompliance

Explanation: Factory lacks a proper system for tracking, investigation and prevention of work accidents.

Plan Of Action: Company auditor will confirm the system for is set up on 9/24/2008 and will follow up by visiting the facility at least every 6 months.

Deadline Date: 02/28/2009

Supplier CAP: Have set up the proper system for tracking, investigation and prevention of work accidents. Supporting document sent to Company.

Supplier CAP Date: 08/30/2008

Action Taken: The factory has set up tracking investigation and prevention of work accidents procedure on August 1, 2008 and start to keep first records on August 12, 2008.

Plan Complete:

Plan Complete Date:

Health and Safety: Evacuation Requirements and Procedure

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

Noncompliance

Explanation: Fire alarm works only for new workshop, not for old factory or warehouse buildings. No instructions posted for operation of alarm system at the control center in security room. Old materials warehouse is a fire hazard, containing piles of combustible materials and fabric scraps awaiting removal, re-export or recycling. The building is officially no longer in use and lacks fire proper safety precautions. Local fire inspection found that the main new building lacks lightning protection as per fire code and approved design specs. About 20 employees work in an unsafe second cutting workshop located at the back of the old materials warehouse, without adequate emergency exits or fire precautions.

Plan Of Action: Company auditor will follow up on 9/24/2008 to ensure the old warehouse is no longer to be used.

Deadline Date: 09/30/2008

Supplier CAP: Factory will close this old area and ensure no worker is working there.

Supplier CAP Date: 09/24/2008

Action Taken: Based on observation and discussion with workers and factory management, found that the factory already closed the old materials warehouse and no any workers worked in this building.

Plan Complete:

Plan Complete Date:

Health and Safety: Chemical Management and Training

H&S.13 All chemicals and hazardous substances shall be properly labeled and stored in accordance with applicable laws. Labels shall be placed in the local language and the language(s) spoken by workers, if different from the local language. Workers shall receive training, appropriate to their job responsibilities, concerning the hazards, risks and the safe use of chemicals and other hazardous substances. (S)

Noncompliance

Explanation: Large container of acetone found at 1 production line without proper label or instructions for use. Another container found in the spot cleaning room also without proper warning label. No chemical training for workers using chemicals or doing spot cleaning.

Plan Of Action: Company auditor will follow up on 9/24/2008 to ensure the chemical management system is workable in factory.

Deadline Date: 02/28/2009

Supplier CAP: 1. Have provided proper labels and instructions for chemicals;
2. Will train workers when using chemicals. Supporting Document #3 sent to FLA.

Supplier CAP Date: 12/31/2008

Action Taken: Factory Corrective Action: Incomplete. (HBI visit on 9/24/2008)

Based on observation, found that there was MSDS posted in chemical use area and chemical labels posted for all chemical containers in working area. However, they did not set up the chemical training program for chemical operators yet. The factory promised to set up the chemical safety training program for the chemical operators by the end of November 2008.

Plan Complete:

Plan Complete Date:

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

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

Noncompliance

Explanation: New factory building is clean, well organized and has good ventilation. However, temperature in old factory production area is high. No official test report; further testing and monitoring recommended.

Plan Of Action: Company auditor will review the daily measurements and obtain the written report when conducting follow-up visit on 9/24/2008, and will work directly with the facility to ensure methods are in place to keep the temperature lower.

Deadline Date: 02/28/2009

Supplier CAP: Will measure the room temperature daily and observe for 3 months before developing the solution, since current building is hardly to improve the ventilation. Also, will give the survey to workers in this factory for their feedback.

Supplier CAP Date: 12/31/2008

Action Taken: Factory Corrective Action: Incomplete.

The factory management noted that they have a plan to close the old production building by end of this year and move all production processes to new production building. Therefore, they did not have a modification plan for the current production building.

Plan Complete:

Plan Complete Date:

Health and Safety: Sanitation in Factory Facilities

H&S.22 All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with all applicable laws, including relevant sanitation, medical and safety and health regulations. (S)

Noncompliance

Explanation: Toilets lack working sinks, running water, and soap.

Plan Of Action: Company auditor will follow up on 9/24/2008 to ensure factory repairs the working sinks, running water and soap.

Deadline Date: 02/28/2009

Supplier CAP: Have repaired and added the working sinks, running water and soap. Sent supporting document to Company.

Supplier CAP Date: 12/31/2008

Action Taken: Factory Corrective Action: Incomplete.

Based on on-site observation, all toilets had running water arranged during the audit. One female toilet at cutting department still lacks working sinks, at all toilet no soap was available.

Plan Complete:

Plan Complete Date:

Health and Safety: Food Preparation

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

Noncompliance

Explanation: Canteen hygiene is poor. No sink for hand washing. PPE is not used regularly and flies and vermin (rats) were seen in the canteen area.

Plan Of Action: Company auditor will follow up on 9/24/2008 to ensure compliance and will continue to monitor the situation, including seeing that regular pest control services are in place, by visiting the facility at least every 6 months.

Deadline Date: 02/28/2009

Supplier CAP: Will improve the hygienic condition of canteen by doing pest control regularly. Should discuss with the cleaning department on frequency of pest control.

Supplier CAP Date: 12/31/2008

Action Taken: Factory Corrective Action: Incomplete.

Based on on-site observation, the canteen hygiene is still poor. PPE is not used regularly and flies and vermin (rats) are still seen in canteen area. However, there was a sink for hand washing available during audit. Factory management informs that they will get food safety certificate within this year and that they have a plan to do the pest control program within this year.

Plan Complete:

Plan Complete Date:

Health and Safety: Other - Health and Safety

Other

Noncompliance

- Explanation:**
1. No HSE training for new workers or existing workers was conducted or documented.
 2. Safety Committee formed as required and is said to hold quarterly meetings, but there are no records or documents of these meetings.
 3. Cooking gas containers are unchained and exposed to the elements and not protected from rain or standing water.
 4. PPE distributed, but workers do not always use it consistently. Monitors saw cutting workers with gloves in the morning, but no gloves in the afternoon. They had apparently been locked away for safekeeping after monitor's initial inspection.
 5. Clinic has 3 beds, but lacks curtains or any provisions for privacy.
 6. Spot cleaning rooms have no exhaust ventilation and instead use an oscillating fan.
 7. Factory has a competent compliance officer, but lacks experienced HSE staff.

Plan Of Action: Company auditors will follow up on 9/24/2008 to ensure compliance. HBI will conduct the 2nd follow-up visit in early 2009 to follow up on the 7 points above.

Deadline Date: 02/28/2009

- Supplier CAP:**
1. Will set up HSE training for workers by end of September and document the evidence.
 2. Have kept Safety Committee meeting minutes from now on. Supporting document sent to Company.
 3. Will keep separate cooking gas containers in safe and covered area by end of September.
 4. Will set PPE training for users and post reminder signage in their working area by end of October.
 5. Will add the curtains on each of the beds by September.
 6. Will discuss with engineer how to resolve this issue.



7. Will train HSE to the staff regularly, i.e., quarterly committee meeting.

Supplier CAP 12/31/2008

Date:

Action Factory Corrective Action: Incomplete

Taken:

1. There was objective evidence to prove that HSE training was conducted for new workers or existing workers. However, factory's management promises that HSE training program will be conducted to new or existing workers within November 2008.
2. Last Safety Committee meeting conducted August 5, 2008 and minutes of meeting were available during the audit.
3. Cooking gas containers still unchained and exposed to elements and not protected from rain or standing water. However, factory promises this issue will be improved within November 2008.
4. Based on observation, all cutting operators always used metal glove during work. But, there was no objective evidence of cutting safety training program set up for cutting operators after July 2008. However, factory management informed that HSE training program (including cutting safety training program) will be conducted for new or existing workers within November 2008.
5. Clinic beds still lack curtains or any provisions for privacy. However, factory management stated they will add curtains on each bed by end of November 2008.
6. Spot cleaning rooms still have no exhaust ventilation and still use oscillating fan. Factory stated will meet with an engineer to resolve this issue.
7. The safety still lacks experienced HSE staff.

Plan

Complete:

Plan

Complete

Date:



Hours of Work: General Compliance Hours of Work

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

Noncompliance

Explanation: Excessive overtime worked frequently in excess of code and legal limits, i.e., over 4 hours per day and 12 hours per week.

Plan Of Action: Company auditor will ensure plan is immediately put in place during follow up on 9/24/2008. We will continue to monitor working hours on week days in our ongoing audits at least every 6 months and ensure OT payment is sufficient and paid in timely manner.

Deadline Date: 02/28/2009

Supplier CAP: Will discuss with production department and develop plan on how to decrease the work hours.

Supplier CAP Date: 12/31/2008

Action Taken: Factory Corrective Action: Incomplete.
Maximum overtime found was 20 hours/day (start OT at 4:30pm and finish at 12:00pm next day) during August 2008. Total working hours were 28 consecutive hours.
Factory promises to discuss with production department and develop plan on how to decrease the work hours.

Plan Complete:

Plan Complete Date:

Hours of Work: Rest Day

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

Noncompliance

Explanation: Factory workers worked 1 Sunday in February with premium pay, but without compensating day off as per law.

Plan Of Action: Company auditor will review the records and continue to monitor the working hours, include a rest day and ensure that compensation leave is arranged. Will continue to monitor by visiting the facility at least every 6 months.

Deadline Date: 02/28/2009

Supplier CAP:

1. Will guarantee 1 rest day per week from now on.
2. Will maintain record for compensation leave, in case worker is required to work on a rest day.

Supplier CAP Date: 12/31/2008

Action Taken: Factory Corrective Action: Incomplete.
Factory still worked on Sunday, the last time was September 7, 2008.
Factory guarantees 1 rest day per week for workers' coming months.

Plan Complete:

Plan Complete Date:

Hours of Work: Time Recording System

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

Noncompliance

Explanation: Overtime over 2 hours in 1 day is recorded separately from official swipe card records.

Plan Of Action: Company auditor will visit the factory on 9/24/2008 to ensure compliance by the facility.

Deadline Date: 10/31/2008

Supplier CAP: Will discuss with the management how to consolidate all hours in 1 set of records. However, we always disclose true and complete records no matter how many records we possess. Workers' wages are calculated correctly and paid on time.

Supplier CAP Date: 12/31/2008

Action Taken: Based on review of time records, found that factory already consolidates the time records in 1 set, effective as of August 2008.

Plan Complete:

Plan Complete Date:
