



FAIR LABOR
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INDEPENDENT EXTERNAL ASSESSMENT REPORT



Verification Assessment

COMPANIES: GFSI, Inc.
Hanesbrands

COUNTRY: China

ASSESSMENT DATE: 11/27/17

ASSESSOR: Elevate

PRODUCTS: Apparel

NUMBER OF WORKERS:

FLA Comments

This SCI is a verification assessment of assessment AA0000001911. All corrective action plan updates for AA0000001911 will be published on this report.

Summary of Code Violations

Companies that join the FLA agree to uphold the FLA Workplace Code of Conduct throughout their entire supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and defines labor standards that aim to achieve decent and humane working conditions.

While it is important to note when violations of the FLA Workplace Code of Conduct occur, the purpose of these assessments is not simply to test compliance against a particular benchmark, but rather to develop an understanding of where and how improvements can be made to achieve sustainable compliance. Code of Conduct violations can be found throughout the course of an assessment of the employment and management functions, and are addressed in companies' action plans.

Previous Report Findings and Verification Results

PREVIOUS FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The factory does not hire any disabled workers, which does not meet the local legal requirement (1.5% of the total workforce). Although the factory contributes to the Employment Security Fund in lieu of employing disabled workers as allowed under the local law, this practice carries a risk of discrimination based on FLA Workplace Code and Benchmarks. 2. The factory has no performance review for all production workers, except for office staff, senior management and new employees who have passed the six months probation period. 3. There are written job descriptions for some positions such as office staff, but not for all positions of production workers. 4. The factory's online recruitment form has a discriminative clause that requires procurement assistants to be female and between 22-35 years old. 5. The factory has set a probation period of 6 months, which is in line with local requirements; however, it exceeds the maximum of three months as per FLA Workplace Code and Benchmarks.

Local Law or Code Requirement

Labor Law of PRC (1995), Article 12; Regulation on the Employment of Persons with Disabilities, Articles 8; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.3.2, and ER.29.1; Non-discrimination Benchmarks ND.1 and ND.2; Compensation Benchmark C.3)

Recommendations for Immediate Action

1. Remove the discriminatory clause from the online job advertisements for office employee. The employment decision should solely be made on candidates' qualifications and abilities. 2. Reduce the probation period so that it does not exceed three months.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Partially Remediated

Explanation: Based on documentation review and management interview, the factory has only hired 1 disabled worker. The total number of disabled persons hired by the factory is less than 1.5% of its total staff which is stipulated by legal requirement. Although the factory contributes to the Employment Security Fund in lieu of employing disabled workers, as allowed under local law, this practice carries the risk of discrimination

based on the FLA Workplace Code and Benchmarks. [ER.3, ND.1, ND.2.1]

Root Causes: Factory has expanded recruitment scope and still has no workers to apply by now. Factory will continue to improve.

2. Finding Status: Remediated

Explanation: Based on documentation review, workers interview and management interview, performance review for all production workers has been conducted from September 2016.

3. Finding Status: Remediated

Explanation: Based on documentation review and management interview, written job descriptions for all positions of production workers has been established and kept properly.

4. Finding Status: Remediated

Explanation: Based on documentation review, workers interview and management interview, the discriminatory clause from the online job advertisements for office employee had been removed. And the employment decisions were made on candidates' qualifications and abilities.

5. Finding Status: Not Remediated

Explanation: Based on documentation review, workers interview and management interview, the factory has set a probation period of 6 months, which is in line with local requirements; however, it exceeds the maximum of three months as per FLA Workplace Code and Benchmarks. [ER.1, C.3]

Root Causes: As the practice is in line with local requirements, factory will have a discussion on how to improve it.

Local Law or Code Requirement

Labor Law of PRC (1995), Article 12; Regulation on the Employment of Persons with Disabilities, Articles 8; FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.3; Non-discrimination Benchmarks ND.1 and ND.2; Compensation Benchmark C.3)

Recommendations for Immediate Action

1. Reduce the probation period so that it does not exceed three months

COMPANY ACTION PLANS

Action Plan no 1.

Description

Hanesbrands has communicated with auditing firm and the factory, even the current factory practice of contributes to the Employment Security Fund in lieu of employing disabled workers is in compliance with local law and regulation, Hanesbrands encourage factory to hire more disable workers. The factory has already employed 3 disable workers by the end of May 2018. Even the 6 months of probation period for 3 years labor contract is in compliance with local legal requirement, Hanesbrands required the factory to shorten the probation period to 3 months to in compliance with FLA code, and the factory management will have a discussion about the change of probation period. 2019-08-26 – 1. The factory has contacted the local labor department to offer positions to disabled workers. The factory will continue to contact labor department to offer job opportunities to disabled workers and will continue to pay the employment security fund to the government. The factory will communicate more with disable workers and try to stable them to reduce the turn over rate. The factory opens job positions to disabled persons. Currently there is few disabled workers apply job to the factory, as countermeasure the factory is seeking support from local labor department. The factory newly hired 1 more disabled worker in Jul 2019 and the total number raised to 4. 5. The factory had a top management meeting in Jun 2019 to discuss shortening the probation period to 3 month for production workers firstly and will keep FLA update about the action plan after meeting. Factory management agrees to shorten the probation period for all new employees and has submitted application to the group head office for final approval.

PREVIOUS FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The factory does not take workers' cumulative work experience (previous job experience prior to employment at the factory) into account when calculating annual leave as legally required. The factory's fringe benefits policy states that workers are only able to enjoy such benefits after they have been working for the factory for at least one year. 2. The factory's written policy has a quantitative limitation on prenatal leave which conflicts with national law, although in practice, pregnant workers are able to enjoy paid prenatal

leave. According to factory's handbook, employees are entitled to 2 days of unpaid prenatal leave for health examination from the first to six months of pregnancy. From the seventh month until delivery, the employees receive one day of prenatal leave for health checkups, violating local law that states that any prenatal examination shall be included into regular working hours without taking unpaid leave.

Local Law or Code Requirement

Implementation Measures of Employees' Paid Annual Leave (2008), Article 4; Special Rules on the Labor Protection of Female Employees, Article 6; FLA Workplace Code (Employment Relationship Benchmark ER.22.2; Hours of Work Benchmarks HOW.11)

Recommendations for Immediate Action

1. Update the annual leave policy to be in line with legal requirements. Train workers on the newly updated policy. 2. Update the prenatal care leave policy. Train workers on the newly updated policy.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status: Remediated

Explanation:Based on documentation review, workers interviews, and management interviews, the annual leave policy is in line with legal requirements, and the records were kept to show proper annual leave has been provided for workers.

2. Finding Status: Remediated

Explanation:

Based on worker interviews and documentation review, the prenatal care leave policy has been updated and the records were kept to show proper prenatal care leave has been provided for workers.

PREVIOUS FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. 100% of the workers are covered by the five categories of social insurance. However, for 29 out of 289 workers (10%), their contribution base is the minimum standard of (2030CNY~318USD) rather than their actual earnings as legally required, which are higher than the minimum standard. 2. The factory paid a High Temperature Allowance from June 2015 to October 2015 as per local law. However, not all workers in the same production area/process received such allowance. For instance, workers who sit at the same working table but near the aisle are not able to receive High Temperature Allowance as their desk mates. Factory management claimed that the temperature at respective areas/seats near the aisle is lower than the legal requirement. However, the factory management could not provide any evidence of a lower temperature.

Local Law or Code Requirement

Labor Law of PRC, Article 72; Social Insurance Law of PRC, Article, 12, Notice on Declaration of Social Insurance Contribution Base, Shenzhen City (2015); FLA Workplace Code (Employment Relationship Benchmark ER.22.1)

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation:

Based on worker interviews and documentation review, 100% of the workers are covered by the five categories of social insurance. However, for about 67% workers, their contribution base is the minimum standard of

(2130CNY~321.75USD) rather than their actual earnings, which are higher than the minimum standard. [ER.22]

Root Causes: Fixing this issue will involve increased cost to the factory, factory will improve it by February 2018.

2. Finding Status: Remediated

Explanation:

Based on worker interviews and documentation review, all workers in the same production area/process received a same High Temperature Allowance.

Local Law or Code Requirement

Labor Law of PRC, Article 72; Social Insurance Law of PRC, Article, 12, Notice on Declaration of Social Insurance

Contribution Base, Shenzhen City (2015); FLA Workplace Code (Employment Relationship Benchmark ER.22)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Hanesbrands has communicated the issue with factory management, and since Feb 2018, the factory has paid the contribution base of social insurance by the employees' actual wage which is fully in compliance with legal requirement, the actual wage includes basic wage, overtime wage, performance bonus, meal allowance, night meal allowance, and other allowance, etc. 2019-08-26 - The factory has already full/100% covered social insurance program since February 2018. The corrective action plans are: 1). Give more training to workers about the benefit of social insurance. 2). Establish a communication group to communicate/solve the problem with workers about social insurance. 3). Invite social security bureau professional personnel to the factory to explain the knowledge about social insurance, more and more workers accept to buy the social insurance. The factory has paid the contribution base of social insurance by the employees' actual wage which is fully in compliance with legal requirement, the actual wage includes basic wage, overtime wage, performance bonus, meal allowance, night meal allowance, and other allowance, etc.

PREVIOUS FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. The factory's production planning is based on 55 hours/week. This planning requires 15 hours' overtime per week on a regular basis. 2. On average, 70% of the workers worked for 66 hours per week on a regular basis for the last 12 months, exceeding the FLA limit of 60 hours per week. In September 2015, weekly working hours reached 77 hours. 3. For the last 12 months, 70% of the workers' monthly overtime ranged from 51 hours to 103 hours, with an average of 78 hours, exceeding the monthly legal limit of 36 overtime hours. The highest monthly overtime (103 hours) occurred in March 2015. 4. The factory did not ensure one day off in each seven-day period in September 2015. 5% of the workers worked 13 days consecutively. However, this was an isolated case caused by high production needs. 5. The factory has no system to monitor working hours for pregnant women and the status of pregnant worker. Therefore, those who are in 7-month pregnancy or more still work overtime.

Local Law or Code Requirement

Labor Law of PRC, Articles 38 and 41; Provisions for Labor Protection of Female Workers, Article 6; FLA Workplace Code (Employment Relationship Benchmark ER.24; Compensation Benchmark C.7; Hours of Work Benchmarks HOW.1.3, HOW.2, and HOW.8.3; Nondiscrimination Benchmark ND.8.1)

Recommendations for Immediate Action

1. Ensure that workers' weekly hours does not exceed the FLA limit of 60 hours/week. Ensure workers' monthly overtime hours does not exceed 36 hours. 2. Ensure that all workers receive a rest day in every 7-day period. 3. Establish a monitoring system to identify pregnant workers who are in 7-month pregnancy or more and to ensure none of them work overtime. 4. FLA affiliate Company's Sourcing and Social Compliance teams should: a) implement FLA Principles of Fair Labor and Responsible Sourcing and b) accordingly coordinate on the topics mentioned below to help the factory address its excessive hours issue: a. How to provide better order forecasts to the factories; b. Possible workshops/consultancy for the factory on how to improve productivity/quality; c. Clear guidelines on how to extend shipment deadlines in case of contingencies; d. Steps that factory management must follow if overtime is inevitable (steps for how to communicate with the brand's Sourcing and Social Compliance teams); e. Clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks; f. Clear guidelines on how and when the factory can

use subcontractors and/or temporary workers to avoid excessive overtime.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation:

Based on worker interviews and documentation review, the factory's production planning is based on 55 hours/week. This planning requires 15 hours' overtime per week on a regular basis. [HOW.1, HOW.8]

Root Causes:

Factory stated that the production planning was only made for machines, not workers. Workers could have a rest if they don't want to work overtime.

2. Finding Status: Remediated

Explanation:

Based on worker interviews and documentation review, workers' weekly hours does not exceed the FLA limit of 60 hours/week, the max weekly hours were 60 for last 12 months.

3. Finding Status: Not Remediated

Explanation:Based on worker interviews and documentation review, for the last 12 months, 95% of the workers' monthly overtime ranged from 42.5 hours to 83 hours, with an average of 72 hours, exceeding the monthly legal limit of 36 overtime hours. The highest monthly overtime (83 hours) occurred in October and July of 2017. [HOW.1]

Root Causes:

The production plan requires overtime hours and workers also want to work overtime to get higher wages.

4. Finding Status: Remediated

Explanation:

Based on worker interviews and documentation review, all workers had received one rest day in every 7-day period for last 12 months.

5. Finding Status: Not Remediated

Explanation:

Based on management interviews and visual observation, the factory does not have a system to monitor working hours for pregnant women and the status of pregnant worker. Therefore, those who are in 7-month pregnancy or more still work overtime. [HOW.5]

Root Causes:

The attendance system does not have this function, and the person in charge of attendance system had no awareness how to achieve this requirement. Factory is planning to change the attendance system, and will achieve this function by the first quarter of 2018.

Local Law or Code Requirement

Labor Law of PRC, Articles 41; FLA Workplace Code (Hours of Work Benchmarks HOW.1, HOW.5 and HOW.8)

Recommendations for Immediate Action

1. Ensure that workers' weekly hours does not exceed the FLA limit of 60 hours/week. Ensure workers' monthly overtime hours does not exceed 36 hours.

2. Ensure that all workers receive a rest day in every 7-day period.

3. Establish a monitoring system to identify pregnant workers who are in 7-month pregnancy or more and to ensure none of them work overtime.

4. FLA affiliate Company's Sourcing and Social Compliance teams should: a) implement FLA Principles of Fair Labor and Responsible Sourcing and b) accordingly coordinate on the topics mentioned below to help the factory address its excessive hours issue:

a. How to provide better order forecasts to the factories;

b. Possible workshops/consultancy for the factory on how to improve productivity/quality;

c. Clear guidelines on how to extend shipment deadlines in case of contingencies;

d. Steps that factory management must follow if overtime is inevitable (steps for how to communicate with the brand's Sourcing and Social Compliance teams);

e. Clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks;

f. Clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Hanesbrands has communicated the issue with factory management, the factory plans working 40 hours per week and invests machine equipment with respect to business growth. The factory stated there were 2 factors affecting overtime hours: 1. business growth; 2. High worker turnover rate in local region. The factory have communicated with employees about the factory working hours policy, which is 40 normal working hour per week & 3 overtime hour per day precisely in handbook inclusive unpaid meal break and recess break calculation. The factory will establish a long-term plan and adopt the practices to reduce the overtime hours, including better production planning, the deliver time and improve the efficiency, etc. The factory has already established a time & action reminder in HR schedule log sheet when received official notification from pregnant employee. Factory also will share the pregnant time & action reminder in Microsoft office calendar to group. 2019-08-26 – 1. The factory arranges production plan based on 40 hours/week. If any workers want to do overtime beyond 40 hours/week, they need to submit written application in advance. 3. The factory has communicated with employees about the factory working hours policy, which is 40 normal working hour per week & 3 overtime hour per day precisely in handbook inclusive unpaid meal break and recess break calculation. The factory will establish a long-term plan and adopt the practices to reduce the overtime hours, including better production planning, the deliver time and improve the efficiency, etc. 5. Factory established the workers pregnant time & auto reminder in HR system.

PREVIOUS FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

1. There are no policies and procedures governing Retrenchment & Retirement. 2. The factory's termination payout procedure does not include a process for paying workers who leave the factory without notification. In practice, workers who leave the factory without notification did not receive termination payouts at all.

Local Law or Code Requirement

Labor Law of PRC (1995), Article 50; FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.19.1 and ER.32.1; Compensation Benchmark C.1)

Recommendations for Immediate Action

1. Ensure that the termination payout is paid to workers who leave the factory without notification. In addition, send registered notification letter to workers' registered address to inform workers of consequence of leaving without notification and the following steps.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status: Remediated

Explanation:

Based on worker interviews and documentation review, policies and procedures governing Retrenchment & Retirement have been established, and the related training is provided for workers.

2. Finding Status: Remediated

Explanation:

Based on documentation review and management interview, a process for paying workers who leave the factory without notification has been established, and these payouts are properly paid to the relevant workers.

PREVIOUS FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. The factory uses negative incentives as a means to ensure workers properly use machinery. For instance, Article 10.2(2) in the Employee Handbook states that employees will be given a one time written warning if he/she neglects any rules and instructions, such as operating dangerously and operating without wearing safety equipment, which was also verified by a disciplinary record review. 2. The factory posts disciplinary actions with the names of the employees on Production Floor 1 and Floor 2 bulletin boards.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmark HSE.15.3; Harassment or Abuse Benchmark H/A.6)

Recommendations for Immediate Action

1. Delete clause with regards to negative incentives to ensure workers use machinery, equipment and tools safely and properly in the employee handbook and stop the practice of such discipline actions. Recommend factory to enhance training on risk awareness and proper machine use. It is suggested to use positive incentives like bonuses. Communicate the updated policy to all workers. 2. Stop the practice of posting disciplinary actions with the names of the employees.

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status: Partially Remediated

Explanation: Based on documentation review and management interview, While the factory has reduced the amount of negative incentives, it still uses negative incentives as a means to ensure workers properly use machinery. For instance, Article 10(7) in the Employee Handbook states that employees will be given a onetime written warning if he/she neglects any rules and instructions, such as not operating machines according to SOP, which was also verified by a disciplinary record review. [HSE.15]

Root Causes: The person in charge of the last revision of the handbook missed these clauses.

2. Finding Status: Remediated

Explanation: Based on worker interviews, documentation review and visual observation, warning letters are no longer posted.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmark HSE.15)

Recommendations for Immediate Action

1. Delete clause with regards to negative incentives to ensure workers use machinery, equipment and tools safely and properly in the employee handbook and stop the practice of such discipline actions. Recommend factory to enhance training on risk awareness and proper machine use. It is suggested to use positive incentives like bonuses. Communicate the updated policy to all workers.

2. Cease posting warning letters publically. If further education is needed on specific issues, conduct refresher training on the topic.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Hanesbrands has communicated the issue with factory management, the factory has reviewed and revised the employee handbook and relevant policies, including the wordings in procedures: termination - WIHR009; employee relation WIADM005, and revised the wordings in Disciplinary Records in positive way. 2019-08-26 – 1. 1).Amended employee handbook and revised the wordings in Disciplinary Records in positive way. 2).Give more training to worker that how to use the machine. 3). Try to solve problem on site and reduce the negative incentives. Factory revised the employee handbook and deducted the negative incentives.

PREVIOUS FINDING NO.7

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. The factory's employee handbook (factory's English version of the handbook) states that workers "will be dismissed if they strike or stir up strike" (encouraging other workers to strike). This is contradictory to ILO principles and FLA benchmark. Additionally, there is no union or worker representation body in this factory. 2. FLA Comment: The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union – the All China Federation of Trade Unions (ACFTU). According to the International Labor Organization (ILO), many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations' mechanisms. The Amended Trade Union Act of October 2001 stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. It also grants the trade union an enhanced role in dispute resolution. In December 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.26; Freedom of Association Benchmarks FOA.2)

Recommendations for Immediate Action

1. Remove the clause regarding worker dismissal if they strike or encourage other workers to strike.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Remediated

Explanation:

Based on management interviews and documentation review, the clause regarding worker dismissal if they strike or encourage other workers to strike has been removed from employee handbook, and there would no workers involved in a legal strike faced negative consequences.

Root Causes:

There person who in charge of this have no awareness to conduct an election and keep related records.

2. Finding Status: Not Remediated

Explanation:

Due to legal requirements, this finding cannot be remediated in line with FLA and ILO best practices. [FOA.2]

Root Causes:

Government limitations prevent the factory from complying with this requirement.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.26; Freedom of Association Benchmarks FOA.2 and FOA.11)

Recommendations for Immediate Action

1. Remove the clause regarding worker dismissal if they strike or encourage other workers to strike.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Due to legal requirements of China, this finding cannot be remediated in line with FLA and ILO best practices. 2019-08-26 – The factory has deleted the clause regarding worker dismissal in case of strike.

PREVIOUS FINDING NO.8

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. The air emissions generated by the laser cutting machines on all 3 production floors, the diesel power generator in the generator room, and the discharged cook fumes generated by the kitchen were not monitored. Therefore, the factory was unable to demonstrate if the air emissions are within the legal limits. 2. At the time of assessment, there were no official disposal records for hazardous wastes. Although the factory has contracted a licensed waste handler, the waste handler provides the factory with informal handwritten receipts rather than with official disposal receipts, as legally required. 3. Although the factory obtained an Environmental Impact Appraisal (EIA) and the approval document of EIA by the local governmental Environmental Authority, the factory was unable to provide the approval document of the acceptance check for completed environmental protection facilities, which is the legally required next process. 4. The factory's procedures for Environmental Protection does not have components with regards to enabling workers to raise environmental concerns, reporting environmental emergencies, and protecting workers who allege environmental violations.

Local Law or Code Requirement

Emission Standard of Cook Fume, GB18483-2001, Articles 4.2 and 5.1; Law of the PRC on the Prevention and Control of Atmospheric Pollution (2000), Article 13; National Environmental Protection Authority Notification 2005-No.350 with respect to discharge limit of diesel power generator; Law on Prevention and Control of Environmental Pollution by Solid Wastes (2004), Article 59; Measures for Administration of Environmental Protection Acceptance Check upon Completion of Construction Project, Articles 11(2) and 17; FLA Workplace Code (Employment Relationship Benchmark ER.31.2; Health, Safety & Environment Benchmarks HSE.1 and HSE.4)

Recommendations for Immediate Action

1. Arrange for a licensed institution to conduct tests for the air emissions for the following machines, the cooking fumes (exhausted to the open air) generated by the kitchen, the laser cutting machines, and the diesel power generator. 2. Require the contracted licensed handler to provide the factory management with official disposal receipts. 3. Apply for the on-site inspection from the local environmental authority to obtain the approval document of acceptance check of completed environmental protection facilities.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Remediated

Explanation:

Based on visual observation and documentation review, the air emissions generated by the laser cutting machines on all 3 production floors has been monitored by qualified company and the result is within the legal limits. The factory has removed the diesel generator and kitchen.

2. Finding Status: Remediated

Explanation:

Based on management interviews and documentation review, hazardous waste is transferred by a licensed waste handler, and the related official disposal receipts were provided.

3. Finding Status: Not Remediated

Explanation:

Based on management interviews and documentation review, although the factory obtained an Environmental Impact Appraisal (EIA) and the approval document of EIA from the local governmental Environmental Authority, the factory was still unable to provide the approval document of the acceptance check for completed environmental protection facilities, which is the legally required next process. [HSE.1, HSE.4]

Root Causes:

The person who in charge of EHS is still seeking for document with environmental agency department

4. Finding Status: Remediated

Explanation:

Based on worker interviews and documentation review, the factory's procedures for Environmental Protection include components enabling workers to raise environmental concerns, reporting environmental emergencies, and protecting workers who allege environmental violations.

Local Law or Code Requirement

The Implementation Program of Reforming Environmental Impact Assessment in "13th Five-Year", Article 9, FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.4)

Recommendations for Immediate Action

1. Apply for the on-site inspection from the local environmental authority to obtain the approval document of acceptance check of completed environmental protection facilities

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory has received the approval document and sent the relevant document to auditing firm to close this finding. 2019-08-26 – The factory has obtained the Environmental Impact Appraisal and the approval of the document. The factory has also had a 3rd party environmental test which showed pollution lower than environment standard. The environmental approval document can be checked in the local government website.

PREVIOUS FINDING NO.9

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Observations and interviews with workers and factory management showed that the shipping area is partly overlapping with the emergency assembly point, posing the risk for unsafe evacuation. Additionally, there is no marking of the emergency assembly point although the interviewed workers were aware of the emergency assembly point. 2. The factory has more than one dozen of laser cutting machines at all 3 production floors, which are equipped with protective covers. As per the relevant Standard Operating Procedure (SOP), workers shall close the protective covers when operating. However, more than 95% of the total 41 operators in the laser cutting positions do not follow the SOP to close the protective covers when operating. Although workers have received the training on proper machinery usage, workers and supervisors think that this type of laser cutting machines pose a low safety risk and not closing protective covers would also help workers to easily monitor the cutting quality. 3. The two electricians have not been provided with adequate Personal Protective Equipment (PPE), namely, safety helmets and safety belt for fall protection, which is required by local regulation. 4. Based on worker interviews and physical observation, the 2 electricians occasionally do welding without certification. 5. The food sampling was kept for 24 hours instead of legally required 48 hours. Additionally, the canteen procedure also indicates 24 hour food sampling against the risk of food poisoning. 6. There are no Material Safety Data Sheets (MSDS) available for four types of chemicals, the rust cleaner (WD-40), ethyl alcohol, Silicone Spray (Silicone release agent-No.945), and Meyer cleaning agent.

Local Law or Code Requirement

Code of Practice for Selection of PPE GB11651-2008, Article 6.1, Sheet 3, A09 and A14; Regulation on Hygienic of Food Industry and Delivery Unit of Group Meals (2005), Article 35; Work Safety Law of the People's Republic of China (2014 Amendment), Article 27; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.4, HSE.5, HSE.7, HSE.10, HSE.14, and HSE.22)

Recommendations for Immediate Action

1. Mark the emergency assembly point and ensure the shipment practices do not increase emergency/fire evacuation risks overlapping the emergency assembly point. 2. Ensure that workers close the protective covers when operating the laser cutting machines as per SOP. Enhance training on proper machinery usage for workforce and supervisors. 3. Provide PPEs (safety helmet and safety belt) to both electricians. 4. Send the electricians to attend an external training to obtain the certification for welding. Ensure that only certified welders complete the task of welding. 5. Food sampling shall be kept at least 48 hours as per legal requirement, and revise the canteen

procedure in line with legal requirement. 6. Obtain all MSDSs in local language for the following chemicals, the rust cleaner (WD-40), ethyl alcohol, Silicone Spray (Silicone release agent-No.945), and the Meyer cleaning agent.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: Based on worker interviews and visual observation, the emergency assembly point is marked clearly and shipping trucks are prohibited from parking in that area.

2. Finding Status: Remediated

Explanation: Based on worker interviews and visual observation, it was found that workers are closing the protective covers when operating the laser cutting machines as per SOP. Training on proper machinery usage has also provided for workforce and supervisors

3. Finding Status: Remediated

Explanation: Based on worker interviews and visual observation, PPE (safety helmet and safety belt) are provided to both electricians.

4. Finding Status: Remediated

Explanation: Based on management interviews and visual observation, there is no need for workers to do welding, the factory has contracted an external welder to carry out this work when it is necessary.

5. Finding Status: Remediated

Explanation: Based on worker interviews and visual observation, food samples are kept at least 48 hours as per legal requirement, and the canteen procedure has been revised in line with the legal requirement.

6. Finding Status: Remediated

Explanation: Based on worker interviews and documentation review, all MSDS are available in local language for the following chemicals, the rust cleaner (WD-40), ethyl alcohol, Silicone Spray (Silicone release agent-No.945), and the Meyer cleaning agent.

PREVIOUS FINDING NO.10

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory has not reported its occupational hazards to the local Work Safety Authority as per legal requirement. 2. During the recruitment process, candidates for employment in occupational hazard position were not informed in writing of the potential occupational hazards they would be exposed, such as the specific types of occupational disease hazards (high noise, fabric dust, volatile organic compounds (VOC), and laser radiation). Additionally, the occupational hazard card and testing report were not publically posted at the concerned work sites (embroidery workshop, laser cutting areas, printing workshop). All the instances violate legal requirements. 3. The factory only provided on-job occupational health examinations for three workers. These three workers were randomly selected from eligible workers who are exposed to occupational hazard (noise) rather than all eligible workers. Additionally, the legally required pre-job and pre-departure occupational health examinations have not been implemented for eligible workers holding positions at the Laser Cutting, Embroidery and Printing Departments, who account for approximately 65% of the total workforce.

Local Law or Code Requirement

Provisions on the Supervision and Administration of Occupational Health at Work Sites (2012), Article 15; Law of the PRC on the Prevention and Control of Occupational Diseases (2012), Articles 16, 18, 27, 34 and 36; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.4)

Recommendations for Immediate Action

1. Ensure that the factory's current occupational health situation is reported to the local Work Safety Authority through its official website. Obtain the approval document from the local authority. 2. Ensure that during the recruitment process candidates for positions in occupational hazards are informed in writing about potential exposure to specific occupational disease hazards at. 3. Post the occupational hazard notification card and occupational hazards testing report at the workplace. The notification card shall indicate the hazard categories, consequences, and prevention of occupational hazards, and emergency treatment measures as per legal requirement. 4. Provide the legally required pre-job, on-job, and pre-departure occupational health examinations to all eligible workers.

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: Based on worker interviews and documentation review, the factory has reported its occupational hazards to the local Work Safety Authority as per legal requirement.

2. Finding Status: Remediated

Explanation: Based on worker interviews and documentation review, during the recruitment process candidates for positions with occupational hazards are informed in writing about potential exposure to specific occupational disease hazards, furthermore, the occupational hazard notification card and occupational hazards testing report at the workplace are also posted onsite. The notification card indicated the hazard categories, consequences, and prevention of occupational hazards, and emergency treatment measures as per legal requirement.

3. Finding Status: Partially Remediated

Explanation: Based on worker interviews and documentation review, the factory only provided on-job occupational health examinations for 47 out of 80 workers, other workers are still waiting in line to have the occupational examination. However, the legally required pre-job and pre-departure occupational health examinations have been conducted for the relevant workers. [HSE.1]

Root Causes: Occupational health examinations are conducted by governmental agencies for free, so a lot of factories are waiting.

Local Law or Code Requirement

PRC Occupational Disease Prevention Law article 35, FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1)

Recommendations for Immediate Action

1. Provide the legally required on-job occupational health examinations to all eligible workers

COMPANY ACTION PLANS

Action Plan no 1.

Description

Hanesbrands has communicated the issue with factory management, and below actions have been taken by factory: 1). Pre-job occupational examination will be conducted every 1-2months when new hired workers joining factory. 2) On-job occupational examination, the factory have submitted application to governmental Health Monitoring Institute in May 2018, the original plan is it could be conducted in July 2018, but the appointed agent delayed the original plan due to their capacity issue. 2019-08/26 – 3. 1). Pre-job occupational examination will be conducted every 1-2months when new hired workers joining factory. 2). On-job occupational examination, have submitted application to governmental Health Monitoring Institute in May 2018, finally conducted in Oct 2018. 3). Communicate with the governmental agencies to find better solution; Apply in advance. 4). Try to find other occupational health examination company/hospital to preventing this problem. Factory finished all occupational health examinations including pre-job/on-job/after-job occupational health examination.

PREVIOUS FINDING NO.11

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The chairs provided to workers are not adjustable or equipped with backrests to minimize bodily strains. Additionally, the workers who are in standing positions at the Embroidery Department, die cutting, and two new laser cutting machines are not provided with chairs for rest if they feel tired. 2. Workers who lift goods are not trained on proper lifting techniques nor provided with lifting belts, increasing the risks of bodily strain. 3. It was observed that the factory has bought two pieces of anti-fatigue mats for 2 standing workers (less than 3% of total standing workers) as a trial to determine the benefits for the factory's standing workers. The trial is still ongoing. 4.

The factory had no system to track and analyze all work-related injuries with illness, accident and incident records, such as minor and near miss cases. For example, workers are not required to fill in their reason for needing medical supplies when they take them from first aid boxes. Currently, the factory only records major injuries which have gone through accident insurances claims. 5. The factory's Health & Safety procedure does not have components with regard to enabling workers to raise Health & Safety concerns, and protecting workers who allege Health & Safety violations.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.31.2; Health, Safety & Environment Benchmarks HSE.3.2 and HSE.17)

Recommendations for Immediate Action

1. Provide workers with lifting belts as Personal Protective Equipment PPE and training on proper PPE usage.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: Based on worker interviews and visual observation, the chairs provided to workers are equipped with backrests to minimize bodily strains, and the workers who are in standing positions at the Embroidery Department, die cutting, and two new laser cutting machines are provided with chairs for rest if they feel tired.

2. Finding Status: Remediated

Explanation: Based on worker interviews and visual observation, workers who lift goods are trained on proper lifting techniques and provided with lifting belts.

3. Finding Status: Remediated

Explanation: Based on worker interviews and visual observation, anti-fatigue mats have been provided for all standing workers.

4. Finding Status: Remediated

Explanation: Based on worker interviews and documentation review, factory has tracked all work-related injuries with illness, accident, and incident records. Workers are required to fill in their reason for needing medical supplies when they take them from the first aid boxes.

5. Finding Status: Remediated

Explanation: Based on worker interviews and documentation review, the factory's Health & Safety procedure include components enabling workers to raise Health & Safety concerns, and protecting workers who allege Health & Safety violations.

PREVIOUS FINDING NO.12

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

1. The orientation training on Industrial Relations only covers communication between management and workers. It does not include training on Freedom of Association and collective bargaining. 2. The factory does not provide an on-going training on almost all Employment Functions except for Health & Safety and Compensation. 3. There is no supervisor trainings on Employment Functions of Hours of Work, Termination, Industrial Relations & Freedom of Association, and Environmental Protection. 4. Generally, the factory sporadically communicates its policies and procedures to the general workforce. While the factory provides an orientation process during which the new employees are informed about factory's rules and practices, there is no systematic communication to workers on a regular basis.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15.2, ER.16.1, and ER.17)

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: Based on worker interviews and documentation review, the training on Freedom of Association and collective bargaining has provided for workers.

2. Finding Status: Remediated

Explanation: Based on worker interviews and documentation review, on-going training on all Employment Functions have been provided for workers. Training records and assessment records were kept by the factory.

3. Finding Status: Remediated

Explanation: Based on worker interviews and documentation review, supervisor trainings have been conducted on Hours of Work, Termination, Industrial Relations & Freedom of Association, and Environmental Protection.

4. Finding Status: Partially Remediated

Explanation: Based on worker interviews and documentation review, regular training on all Employment Functions was conducted for employees, such as monthly training. However, the factory does not have any communication system other than training. [ER.1, ER.16, ER.25, ER.27, ER.29, ER.30, C.17]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, ER.25, ER.27, ER.29, and ER.30;

Compensation Benchmark C.17)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Hanesbrands has communicated the issue with factory management, and the factory has posted the updated SOPs and policies in open areas such as canteen, entrance, corridors. The factory has installed the suggestion Box next to attendance machines.

4. 1. Posted the latest SOPs and policies in workers accessible areas e.g. canteen, entrance, corridors. 2. Added suggestion box for employee's speak out

PREVIOUS FINDING NO.13

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

1. The worker integration component is missing from all Employment Functions. This indicates that the factory has not established procedures to receive worker input/feedback on the creation, implementation, and revision of its policies and procedures. Furthermore, workers are neither systematically integrated, nor consulted in the decision-making processes.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.1.3)

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: Based on worker interviews and documentation review, the worker integration component is involved in all Employment Functions, for example, meeting minutes and discussion records of procedures were provided to show factory has consulted worker input/feedback in the decision-making processes.

PREVIOUS FINDING NO.14

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Review Process (Macro)

Finding Explanation

1. The factory does not conduct periodic reviews of any policies and procedures for all Employment Functions. The employee handbook that includes most of labor and HR related rules were established in 2012, and the Environmental, Health & Safety procedures were also established a couple of years ago. However, there have been no reviews or revisions since then. Some policies and procedures are not internally aligned or in accordance with legal requirements. For example, annual leave policy was not taking legally required employees external seniority into account; prenatal leave policy restricts the times of prenatal check; the Employee handbooks says it takes one week to respond to workers' appeal and grievance while a dedicated grievance procedure says the timeframe should be three days.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.30.2, and ER.31.1)

New Findings and Action Plans

NEW FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. A small amount of wastewater from the recirculating water tank of the waste gas treatment facility leaked into the rainwater drainage system. [HSE.1] 2. The waste gas collecting pipe had an open gap (80cm long, 10cm high), part of the waste gas from laser cutting section was discharged directly to air without being treated by waste gas treatment facility. (Remark by factory: The air emissions from laser cutting machines could fulfilled local requirements according to the monitoring report issued in January 2016; EIA report had stated that the air emissions from laser cutting machines should be treated before discharging; Lion had replaced old GBOS laser cutting machines by CCT machines. In the meantime, some new machines has started for production). [HSE.1] 3. The hazardous waste containers and packages are not labeled. The installations and sites for collection, storage, transportation and treatment of hazardous waste do not have proper signage. [HSE.9] 4. The factory does have an environmental emergency plan. [HSE.5]

Local Law or Code Requirement

PRC Law on the Prevention and Treatment of Environmental Pollution by Solid Wastes Article 52, Control standard for hazardous waste storage pollution (GB 18597-2001) Article 4.9, FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.5 and HSE.9)

Recommendations for Immediate Action

1. Ensure the distinguishing mark is labeled on the containers and packages of hazardous waste as well as on the installations and sites for collection, storage, transportation and treatment of hazardous waste. 2. Ensure the wastewater from the recirculating water tank of the waste gas treatment facility can not leak into the rainwater drainage system. 3. Ensure the waste gas-collecting pipe is in good condition to prevent the waste gas discharging directly to air without being treated by waste gas treatment facility.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Hanesbrands has communicated the issue with factory, the factory has taken actions to remediate the violations as following: 1). The factory have completed the maintenance of the wastewater pipe on the roof and established the patrol checkpoint on the roof of building; 2).Modified outlet pipe and installed secondary leakage proof device and ensure no wastewater leak into the rainwater drainage system 3).The factory also has built one extra air filter to reduce vacuum pressure throughout exhaust air pipe, and

prevent the waste gas discharging directly to air without being treated by waste gas treatment facility; 4). The hazardous waste containers and packages are labeled; 5) The factory obtained the discharged gas assessment report from monitoring service provider on March 7, 2018. 2019-08-26

1.

1). The factory have completed the maintenance of the wastewater pipe on the roof and established the patrol checkpoint on the roof of building; 2). Modified outlet pipe and installed secondary leakage proof device and ensure no wastewater leak into the rainwater drainage system 3). The factory also has built one extra air filter to reduce vacuum pressure throughout exhaust air pipe, and prevent the waste gas discharging directly to air 4). Establish 6S checkpoint on roof floor, record and drive repair & maintenance action. There was no wastewater leaked during on-site review 2. 1). The factory has built one extra air filter to reduce vacuum pressure throughout exhaust air pipe, and prevent the waste gas discharging directly to air 2). Constructed new air filter 3). Establish 6S checkpoint on roof floor, record and drive repair & maintenance action. All waste gas were treated by waste gas treatment facility. 3. 1) The factory labeled all hazardous waste containers. 2) Give training to related workers All hazardous waste container were labeled. 4. Established the environmental emergency plan for printing ink.