

<b>FLA Audit Profile</b>	
Country	Indonesia
Factory name	129033363E
IEM	Bureau Veritas CPS Indonesia
Date(s) in facility	August 3 - 4, 2009
PC(s)	Reebok
Number of workers	748
Product(s)	Sportswear Items, Polar Fleece Items, T-Shirts, Swimwear
Production processes	Warehouse, Cutting, Sewing, Finishing, Packing

FLA Code/Compliance Issue	Country Law/Legal Reference	FLA Benchmark	IEM Findings					Remediation				Updates		Status		Updates		Status		Updates		
			Noncompliance	Risk of Noncompliance	Evidence of Noncompliance (Uncorroborated)	If Not Corroborated, Explain Why	Sources, Documentation Used for Corroborating	Notable Features	PC Remediation Plan	Target Completion Date	Company Follow Up (December 2006)	Documentation	Completed, Pending, Ongoing	Company Follow Up (September 2007)	Documentation	Completed, Pending, Ongoing	Company Follow Up (April 2008)	Documentation	Completed, Pending, Ongoing	Company Follow Up (August 10, 2009)		
<b>1. Code Awareness</b>																						
<b>2. Forced Labor</b>																						
There will not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise.																						
Deli/Bondage Labor																						
		Workers will not be engaged to work in a factory by family member, associate or friend so that family member, friend or associate receives continuing remuneration, consideration, or other returns from employer. (This will not refer to normal references, referral bonuses or standard employment recruitment practices.) Employers will maintain sufficient hiring and employment records to demonstrate and verify compliance with this Code provision.		No forced labor identified in the factory. However, there was no policy and procedure regarding forced labor maintained on site.				Management and worker interviews, factory observation, document review		1) Factory management to develop policy and procedure on No Forced Labor. 2) Communicate the policy and procedure to union, workers and supervisors.	1/31/2007					1, 2) Factory has developed policy and procedure on No Forced Labor. Policy has been communicated to workers every Saturday.	Written policy No Forced Labor.	Completed 1/29/2007				
		Employers will maintain sufficient hiring and employment records to demonstrate and verify compliance with this Code provision.		there was improper employment practice for specified period of time contract workers (PKWT). The importers noted as follows: 186 out of 748 workers employed under specified period of time contract while jobs performed are permanent by nature, since all of these workers were positioned at all production sectors. From the selected samples reviewed, workers have been contracted at a range of 2 to 4 consecutive employment contracts, the common period of contract lasted 6-8 months and 1 year. None of the employment contracts have been registered with local labor department. In addition, the period of the contract was between 2 months to 1 year and about 70% of these workers' contracts will end right before Lebaran (Muslim religious holiday).				Management and worker interviews, document records review		1) Factory to review the employment practice on contractual employment and submit action plan to upgrade the contract workers that do not fit with local regulation to become permanent employees. 2) Factory to register all contract workers to government. 3) Factory to improve current tracking system of contract workers that lists out the service period of each worker since the beginning.	1/31/2007					1) Factory management is continuously reviewing employment practice on contractual employment and upgrades the contract workers to permanent workers unless worker fails evaluation. Yet, when workers fail the evaluation, they will finish their temporary contracts, and not be promoted to permanent workers. As per Indonesian Law, an employer may renew a temporary contract once, after a grace period of 30 days is completed. Yet, workers who fail the test, will not be given a contract extension. 2) Every month, factory management registers all their contract workers to [Local Labor Department name]. 3) One person has been designated to improve current tracking system for contract workers.	Status of Permanent: 614 Contractual: 83 as per Sept 20, 2007	Ongoing	Found contract workers not registered in local manpower department yet.	Contract worker tracking chart.	Pending	Per documentation review, it was found that factory has 55 definite contract workers out of 638 total workers. However, these have not been registered to local manpower department. Factory management has agreed to register contract workers on a monthly basis. Factory committed to remediate this issue within 2 weeks.
<b>3. Child Labor</b>																						
No person will be employed at an age younger than 15 (or 14 where the law of the country of manufacture allows) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15.																						
		In those cases where proof of age documentation is not readily available, employers will take precautions to ensure that all workers are at least the minimum working age, including medical or religious records, or other means considered reliable in the local context.		During hiring, factory required applicant to provide copy of ID card to ensure were not underage. However, was no policy on age verification. Also, factory has established a hiring procedure, yet procedure not found being communicated well, and actual practice was not according to established procedure. Moreover, no supporting evidence found that could verify process.				Management and worker interviews, document records review		1) Factory management to review the procedure on recruitment and include the step on age verification process. 2) Factory management has established procedure on recruitment, including age verification.	1/31/2007					1) Factory has reviewed procedure on recruitment and included step on age verification process. 2) Factory management has communicated this procedure by posting it on notice boards and inserting it in CBA distributed to workers. In addition, factory management communicated to new applicants minimum working age for working at factory. However, management has not yet verbally communicated it to current workers/supervisors.	Written recruitment procedure.	1) Completed 2) Pending	Training regarding socialization of minimum age for working in the factory has not been conducted yet. It should be part of internal compliance training.	Interview with factory compliance staff.	Pending	Currently, factory has conducted only orientation training for new workers. No proper planning for training program, no training schedule developed. Factory should update hiring procedure and invite related persons (security, supervisor) for training regarding minimum age. Factory will arrange it and it will be finished at the end of this month.
		Employers will have a system for identifying workstations and operations that are inappropriate for young workers according to applicable laws.		There were no juvenile workers or apprentices/vocational students noted in the factory. The youngest age worker found was 18 years old. However, there was no policy and procedure in place regarding juvenile workers or apprentices/vocational students.				Management and worker interviews, factory observation, document records review		1) Factory management to establish hiring procedure for juvenile workers or apprentices/vocational students that ensures compliance with local regulation and ILO standards.	1/31/2007					Factory has established hiring procedure indicating they will not hire juvenile workers and will only recruit workers over 18 years of age.	Written recruitment procedure.	Completed on 12/15/2006				
<b>4. Harassment or Abuse</b>																						
Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment or abuse.																						
		Employers will utilize progressive discipline, e.g. escalating discipline using steps such as verbal warning, written warning, suspension, termination. Any exceptions to this rule, e.g., immediate termination for theft or assault, shall be in writing and clearly communicated to workers.		Factory has included policy and procedure for handling discipline in Company Regulation, which states there are sanctions in form of Verbal Warning or Warning Letter (types 1, 2, and 3) depending on weight of violation. However, not included was worker's opportunity to reply, challenge or make appeals against termination.				Management & worker interviews, document records review		1) Factory management to establish procedure or to add a clause in Company Regulation to allow workers to appeal when they are charged with disciplinary actions.	1/31/2007					1) Factory has revised the procedure of warning letters to give opportunity for workers to appeal the warning letter. Policy change will be socialized and communicated on training every Friday.	Written disciplinary procedure.	Completed on 1/26/2007				

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Training of Management in Disciplinary Practices		Employers will provide training to managers and supervisors in appropriate disciplinary practices.	Factory has included policy and procedure for handling discipline in its Company Regulation. However, there was no training to managers and supervisors in appropriate disciplinary practices.					Management & worker interviews, document records review		1) Factory management to establish training program on Company Regulations to include supervisors and managers.	1/31/2007							1) Factory has established a training program on Company Regulation to include 7 supervisors in the 1st group and the remaining supervisors in the 2nd group.	Training program and training list attendance	First batch training on 12/19/2006 and second batch training on 12/20/2006 (Completed)						
Record Maintenance	Labor Act No. 13/2003 article 161 states: (1) In case worker violates provisions specified under work agreement, company regulations, or collective labor agreement, entrepreneur may terminate employment after entrepreneur proceeds it with issuance of 1st, 2nd and 3rd warning letters, consecutively. (2) Each warning letter issued as mentioned under subsection (1) shall expire after 6 months unless otherwise stated in work agreement, company regulations or collective labor agreement. Factory's Company Regulation article 21 regarding Discipline and practice applied, in summary, disciplinary practices are divided into 3 stages. Verbal warning valid for 2 months, Warning Letter 1, valid for 6 months, Warning Letter 2, valid for 6 months, Warning Letter 3, valid for 6 months; Employment Termination; Warning due to lateness.	Employers will maintain written records of disciplinary actions taken.	Factory in practice does not provide Warning Letters 1 and 2. For workers who are granted Warning Letters type 1 and 2, the warning letter is not physically given to workers, management only puts worker's name and signature in the "Warning Letter Receiver List". These records have been mixed with other records to document worker's taking leave permission. Warning Letter is only given to workers who are granted Warning Letter Type 3.					Management & worker interviews, document records review		1) Factory management to review warning letter procedures in order to include steps on distributing copies of warning letters to the recipients.	1/31/2007	1) Factory needs to review the existing procedure. Document review and worker interview indicated that factory has distributed copy of Warning Letter 1 or 2 to workers.						1) Factory has reviewed the existing procedure of warning letters according to local law regulation. Factory management distributed a copy of their warning letters to workers. For example, if workers receive Warning Letter stage 1, they will also receive a copy of it. Factory has designated 1 person to monitor the warning letters and keep record of warning letters data.	Written disciplinary procedure.	Procedure Completed on 1/31/2007						
Verbal Abuse		Employers will prohibit screaming, threatening, or demeaning verbal language.	From workers interviewed, was suggested that when workers make mistakes, wife of factory owner often yells at workers using very offensive language such as "Shut off" "Use Your Eyes" and other inappropriate words in Korean. It was also reported workers were being pinched between forefinger and thumb. Some workers assumed this behavior might be kidding only. Compared to past, it does not cause protest from workers. Nonetheless, it is still controlled, even if it happens sometimes.					Workers & management (CEO staff) interviews		1) Factory management to review current procedure on harassment and abuse in order to include protocol on how to report instances of harassment. 2) Factory management to schedule training for harassment and abuse to all managers, supervisors and workers.	3/31/2007	1) Document review shows that factory management has established procedure on harassment, including step to report instances of harassment and abuse.	Picture (Doc019)					1) If any harassment or abuse case is found, workers may report it to HR department or to Union. In addition, workers may report it to the local government (local government name) for mediation. 2) Factory management has not provided training on harassment or abuse policy and procedures to managers, supervisors, or workers. Management has scheduled training for the first week of November 2007.		1) Completed 2) Pending	Training regarding harassment abuse has not been conducted yet.				Factory has not conducted training regarding non-harassment and abuse. Factory has developed non-harassment and abuse policy, but has not communicated it yet to workers. Factory will arrange it and will be finished end this month.	
Monetary Fines and Penalties		Employers will not use monetary fines and penalties for poor performance.	On workers' pay slips, there is a column entitled, Deduction for Lateness. This column is used if a worker comes in late. However, the management claimed it was only shown on pay slip and has never been applied. Further cross checked from records, there were no pay slip records found including such a deduction. And, from provided payroll review, it was shown that there was no column identified as tardiness deduction, like one written on pay slip.	This was an uncorroborated finding. From worker interviews, none mentioned they had ever been deducted due to tardiness, since it was confirmed in practice they were required to be in factory half an hour before regular work time, and used to start to work 15 minutes before normal working time schedule. On other hand, management claimed it only showed on pay slip and it has never been applied. Further cross checked from records, there were no pay slip records found that included such a deduction. From provided payroll review, it was shown that there was no column identified as tardiness deduction, like one written on pay slip.				Management and worker interviews, document records review		Factory to improve the existing pay slip to reflect the actual condition of salary payment that includes all components for wage payment and deductions.	1/31/2007							1) Factory management must improve the existing pay slip in order to reflect the actual wages, and include all components for wage payment and deductions. This improvement will be completed for September wages, that will be paid on October 8, 2007.		Pending	The information in the pay slip, i.e., wage, overtime payment, incentive, salary deduction, has been clearly informed with the signature of employee receipt.	Salary slip.	Completed.			
Other: Non-Harassment and Abuse Policy and Procedure		Questions from Audit Instrument: (39-1) Does the factory have a harassment and abuse policy and/or procedure?	Factory has included policy regarding harassment and abuse in their Company Regulation and established procedure as well. However, procedures are only laid in file document. These policies and procedures have not been communicated to workers in any other effort. Also, in practice, procedure was not being followed or well implemented.					Management and worker interviews, document records review, factory observation		1) Factory management to schedule training on company policies and procedures for all workers.	4/30/2007							Factory has started to train workers on company policies and procedures group by group. This training will be held every Friday/Saturday.	Training program and training list attendance. Worker's interview.	Completed						
<b>5. Non-discrimination</b>																										
No person will be subject to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.																										
Discrimination Practices	Labor Act (LU) No. 13/2003, article 92, stated: (1) Entrepreneurs shall formulate structure and scales of wages by taking into account the level, position, years of work, education and competence of worker's laborer. (2) Entrepreneurs shall review their workers' wages periodically by taking into account their enterprise's financial ability and productivity. Labor Minister Decree No. KEP-49/MEN/2004 regarding Determination structure and scales of wages, article 2 stated: Entrepreneurs shall formulate structure and scales of wages in the company. Article 3 stated: In formulating the structure and scales of wages as mentioned under subsection (2) are based on job analysis, job description and job evaluation.	Employment decisions will be made solely on the basis of education, training, demonstrated skills or abilities. All employment decisions will be subject to this provision. They include: hiring, job assignment, wages, bonuses, allowances, and other forms of compensation, promotion, discipline, assignment of work, termination of employment, provision of retirement.	Company Regulation states that in determining wage, incentive and any other compensation, there shall be no discrimination. However, there is unclear decision making in determining incentives/allowances given to workers. So far, incentives have only been given to the following workers: Workers in casting section who are considered skillful. Amount ranges from Rp. 20,000 - 80,000 (QC Lead), from Rp. 50,000 - 100,000 (Casting Operator), Rp. 30,000 (all office staff and some production workers, including assistant supervisor, sample workers, cutting operator, etc). Amount ranges from Rp. 20,335 - 80,000 per month. No incentives given to workers in other sections such as ironing, pressing, or finishing. Based on management information, these incentives/allowances given based on Director's decision, rather than following wage scale and structure according to regulation.					Management and worker interviews, document records review		1) Factory management to establish a clear wage structure and wage policy that includes all benefits and allowances.	1/31/2007							1) Factory has established wage procedure and structure to include all benefits and deductions in order to calculate wages. Policy includes: a) Calculation of wage mentioned (base salary, deductions, overtime, meal allowance, fixed allowance, and performance incentive for all positions); b) Schedule of wage payment (paid by 6th of every month). 2) Factory has communicated wage procedure to workers by giving a training (1st training) on January 6, 2007. Managers and supervisors have not been trained for this procedure. This training will continue to schedule starting in November 2007. In addition, SEA Team has also verified through worker interviews and payroll review that incentive bonus was implemented in April 2007, wages that were paid in May 2007.	Written wage and benefit procedure and written incentive Procedure	1) Completed, 2) Pending				Wage and benefit procedure needs to be revised, since there was 1 column in payroll record stated "incentive" for few workers (around 54 workers), which amounts to Rp. 15,000 - 80,000 per month. Factory explained no proper evaluation conducted for workers who received "incentive". It is purely given to workers based on Director's decision.		

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Discrimination Practices		Employment decisions will be made solely on the basis of education, training, demonstrated skills or abilities. All employment decisions will be subject to this provision. They include: hiring, job assignment, wages, bonuses, allowances, and other forms of compensation, promotion, discipline, assignment of work, termination of employment, provision of retirement.		There was no clear measurement maintained that becomes the basis for decisions on work assignments, job training, promotions and pay on skill and ability.			Management and worker interviews, document records review (no such document found)	1) Factory management to establish clear procedure or guidelines on decisions for work assignments, promotions or trainings.	1/31/2007				1) Factory has included guidelines on decision for work assignment, promotions or trainings into policy of non-discrimination. Policy contains: a) Hiring new employees. Hiring based on skill and knowledge of new candidates. b) Promotions for workers based on management evaluation of workers (achievements, skills, responsibility, leadership). c) Working Assignment and Training. Management gives an opportunity to develop workers' careers and knowledge by receiving assignments and trainings. d) Termination. Management not allowed to terminate workers due to their personal characteristics. 2) Training for workers, managers and supervisors scheduled for November 2007.	Written discrimination procedure.	1) Completed 2) Pending	No training conducted yet.	Interview with factory compliance staff.	Pending						
Marital Discrimination		Employers will not prohibit the employment of married women.		From worker interviews, it was suggested that during the interview process they have been asked by management whether or not they are married. In addition, prior to employment, factory has a form to be filled by applicant. These work inquiries in applicant's form that were not related to employment and have a gender orientation such as Sex, Marital Status, Month and Date of Marriage, Number of Children, Age of the Oldest and the Youngest Child.		Management and worker interviews, document records review	1) Factory management to establish clear procedure on hiring processes that are based on ability of applicants to perform job. 2) Factory management to review and change all existing hiring forms that reflect discriminatory practices and adjust as necessary.	1/31/2007				1) Factory has revised their existing hiring procedure into a clear procedure based on ability of applicants on January 31, 2007. Factory management has only communicated this procedure by posting it on notice board. Training for workers and management is scheduled for November 2007 (relative).	Written recruitment procedure.	1) Completed 2) Pending	No training conducted in 2008 yet.	Interview with factory compliance staff.	Pending	No training regarding hiring procedure conducted.						
Pregnancy Risk	Labor Minister Regulation No. 03/2007 stated that employer has to plan and do modifications of job to pregnant workers without reducing their rights. If the current job (current section) is not suitable for pregnant workers.	Employers will ensure that pregnant women are not engaged in work that creates substantial risks to the health of the pregnant women.		Pregnant workers worked in a standing position, there were no chairs provided for them to be used occasionally. In addition, the factory does not have policy and procedure regarding treatment of pregnant workers, including a policy to redistribute pregnant workers to a more secure section.		Management and worker interviews, document records review	1) Factory management to establish policy and procedure for pregnant workers that ensures they are not allowed to work in areas that could pose health hazards. 2) Factory management to provide chairs for all pregnant workers.	1/31/2007				1) Factory has finished a clear procedure for pregnant workers on January 31, 2007. The policy includes that pregnant workers are not allowed to work in areas that are hazardous to their health or their baby's health (spot cleaning area/chemical areas, moving/finishing which require standing), are not allowed to bring heavy items, will have first priority to exit factory for rest hours and in line to check out at the end of the work day. 2) Management communicated the policy by posting it on notice board and has conducted training for the pregnant workers. Training to all workers, supervisors and managers has not been conducted.	Pregnant workers' policy.	1) Completed 2) Pending	No training conducted in 2008 yet.	Interview with factory compliance staff.	Pending	No training to communicate policy/procedure regarding safety condition for pregnant workers.						
<b>Health and Safety</b>																								
Employers will provide a safe and healthy working environment to prevent accidents and injury to health arising out of, issued with, or occurring in the course of work or as a result of the operation of employer facilities.																								
Fire Safety; Health and Safety Legal Compliance	Labor Ministry Circular No. SE-05/BW/1997, stated the factory shall maintain hazard assessment to determine the personal protective equipment (PPE) is sufficient for the working condition.	Employer will comply with applicable health and safety laws and regulations. In any case where laws and code of conduct are contradictory, the higher standards will apply. The factory will possess all legally required permits.		There was no system on ESH hazards identification in place.		Management interview and document review	Factory management to establish policy and procedure to identify ESH hazards and to train workers and managers on the issue.	3/31/2007				Factory has established ESH procedures on May 1, 2007. The procedure contains: 1) How to use chemical in spot cleaning area (MSDS), how to handle chemical contamination. 2) How to use PPE. 3) Evacuation Drill. 4) How to use medicines stored in first aid box. 5) Process for waste removal. Communication to workers: 1) Training on how to use fire extinguisher: January 19, 2007. 2) Evacuation Drill: April 9, 2007. 3) Training First Aid: April 8, 2007 and April 13, 2007. 4) Training on PPE began on May 2, 5, 2007, and PPE use procedures were posted on spot cleaning stations.	Procedure ESH (Procedure Kesehatan, Kesehatan dan Lingkungan Kerja)	Completed							Factory has developed one set of HSE procedures called K3 procedure. However, all related HSE procedures are merged into 1 single procedure. In addition, formats don't follow standard. New policy must be revised and separate each procedure under each topic, ex: PPE procedure, Emergency Response Procedure, Chemical Handling Procedure, etc.			
Fire Safety; Health and Safety Legal Compliance	Safety act UU No. 1/1970, regarding Occupational Safety Law, chapter X article 14.1, employers shall be obligated to place in writing in place of work they supervise, all obligatory occupational safety requirements, this Law and all implementation regulations applicable at place of work concerned, at visible and readable places and pursuant to direction from supervising employees or occupational safety experts.	Employer will comply with applicable health and safety laws and regulations. In any case where laws and code of conduct are contradictory, the higher standards will apply. The factory will possess all legally required permits.		There was no Safety Act No. 1/1970 posted on site. In addition, there was no encouragement from the factory management for workers to wear Personal Protective Equipment in any form.		Management interview, factory observation, document records review	1) Factory management to establish policy and procedure on safety, i.e., to encourage workers to wear PPE. 2) Factory management to train workers on importance of PPE. 3) Factory management to provide all workers who require protective equipment their own set of PPE. 4) Factory management to conduct periodic checks to ensure all workers who require PPE are using such accordingly.	3/31/2007	Factory walkthrough verified that factory has posted "safety warning sign" at machines.	Picture (doc002)		1) Procedure on how to use PPE has been inserted in ESH procedure. This procedure includes types of PPE that are required to use and expires each type of PPE (e.g., mesh gloves, goggles, rubber gloves). 2) Training has been conducted for workers who work in spot clean area beginning May 2, 2007. 4) During morning briefings the supervisor reminds all operators about proper use of PPE.	Completed											
Machinery Permits	Labor Minister Regulation PER-01/MEN/1988, chapter III regarding qualifications, article 3(1) stated: operator for boiler shall graduate license from local labor department. CC subunit maintenance and control. Labor law UU No. 1/1930 regarding use of boiler, article 6.1 stated: forbidden to use any boiler without permit from relevant authority. Labor Minister Regulation PER-04/Men/1985, regarding machines article 3(2) stated: every main construction material from power machineries must have test certificate.	Employer will comply with applicable health and safety laws and regulations. In any case where laws and code of conduct are contradictory, the higher standards will apply. The factory will possess all legally required permits.		Permit for boiler expired on December 5, 2000. No permit for compressor and generator maintained on site. Boiler operator does not have certificate of operation from Local Labor Department.		Management interview, factory observation, document records review	1) Factory management to have its boiler evaluated by Ministry of Labor and to obtain certificate. 2) Factory management to ensure to obtain permit for compressor and generator.	12/30/2006	Document review and management interview showed that boiler was evaluated by Ministry of Labor on 01/20/2006. It was scheduled for a full review within 3 months.	Picture (doc001)		1, 2) Factory has renewed their boiler permit and also established new permits for compressor, electricity installation and generator permit.	Boiler permit, Compressor permit, electricity installation permit and generator permit.	Completed. Boiler permit: 04/17/2007 Compressor: 4/18/2007 Electricity: 4/16/2007 Genset: 4/16/2007										
Document Maintenance/Accessibility	Labor Minister Decree No. KEP. 187/MEN/1999 regarding hazardous chemicals control at work, article 2 & 3, company using labeling, warning, marking and transporting hazardous chemicals at work place is obliged to control chemical by providing Material Safety Data Sheet (MSDS). Article 16, MSDS shall put down in place, which is easily noticed by worker.	All documents required to be available to workers and management by applicable laws (such as policies, MSDS, etc.) shall be made available in prescribed manner and in local language or language spoken by majority of workers if different from local language.		No MSDS or chemical labels available for unknown chemicals at pressing section. Chemical is used by spraying. There was only MSDS for chemical used for cleaning dirt found on fabric posted near chemical storage and spot cleaning section on first floor.		Factory observation, management interview	1) Factory management must post MSDS in local language for pressing spray in pressing section.	12/5/2006	Factory walkthrough indicated that MSDS in local language have been posted in pressing section.			Factory had posted MSDS in local language in spot cleaning section.	MSDS for D-Fly 235BF (Solvent Aftark)	Completed on 1/12/2006										

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Evacuation Procedure	Labour Minister Decision KEP 19/06/MEN/1999 regarding Fire Management Unit in Work Location article 2(1). Employer shall be obligated to prevent, abate and extinguish fire, to run training for fire management in work location. Article 2(2b). Obligation to prevent, abate and extinguish fire in work location as referred to in paragraph 1) shall cover how to prepare detector, alarm, fire extinguisher and evacuation facilities.	All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, unobstructed aisles/paths, employee education, evacuation procedures, etc.) shall be complied with and workers shall be trained in proper safety, first aid, and evacuation procedures.	Insufficient evacuation plan posted inside the factory. Only 2 evacuation plans posted. One is posted near exit on the 1st floor and other one posted on 2nd floor. In addition, all evacuation plans were not completed with "You are Here" sign.				Management interview, factory observation	Factory management to revise evacuation plan in order to add "You are here" sign and to post on strategic areas.	12/30/2006				Factory had revised their evacuation map and added a sign of "You are here" and posted it on strategic areas.		Completed on 1/31/2007					
Evacuation Procedure	Safety act LU/No:1/1970, regarding Occupational Safety Law chapter III article 3, by means of regulation, the following occupational safety requirements are stipulated to: (a) provide opportunities to be trained during other hazardous events, Labour Minister Regulation No. PER-07/1964, regarding Condition of Health, Cleanliness and Lighting in workplace article 2 stated: Every establishment of an undertaking shall include the following measures: a. to prevent fire and accident; c. to promote cleanliness and good order.	All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, unobstructed aisles/paths, employee education, evacuation procedures, etc.) shall be complied with and workers shall be trained in proper safety, first aid, and evacuation procedures.	During observation, auditors noticed there was an insufficient number of exits. There were 4 exits with following conditions: First exit located near cutting/packing section, always closed and guarded by 1 security guard. Second exit located near finished goods area/warehouse found locked. According to management, this exit is always locked to prevent theft. Third exit located near cutting section was sliding door and was found only half opened. There is no direct exit that leads to outside on second floor. All exits only enough for 2-body movement (approximately 1 meter wide).				Factory observation, management and worker interviews	1) Factory management to ensure that direct exit from 2nd floor is available. 2) Factory management to build 1 exit door that leads directly to outside. Door should be >3m wide. 3) Factory management to ensure that all emergency exits are maintained unlocked during hours of operation.	3/31/2007				1) Factory had made 2 direct exits for second floor that lead directly outside. In addition, management always ensures all exit doors are maintained unlocked during production hours. 2) Exit doors > 3m width. 3) Exit door being guarded by security guards, as is main entry door, yet workers are only required to use their ID to come into factory. For other exit doors, guards conduct factory tours every 20 minutes to ensure exit doors are properly maintained and obstruction free. Exit doors are no longer sliding doors, and open outward.		Completed on 1/31/2007					
Safety Equipment	Safety act LU/No:1/1970, regarding Occupational Safety Law chapter III article 3, by means of regulation, the following occupational safety requirements are stipulated to: (a) give first aid during accident.	All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be in place, maintained as prescribed and accessible to the employees.	During factory walkthrough auditors noticed there were 8 first aid kit boxes found at factory with conditions as follows: 6 first aid kit boxes found locked and keys were in hands of security guards. No notice given to workers regarding key holder. 2 of first aid kit boxes located near production office at first and second floor were found empty. No burn cream available in first aid kit boxes, especially in area where heat is generated, such as in ironing section and in press section.				Factory observation, management and worker interviews	1) Factory management to have workers trained about Safety Occupational Health by Ministry of Labor. 2) Factory management to post name of person in charge of the first aid kit box. 3) In addition, factory management to provide medicine list for first aid contents, and conduct periodic checks to ensure that all first aid kits are properly stocked.	12/30/2006	1) Document review and interviewed workers showed factory had several selected workers trained on Safety and Occupational Health by Ministry of Labor. 2) Factory has posted announcement on approved workers who are responsible for keeping the key to first aid kit. 3) Factory management to establish procedure to monitor stock of first aid box.	Picture (Doc005)		2) Factory had posted a photo of person in charge for first aid kit, including his key and handle for first aid. 3) Checklist content of first aid boxes has been provided, and burn cream has been provided. Weekly inspection conducted to ensure the content of the first aid box.		Completed on 6/12/2006					
PPE	Safety act LU/No:1/1970, regarding Occupational Safety Law chapter XI article 14(3). Employer shall be obligated to provide for free, all protective devices obligated to workers under their supervision and to other persons entering said place of work, plus directions required pursuant to directions from supervising officials or occupational safety experts. Labour Minister Regulation PER-01/MEN/1981 regarding The Obligatory Report on Occupational Diseases, article 4.3. Employer is obliged to supply free of charge all protective equipment that may be used by workers in their undertaking to prevent occupational diseases. Article 5.2. Workers must use obligatory protective equipment to prevent occupational diseases.	Workers shall wear appropriate protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to hazardous elements including medical waste.	Most cutting operators did not wear gloves when using cutting knife. Spot cleaning workers and press workers who work with chemical spraying did not wear masks when spraying chemical.				Factory observation, management and worker interviews	Factory management to establish policy and procedure about the usage of PPE and train workers on the importance and need for wearing PPE.	10/1/2007				1) Factory has established policy and procedure about usage of PPE and has trained workers on importance of wearing PPE. (If workers found not using PPE, factory will give a verbal warning and explanation of importance of wearing PPE, do a training on spot. Factory has already provided proper PPE to the workers, i.e., carbon masks, earplugs, gloves. There is a morning briefing by supervisor to remind of the use of PPE.	Written Personal Protective Equipment (PPE).	Completed					
Chemical Management	Labour Minister Decision No. KEP 19/06/MEN/1999 regarding hazardous chemicals control at work, article 2 stated: Company or Official member using, storing, wearing, producing and transporting Hazardous chemicals at work is obliged to control Hazardous chemicals to prevent the occurrence of occupational accident and disease effect of the activity.	All chemicals and hazardous substances should be properly labeled and stored in accordance with applicable laws. Workers should receive training, appropriate to their job responsibilities, in the safe use of chemicals and other hazardous substances.	No segregation for chemical storage. Chemical Jerry can was found placed under the spot cleaning table. The spot cleaning area is located in the finishing section. In addition, there is no source of water and/or appropriate medical supplies near chemical storage/chemical usage area.				Factory observation, management and worker interviews	1) Factory management to maintain chemicals in one designated area, away from production area. 2) Factory management to ensure that factory is equipped with eye wash liquid in areas where chemicals are used and stored.		Factory walkthrough verified that factory has assigned one area to be used as chemical storage room.			1) Factory has designated one area to be chemical warehouse, which is located away from production area and is provided with secondary containment in order to avoid spill out. 2) Also, factory has put first aid kit near to spot cleaning area, which is provided with eye wash liquid.	Factory observation.	Completed on 12/5/2006				Chemical storage no longer exists. For hazardous chemical, (DPS 233 BF) factory only keeps one portable container, however, no secondary containment provided. In addition, found no secondary containment for oil machines in mechanic room.	
Ventilation/Electrical/Facility Maintenance	Safety Act LU/No:1/1970, regarding Occupational Safety Law chapter III article 3, by means of regulation, the following occupational safety requirements are stipulated to: (a) prevent hazardous electricity current.	All ventilation, plumbing, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility.	Auditors noticed improper cable wiring at warehouse section and were found without casing at the second floor near production office.				Management and worker interviews, factory observation	1) Factory management to maintain cleanliness and general housekeeping, including cable wiring and to ensure all cable wiring is properly insulated and doesn't have open wiring. 2) Factory management to ensure licensed electrician conducts periodic checks to fix any improperly installed cables and wires.	1/31/2007				1) Factory already started to improve cleanliness and general housekeeping by implementing E S program. Factory designated six persons responsible for general housekeeping. 2) Factory received license for electrician installation from [Local government name]. Licensed electrician is conducting periodic check on cables and wires.	A license of Electricity Installation	Ongoing		The housekeeping condition was not sufficient. Still found resistor/rap materials everywhere in the production floors.	Factory observation	Pending	Not improved.
Ventilation/Electrical/Facility Maintenance	Labour Minister Regulation No. PER-07/1964, regarding Condition of Health, Cleanliness and Lighting in workplace article 2 stated: Every establishment of an undertaking shall include following measures: (a) to prevent fire and accident; (b) to prevent poisoning, infection of occupational diseases; (c) to promote cleanliness and good order; (d) to provide sufficient lighting and suitable condition for carrying out the work; (e) to provide proper temperature and sufficient ventilation; (f) to prevent spread of dust, gas vapors, and unpleasant smells.	All ventilation, plumbing, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility.	Auditors noted that the production area was hot and dusty due to lack of ventilation. Factory only provides small open window under the ceiling. The area covering the window were also dusty. No exhaust fan available at the factory.				Management and worker interviews, factory observation	Factory management to maintain cleanliness and general housekeeping and provide better ventilation to ensure proper clean air flows throughout factory floor.	1/31/2007				Factory has provided better ventilation by using exhaust fans to ensure proper clean air flows throughout factory floor. Ventilation is in compliance with local/state Group's standards. Factory designated persons in charge for general housekeeping to maintain cleanliness of windows, ceiling, production floor.	Factory observation.	Completed					
Record Maintenance	Labour Minister Regulation PER-03/MEN/1998, article 2 stated that employee is obliged to report all accidents happening in the factory within 2 x 24 hours, article 4 stated that the written record shall be reported to the local labor department within 2 x 24 hours.	All safety and accident reports shall be maintained for at least one year, or longer if required by law.	There was no record regarding factory accidents, fires, medical emergencies, chemical events and general safety issues.				Management interview, document records review	1) Factory management to establish procedure and summary of monthly report for all general factory conditions.	1/31/2007				Factory has established summary of monthly report for all general factory conditions, including accident report, medical emergencies, chemical events and general safety issues.	Safety report	Completed on 1/31/2007				HSE Reports are not updated. The last accident report took place in 2007. The updates only include Clinic Visit Report.	

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			Noncompliance	Risk of Noncompliance	Evidence of Noncompliance (Uncorroborated)	If Not Corroborated, Explain Why	Sources, Documentation Used for Corroborating	Notable Features	PC Remediation Plan	Target Completion Date	Company Follow Up (December 2006)	Documentation	Completed, Pending, Ongoing	Company Follow Up (September 2007)	Documentation	Completed, Pending, Ongoing	Company Follow Up (April 2008)	Documentation	Completed, Pending, Ongoing	Company Follow Up (August 10, 2009)
Record Maintenance		All safety and accident reports shall be maintained for at least one year, or longer if required by law.		Factory does not have procedures for machinery, equipment, chemical safety and fire safety policies and procedures. Also, there was no specific training on health and safety provided, only fire drill training provided to worker.			Management and worker interviews, document records review (no such evidence found)		Factory management to schedule training on HSE including PPE, chemicals (MSDS), general housekeeping, and proper machine safety.	1/31/2007				Factory established ESH procedure May 1, 2007. Procedure contains: 1) How to use chemical in spot cleaning area (MSDS), how to handle chemical contamination. 2) How to use Personal Protective Equipment. 3) Evacuation drills. 4) How to use medicines stored in first aid box. 5) Process for waste removal. Communication to workers: 1) Training on how to use fire extinguisher: January 19, 2007 2) Evacuation Drill: April 8, 2007 3) Training First Aid: April 13, 2007, May 31, 2007 4) Training on PPE began May 2, 2007. PPE use procedures posted in spot cleaning stations. Has been regular scheduled maintenance from mechanics to check machines, including safety guards: needle guard, belt cover, eye guard, etc. Also, factory provides machine maintenance card to be hung on sewing machines, tracking machine maintenance like oil machine refills and spare part replacements.	Safety written procedures.	Completed			Factory is in the process of redeveloping HSE procedures and divided the procedures into different topics. Once finalized, the procedures will be signed off by senior management and will be communicated to the entire factory workforce. The last HSE training conducted took place in May 2007 regarding first aid.	
Machinery Maintenance	Safety act UU No. 1/1970, regarding Occupational Safety Law (chapter III article 4). For means of regulations, occupational safety requirements are established in planning, production, transport, circulation, trade, installation, use, utilization, maintenance, and storage of materials, goods, technical products and production apparatus which may cause accident. Labor Minister Regulation PER/04/MEN/1980 regarding machine protectors, article 42-1 stated: machines shall be installed with proper protectors to guarantee worker safety. Labor Minister Regulation No. PER/04/MEN/1985 article 4 regarding machine and production stated each running and dangerous part of production equipment that is completed with effective protection, unless specifically placed so that no person or things touch the part.	All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner.	It was noted that 90% of the machines were not equipped with machine protectors. All of sewing machines were not equipped with needle guards and 90% of sewing machines were not equipped with pulley guard. High speed machines such as overlock stitch machines were not equipped with eye protectors.	All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner.			Management and worker interviews, factory observation		Factory management to install needle guards on sewing machines and eye guards for computerized stitching machines.	12/5/2006	Factory walkthrough verified that factory has installed needle guards on all sewing machines, but not for computer stitching machines. Receipt of needle guards installation reviewed.		Factory already installed needle guards on sewing machines and eye guards for computerized stitching machines.	Factory walkthrough in the production area.	Completed on 1/31/2007			Found missing eye guard, needle guard and pulley guard in few machines.		
Sanitation in Facilities	Labor Minister Regulation No. PER/07/1964, regarding Condition of Health, Cleanliness and Lighting in workplaces, article 2 stated: Every establishment of an undertaking shall include the following measures: a. to prevent fire and accident; b. to prevent poisoning; infection of occupational diseases; c. to promote cleanliness and good order; to provide sufficient lighting and suitable condition for carrying out the work; e. to provide a proper temperature and sufficient ventilation; f. to prevent the spread of dust, gas steam, and unpleasant smells.	All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.	It was noted that work environment inside the production area was found dirty. Production area such as in cutting section or sewing section were found dirty with fabric cutting pieces.				Factory observation, management interview	1) Factory to develop procedure for regular maintenance and monitoring on housekeeping, to include regular scheduling for cleanup process in all areas of production. 2) Designate responsible person to oversee the implementation.	12/5/2006				1) Factory has begun to improve cleanliness and general housekeeping by implementing 6S program. 2) Factory designated 6 to be responsible for general housekeeping.	Factory observation.	Ongoing		The housekeeping condition was not sufficient. Still found warehouse materials everywhere in the production floor.	Factory observation	Pending	Not improved.
Sanitation in Facilities	Labor Minister Regulation PER/07/1964, regarding Condition of Health, Cleanliness and Lighting in workplaces article B: (2) Separate latrines must be provided for men and women in order to avoid moral disturbances. (4) Latrines must always be cleaned by designated workers. (5) The scale of latrines must be as follows: Number of workers Number of toilet 1 – 15 1 16 – 30 2 31 – 45 3 46 – 60 4 61 – 80 5 81 – 100 6 And additionally for every 100 workers, 6 latrines. (6) Floor and walls of latrines must always have a clean appearance. (9) Clean latrines is latrine which fulfills following conditions: does not smelt; not dirty; no flies, mosquitoes or other insects; provided with sufficient clean water for use; can be easily cleaned; and cleaned at least 2 – 3 times a day.	All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.	There was a lack number of toilets provided. There were only 10 toilets provided for 786 workers. This caused workers to queue at the toilet. The general condition of the toilets are as follows: No toilet provided for workers on the first floor. 3 toilets on the first floor were found locked due to being under renovation. All present workers on first floor go to the second floor when they need to go to the toilet. No gender mark provided at the toilet. All toilets found lacking water and in poorly maintained condition.				Factory observation, management and worker interviews, document review	Factory management to do improvements in toilets: 1) Review the number of toilets to be provided against SEA standards and add any additional needed units. 2) Post gender signage for toilets. 3) Ensure all toilets have proper water and are maintained clean.	12/5/2006	Factory walkthrough verified that factory has posted gender signs for toilets.		1) Factory has reviewed the number of toilets that are provided. The composition is female toilets: 19, male: 4. In June, factory built additional toilet, female: 22, male: 5. Factory also posted gender signage for toilets. 2) Factory is also ensuring that all toilets have proper water and are provided with soap and lowbackhand dryer and are well maintained. 3) Every week, security guards ensure that they are maintained clean and with water.	Factory walkthrough in the production area.	Completed on 12/5/2006						
Sanitation in Dining Area		All food preparation shall be prepared, stored, and served in a sanitary manner in accordance with applicable laws. Safe drinking water should be available in each building.	There was no dining facility provided for workers. Workers have lunch around the factory yard and sit on the ground.				Management and worker interviews, factory observation	Factory management to provide proper place for workers to have their meals.	3/31/2007	Factory walkthrough revealed that table and chairs for dining has been provided. It is sufficient for about 300 workers. Factory management to add more chairs to accommodate all workers or to set 2 breaks with 15-minute gap.		Factory already provided canteen for dining with seating capacity for 80% of the workforce. No need to provide additional seating so many workers (20%) eat at other canteen near the factory.	Worker's interview and factory observation.	Completed on 1/31/2007			Dining room no longer exist. Currently, it is used as a warehouse, as a result, the workers eat around the factory or out of the factory. However, the factory is in the process of clearing up space and providing tables/chairs for workers to take their meals.			
Sanitation in Dining Area	Labor Minister Regulation No. 7 of 1964 regarding Condition of Health, Cleanliness and Lighting in workplaces, article B.(9): Water used for food and drink, must be tested periodically by the health laboratory.	All food preparation shall be prepared, stored, and served in a sanitary manner in accordance with applicable laws. Safe drinking water should be available in each building.	Auditors noted that the factory provides refilled drinking water for workers. The water is provided on 10:00 - 11:00 AM once a day. In case the water in a dispenser runs out, there is no access to another source of drinking water. In addition, the last check for drinking water was in 2003.				Factory observation, management and worker interviews, document review	Factory to develop procedure on drinking water that includes: 1) Schedule to distribute drinking water that guarantees sufficient quantity for all workers throughout the day. 2) Quality review on drinking water (regular test).	1/31/2007			Factory has pointed 2 persons for distributing the drinking water and control the drinking water supply. 2) Quality review on drinking water was done in September 4, 2007. The laboratory's test results meet with Indonesia's drinking water standards.	Worker's interview and factory observation.	Completed						
Worker Participation	Labor Minister Regulation No. PER/04/MEN/1987, article 2 stated that employees with 100 or more employees must establish a health and safety committee comprised of representatives of the employer and employees.	Workers should be involved in planning for safety, including through worker safety committees.	Factory has not established Health and Safety Committee yet on site.				Factory observation, management and worker interviews, document review	Factory management to organize safety committee and to have it acknowledged by Ministry of Labor.	1/31/2007		Document review and interview with management indicated that factory has organized safety committee and such was registered to the Ministry of Labor on 10/5/2006.			Completed						
Other: No Back Rest for Seating Facility	Labor Minister Regulation No. PER/07/1964 regarding Condition of Health, Cleanliness and Lighting in workplaces article B.(9): seating facilities shall have a backrest for support.		During factory walkthrough, auditors noted that there were no back rests provided for worker chairs, e.g., at sewing section; no chair to be used occasionally for workers who work standing, e.g., at ironing section.				Factory observation, management and worker interviews	Factory management to provide chairs with backrests and chairs for occasional use for workers who are standing.	1/31/2007			Factory has provided chairs with backrests for all 10 lines. These 10 lines excluded ironing area. Ironing area is not provided with chairs with backrests because of the type of activities or work process, which requires that the operators are standing.	Factory observation.	Completed on 1/29/2007						

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Other: Unsafe/Unhealthy Working Condition	Labor Minister Regulation No. PER-07/1964 regarding Health, Cleanliness and lighting in workplace, article 2 stated Every establishment of an undertaking shall include following measures: (a) to prevent fire and accident; (b) to prevent poisoning, infection of occupational diseases; (c) to promote cleanliness and good order; (d) to provide sufficient lighting and suitable condition for carrying out work; (e) to provide a proper temperature and sufficient ventilation; (f) to prevent the spread of dust, gas steam, and unpleasant smells.		During facility walkthrough auditors noted that since there was no elevator to carry out materials from cutting section on 1st floor to loading section on 2nd floor, female workers have to manually deliver heavy sacks of already-cut fabric from cutting section to sewing section or already-sewn garments from 2nd floor to 1st floor by using stairwells. Since the goods carried were heavy, workers roll the goods up and down along the stairwells from the 1st floor to the 2nd floor or vice versa.				Factory observation, management and worker interviews	1) Factory to review procedure on lifting heavy material. 2) Conduct training on safety procedure for workers responsible for carrying materials between two floors.	1/31/2007				Factory has reviewed procedure on lifting heavy material. There is maximum weight of sack material (15 kg). Only men will be responsible for carrying materials. 2) Ergonomic training (safety lifting material) has been provided to the workers.	Factory observation.	Completed							
Other: Medical Examination	Labor Minister Regulation No. PER-02/MEN/180 regarding Periodical Medical Examination, article 2.2. any undertaking as referred to in subsection 2 (2) of Safety Act No. 1/1970 shall provide pre-medical exam to workers. Article 2.3. Pre-medical exam covers complete physical exam, physical fitness, lung x-rays (if possible), lab routine and other exams considered necessary. Article 3.1. any undertaking as meant in subsection 2 (2) above shall provide periodical medical exam to workers at least once a year except otherwise determined by Director General for development of Labor Relations and Protection of Manpower. Article 3.2. Periodical medical exam meant to maintain health condition of worker after having performed work and to evaluate possible influences of work that need to be controlled by taking preventive measures as early as possible. Article 3.3. Periodical medical exam covers complete physical exam, physical fitness, lung x-rays (if possible), lab routine and other exams considered necessary. Article 3.4. Any employer, manager or doctor shall be obliged to make a manual on periodical medical exam conforming with needs in accordance with existing kinds of work. Article 5.2. Special medical exam shall be provided to workers: (a) who have met with an accident or are suffering from disease requiring medical care for more than 2 weeks; (b) over 40 years old or female workers; (c) when there is reasonable doubt regarding their health. Article 9 employer shall be responsible for expenses required for periodic or special medical exam provided by order of Regional, as well as Central, Advisory Council of Health.		The factory has never been provided occupational medical examination (pre-medical examination, periodic medical examination and specific medical examination) for workers.				Management and worker interviews, document records review	1) Factory management to provide medical examination for workers found in risk areas, in order to determine that job position does not create any health problems for workers. 2) If certain hazardous positions are identified, factory management must rotate workers to ensure they do not create health problems for workers in the long-term.	3/31/2007			1) Factory has started to conduct medical checkup for all workers in groups. Workers responsible for spot cleaning were already included in the first group to receive MCU (medical check up). 2) If workers' health exams indicate that their work is creating certain health problems, factory will ask worker to go to doctor appointed by Jaramosak. Secondly, factory will sweep worker into other working area in order to avoid his health problem getting worse.	Status per 9/30/2007: MCU: 28 out of 697	On-going until January 2008.	Currently medical check ups only focus on workers who work with chemical materials such as finishing, DC, and spot cleaning.	MCU record	Pending	The last medical check up was conducted in September 2007, no more have taken place since. Factory must continue MCU for all workers.				
<b>7. Freedom of Association and Collective Bargaining</b>																						
Employers will recognize and respect the right of employees to freedom of association and collective bargaining.																						
Union Negotiation	Labor Act No. 13/2003 Article 111 regarding Company Regulation stated that during the validity of the company regulations, if the trade union within the enterprise requests negotiation of the strategy of collective labor agreement, the entrepreneur is obligated to do so.	Employers will negotiate in good faith with any union that has been recognized, by law or agreement between the employer and that union, as a bargaining agent for some or all of its employees.	The factory union, named [Union name] has been approaching the management to negotiate the Collective Bargaining Agreement. However, management never gives a positive response to union appeals and refused to meet the union. So far, all the collective bargaining achieved was about grading wage and sick leave.				HRD staff and Union Representative interview, document records review	1) Factory to initiate meeting with union for CBA establishment. 2) Meeting and communication with union should be documented.	1/31/2007				1) Factory already established CBA in conjunction with union. Management and factory representatives (union) negotiated a CBA which the factory and union have signed. The CBA was also registered to the Ministry of Labor on May 11, 2007.	Collective Bargaining Agreement	Completed on 5/11/2007							
Other: Bipartite Cooperation Institution	Labor Act (UU) No. 13/2003, regarding the Industrial Relationship, chapter 10 article 106(1) stated that Every enterprise employing 50 (fifty) workers/ laborers or more is under an obligation to establish a bipartite cooperation institution.		No Bipartite Cooperation Institution established on site. So far, workers go to union representatives to voice their concerns regarding working conditions.				Management and worker interviews, document records review (no related document found)	1) Factory management to establish the Bipartite Cooperation Forum in coordination with union and employee representatives. 2) Factory to seek advice to government if any unclear regulation from factory's side.	6/30/2007			1) Bipartite has not been established yet because union refused to attend the meeting to support its members. 2) On August 6, 2007, factory requested (Local labor department) to act as a mediator/ third party to discuss this case. Now factory is waiting for the confirmation from (Local labor department).	Meeting minutes between Management and Union.	Pending	Bipartite institution has not developed yet. Factory has not get the confirmation from Local labor dept regarding rejection from Union in establishing Bipartite institution.	Interview with compliance staff, letter to Man Power dept.	Pending	No follow up from local manpower department regarding rejection from union in establishing Bipartite Institution. Factory also did not follow up with local manpower department. Note: the last letter from factory management to local manpower department was on September 14, 2007.				
Other: Policy and Procedure for Termination/Retrenchment for Operational Purposes		Questions from Audit Instrument: (SA, 17a) Does the factory have a policy for termination/retraining for operational purposes?	There was no policy and procedure for termination/retraining for operational purposes established and in place.				Management and worker interviews, document records review	1) Factory management to develop policy and procedure for termination and retraining. 2) Policy to be communicated to union and workers, and training is to be conducted training on policy/procedure.	3/31/2007			1) Factory has developed policy and procedure for termination and retraining. Retrenchment policy has been included into CBA. 2) This retraining policy has been communicated by being posted on the notice board, by being added to the CBA, as well as being distributed to workers. However, training to workers has not been applied yet by factory, plan to be done by the latest December 2007.	Collective Bargaining Agreement	1) Completed 2) Pending	No training conducted in 2008 yet.	Interview with factory compliance staff.	Pending	No training conducted to communicate policy and procedure regarding termination and retraining. Note: CBA has been extended for one additional year. However, there is no registration letter from local manpower department.				
Other: Severance Payment Notification		Questions from Audit Instrument: (SA, 17c) Describe the notification process to employees and ensure that severance and final settlement are made according to local law?	From records reviewed, termination process was according to applied regulation. However, there is no severance payment regulation clearly defined in the Company Regulation. It was only stated that in paying severance money, factory would be referring to Labor Law No. 13/2003, no further explanation to workers noted.				Management and worker interviews, document records review (no related document found)	1) Factory management to develop procedure for calculating the severance payment and any mandatory benefit for resignation/termination. 2) Factory management to communicate the procedure to union and all workers.	1/31/2007			1) Factory has developed a procedure for calculating the severance payment and any mandatory benefit for workers who resign or are terminated. Severance policy has been included in the CBA. 2) Factory has not yet provided any training regarding this procedure. The training plan is to be completed by late November 2007.	Collective Bargaining Agreement	1) Completed 2) Pending	No training conducted in 2008 yet.	Interview with factory compliance staff.	Pending	No training conducted to communicate policy and procedure regarding termination and retraining. Note: CBA has been extended for one year, however, no registration letter from local manpower department.				

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<b>B. Wages and Benefits</b>																					
Employers recognize that wages are essential to meeting employees' basic needs. Employers will pay employees, as a base, at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and will provide legally mandated benefits.																					
Minimum Wage	Labor Act No. 13/2003, regarding Termination of Employment, chapter XII article 157.2, in case the worker/ laborer's wages is paid on the basis of daily calculation, a one-month wage shall be equal to 30 times a one-day wage. Labor Minister Circular Letter No. SE-05/09/1996, the factory shall use daily rate calculation: basic wage or minimum wage divided by 30 as daily rate basis of monthly payment of permanent worker for the payment and deduction.	Employers will pay workers the legal minimum wage or the prevailing industry wage, whichever is higher.	The factory calculates worker's wages based on 168 days in each month. For those who just joined, not in full month, will not receive wages according to regulation applied. For example: worker who joined for 10 days in May 2006 will receive Rp. 258,87 (Rp. 802,500/31) instead of Rp. 267,500 (Rp. 802,500/30). This will be a significant back of wages, if worker joins in month of February 2006 (28 days).				Management interview and document records review	1) Factory management to develop clear wage structure, including benefit, deduction and calculation of wage in daily rate for newly hired workers that work in factory and do not work for a complete month. Wage structure must be in compliance with local law. 2) Communicate the procedure/structure to workers and union.	1/31/2007				1) Factory has developed a clear wage structure, including policy on benefits, deductions and calculation of basic wage, as well as timeline for monthly payment of wages. For documentation review, new policy is in accordance to local law. According to local law, daily wage is minimum wages divided by 30 days (number of days in month). 2) Factory has communicated to workers by giving a training (first training) on January 6, 2007. Managers and supervisors have not been trained on this procedure. This training will continue in November 2007.	Written wage and benefit procedure.	1) Completed 2) Pending	No training conducted in 2008 yet.	Interview with factory compliance staff.	Pending.	Wage and benefit procedures need to be revised. No training conducted regarding wage and benefit procedure to the workers.		
Wage Benefits Awareness		Employers will communicate orally and in writing to all employees in the language of the worker the wages, incentive systems, benefits and bonuses to which all workers are entitled in that company and under the applicable law.		No policy and procedure about communication of wages, incentives, benefits and deduction systems established to educate workers about wages, incentives, benefits and deduction systems applied.			Management and worker interview, factory observation	1) Factory management to develop clear wage structure, including benefit and deduction. 2) Wage structure must be communicated to all workers and union verbally and in writing.	1/31/2007			1) Factory management has developed a clear wage structure, including benefits and deduction. 2) Management communicated by distributing a title note of wage procedure to all in the factory.	Written wage and benefit procedure.	Completed on 12/18/2006							
Pay Statement		Employers will provide workers a pay statement each pay period, which will show earned wages, regular and overtime pay, bonuses and all deductions.	Payroll log did not include deductions for transportation (bus) for as much as Rp 65,000 per month per participating worker. Thus, there were discrepancies between the amount of wages stated in the payroll and the actual amount received by workers. In addition, no reimbursement paid to workers who paid for transportation fee every month, in cases where they could not get to the bus on time due to overtime work. On payroll, factory will still deduct their wages in full amount of transportation fee for as much as Rp. 65,000.				Management and worker interview, document records review	1) Factory to review the current pay slip - all deductions and payment should be included in the pay slip. Pay slip to represent the actual take home amount that workers receive. 2) Factory to develop procedure on reimbursement process for workers who paid the transportation fee but did not take it. The reimbursed amount should represent equal amount paid for transportation on daily basis.	1/31/2007			1) Factory has reviewed current pay slip, all deductions and payments should be included in pay slip. However, management has not yet established pay slip representing actual take home amount workers receive. For example, payroll review stated IDR 950,555 and pay slip also stated IDR 950,555. However worker received IDR 950,600. This is because there is no integrated system in factory payroll. Factory will review pay slip for September wage that will be paid in October. 2) Factory and workers agreed that transportation fee would not be included in pay slip because workers will coordinate their transportation by themselves, yet, factory will continue to subsidize payment for the difference of transportation payment. For example, total transportation payment: IDR 1,000,000. Payment collection from workers: IDR 600,000, main factory will pay the balance of IDR 400,000.	Pay slip form	Ongoing	The pay slip has been revised. The actual take home pay with the record is same.	Pay slip record.	Completed.				
Time-Recording System		Time worked by all employees, regardless of compensation system, will be documented by time cards or other accurate and reliable recording systems such as electronic swipe cards.	It was noted that the security guard clocks workers' time cards every morning. It is said that this practice is to avoid the long queue due to there were only 2 attendance recording machines provided for 714 workers. In addition, from workers' interview, it was suggested that if workers have to work overtime until 20.30, the security guard clocks out their time card on 19.30.				Management, worker and security guard interviews	1) Factory management to develop policy on working hours to include requirement for self-punch card. 2) Factory to set monitoring system to ensure that actual working hours are recorded.	1/31/2007			1) Factory has established policy on time recording procedures March 9, 2007 and included it in CBA May 11, 2007. This policy requires that only workers check their own time cards at beginning/end of their shift. Time recording check-in will be done at max 15 minutes before beginning of their shift. 2) Factory has designated one person responsible to payroll to ensure timecards are checked in/out properly.	Working time record policy	Completed							
Legal Benefits	Government Regulation PERDAMEN1994 article 2.1 stated that the employer is obliged to provide festivity allowance to workers with service period equal to 3 consecutive months or more. Article 13.10) stated that worker who has service period more than 3 consecutive months but less than 12 months, the festivity allowance is given proportionally as required calculation.	Employers will provide all legally mandated benefits to all eligible workers.	There was lack of Festivity Allowance (THR) payment in 2005 for those workers employed less than 1 year. Besides, there was inconsistency payment among these workers, for example worker who joined July 18, 2005 received proportional THR, while workers who joined July 12, 13 and 16 July 2006 did not receive THR.				Management and worker interview, document records review	1) Factory management to review the 2005 THR payment - workers who join factory before November 3 should be receiving THR. 2) Factory to develop list of workers eligible to receive THR but were unpaid. 3) Factory to pay THR retroactively for any shortfall of payment.	2/15/2007			1) Factory has reviewed the 2005 THR payment - workers who joined factory before November 3 should be receiving THR. Factory management developed a list of workers eligible to receive THR but were unpaid. 3) Factory has made a list any shortfall of payment of THR and were paid on January 23, 2007.	Payment records	Completed on 1/23/2007							
Payment of Wages	Act No. 31/1992 regarding social security scheme (JAMSOSTEK), article 3 (2) stated that every worker has the right to participate in Social Security Scheme (JAMSOSTEK). Article 6 stated that Social security scheme consists of working accident security, death security, pension fund and healthcare security. Article 16(1): workers, husband or wife, and children have right to get Healthcare security. Government Regulation (PP) No. 14/1999 regarding implementation of social security scheme (JAMSOSTEK), article : (2): employer who employ minimum of 10 workers or pay wage minimum Rp. 1,000,000 a month must participate the employees into Social Security Scheme. Article 2 stated that the employer is obligated to register their employees to Social Security Fund Scheme (JAMSOSTEK).	Legally mandated bonuses (e.g. 13th month payments and severance payments) will be paid in full and in a timely manner.	Factory only enrolled workers into social security scheme (JAMSOSTEK) for Pakeja A only covering death insurance, workplace insurance and pension fund, without healthcare insurance cover. Factory used to apply reimbursement system for light medical treatment for those who used appointed clinic (Clinic name). This was only provided for workers themselves, not worker's family (spouse, children). Workers will not receive medical reimbursement if do not go to appointed clinic. In practice, worker has to ask for "medical form" first from management prior to using appointed clinic, and doctor must sign form. In addition, from workers' interview, was suggested it was complicated to ask for permission letter to access appointed clinic, as whenever asked for, response was always that forms had run out. On other hand, workers will not receive doctor's fee reimbursement if they do not go to appointed clinic.				Management and worker interview, document records review	1) Factory to develop procedure for medical care - to cover family (spouse and maximum 3 children). The procedure should guarantee full access to medical care for worker and family at anytime the service is needed.	2/15/2007			In May 2007, factory began to work with Jamsosiek for medical care to cover family, but due to Jamsosiek improper service, factory stopped this cooperation. Beginning August 18, 2007, factory established cooperation with Hospital (Local hospital name). Medical services are provided for workers, and worker's family (spouse and maximum three children). Per workers' interview, workers are also having a better time getting permission to use clinic or in-house clinic (inside factory). Also, PCs compliance team reviewed new cooperation with Hospital (Local hospital name), and verified procedure for using medical service is easier and simpler.	Work agreement between Management and hospital (Local hospital name)	Completed on 8/18/2007							

FLA Code/Compliance Issue	Country Law/Legal Reference	FLA Benchmark	IEM Findings				Remediation				Updates				Status	Updates		Status	Updates	
			Noncompliance	Risk of Noncompliance	Evidence of Noncompliance (Uncorroborated)	If Not Corroborated, Explain Why	Sources, Documentation Used for Corroborating	Notable Features	PC Remediation Plan	Target Completion Date	Company Follow Up (December 2006)	Documentation	Completed, Pending, Ongoing	Company Follow Up (September 2007)	Documentation	Completed, Pending, Ongoing	Company Follow Up (April 2008)	Documentation	Completed, Pending, Ongoing	Company Follow Up (August 10, 2009)
Timely Payment	Government Regulation (PP) No. 8/1981 regarding wage protection, article 11 stated when the pay day comes, all salary must be paid in full. Article 19 stated Late payment is penalized by a scale of penalties that can rise to 50% of wages due.	All compensation shall be paid in a timely manner.	In around October and November 2006 during Lebaran holidays, the factory had delayed wage payment and made payments in 3 installments by October 2006 salary. This issue had triggered a demo from workers at that time. Also, there was no interest for the delayed payment made by the factory as required by law/regulation.			Management and worker interviews, document records review		1) Factory management to define payday - schedule for wage payment on monthly basis, the definition of payday should be included in the wage policy. 2) Factory should also include provision to refer to local law, such as interest payment if any delay on wage payment occurs.	12/31/2006				1) Factory has defined payday - schedule for wage payment has been established. Schedule for wage payment is on a monthly basis and paid at every 8th of the next month. Workers receive wages once a month that include regular wages, overtime, benefit and deduction. 2) Policy also included provision queuing line requiring to provide interest for all delayed wages. If wages delayed, interest will be 5%. After 8 days delay, interest will be 1% per each day delayed.	Written wage and benefit procedure.	Completed on 12/18/2006					
False Payroll Records		Employers will not use hidden or multiple payroll records in order to hide overtime, to falsely demonstrate hourly wages, or for any other fraudulent reason.	There was inconsistency in recording working hours and payment noted, resulting in misleading information on appropriate working hours and payment. Factory used time card to record workers' daily attendance. On normal working days, all time cards showed workers' time in and out. Generally, workers start work around 7:30 and stop around 17:30 or 19:30 at most. However, not all workers perform clock in/out on themselves. Security guards clock in workers' time cards to avoid workers queuing in morning, since only 2 attendance record machines provided. Moreover, workers at ironing section and packing section who worked until 20:30pm did not clock out their time card at end of working hours. Security guard clocked out their time card at 19:30pm. As per management explanation, this is to avoid excessive working hours shown on attendance record, since one of their buyers forbids workers to work excessive overtime. In addition, some workers who work on Sunday sometimes recorded attendance manually and overtime work was directly paid a day or two afterwards, for example: Sunday work July 30, 2006 for all pressing workers. Some records were also changed and written manually, for example: October 28 - 29, 2006, March 8 and 14, 2006. Due to mentioned circumstances, all attendance records provided are unreliable and could not be fully verified.			Management and worker interviews, document records review		1) Factory to set working hours policy that defines regular working hours, and includes requirement for self recording during clock-in and clock-out. 2) Factory to review number of time recording machines needed to ensure there is no long queuing during time recording process.	1/31/2007				1) Factory has set working hour policy that defines regular working hours and time recording policy that requires self recording during clock-in and clock-out. The additional time record machines have been provided to avoid long queues. 2) Factory management asked one person to check timecards and payroll to ensure workers are compensated for all hours worked and their OT is compensated along with monthly wages. This issue has been verified via payroll review and workers' interviews.	Working hours procedure and factory observation.	Completed on 1/6/2007					
Other: Improper Daily Rate Calculation	Labor Act No. 13/2003, regarding Termination of Employment, chapter XII article 157.2. In case the worker laborer's wages are paid on the basis of daily calculation, a one-month wage shall be equal to 30 times a one-day wage. Labor Minister Circular Letter No. SE-04/04/1996, the factory shall use daily rate calculation: basic wage or minimum wage divided by 30 as daily rate basis of monthly payment of permanent worker for the payment and deduction.		Improper calculations applied in calculating the daily rate used for deductions when worker is absent without any notice. The calculation base will be depending on total days of each month. For example amount of daily rate deduction for those workers absent without any notice will be different between the month of February 2006 (minimum or basic wage/28) and the month of May 2006 (minimum or basic wage/31).			Management interview and document records review		1) Factory to develop clear wage structure, including benefit and deduction. Such must be in compliance with local law and SEA standards. Communicate the procedure/wage structure to workers' union.	1/31/2007				1) Factory developed clear wage structure, including benefit and deduction. Old policy did not explain how to calculate overtime and did not mention fixed allowance structure. Also, new policy indicates that if worker misses day of work, wages will be deducted based on how many days missed. Calculation will be monthly wages deducted by # of daily wages missed. Daily wage calculation is calculated as minimum wages divided by 30 days. 2) Policy has been communicated to workers and union as well. Factory management provided training to workers January 6, 2007, this training will continuously be provided. Management also distributed a little note explaining how wage structure works, and posted it on notice board.	Written wage and benefit procedure.	Completed on 12/18/2006					
Other: Separation Pay (Uang Pisah) of Termination Payment	Labor Act No. 13/2003, regarding Termination of Employment, chapter XII article 158.4 stated Workers' salaries as mentioned under subsection (1) whose duties and functions do not directly represent the interest of entrepreneur shall be given detachment money whose amount and procedures or methods associated with its payment shall be determined and stipulated in work agreements, company regulations, or collective labor agreements. Article 162.2 stated Workers/laborers who resign of their own will, whose duties and functions do not directly represent the interest of entrepreneur shall, in addition to compensation pay payable to them according to subsection (4) of Article 156, be given detachment money whose amount and procedures/methods associated with its payment shall be regulated in work agreements, company regulations or collective labor agreements.		The factory has not yet regulated separation pay (uang pisah) on the company regulation. This benefit is actually paid to the worker as part of termination package that should be given to the eligible worker when they resign from the company.			Documents review, management interview		1) Factory management to establish policy on using pisah, under agreement with union workers. Such policy should be in compliance with local labor law. 2) Factory management to train all factory workers on using pisah policy once such is drafted.	12/31/2006				Factory has established policy on using pisah (separation benefit), under the agreement with union workers. This separation benefit contains: A. Working Period 3 - 5 years : IDR 200,000, B. Working Period 6 - 9 years : IDR 300,000, C. Working period 10 - 12 years : IDR 400,000, D. Working period 12 - 15 yrs : IDR 500,000. Factory management has trained all factory workers on using pisah (separation benefit) policy by distributing CBA to workers.	Collective Bargaining Agreement	Completed on 4/24/2007					
Other: Improper Severance Payment for Resigned Worker	Labor Act No. 13/2003, article 162(1) stated workers/laborers who resign on their own will, shall be entitled to compensation pay in accordance with article 156(4). (2) Workers/laborers who resign of their own will, whose duties and functions do not directly represent interest of entrepreneur shall, in addition to compensation pay payable to them according to subsection (4) of Article 156, be given detachment money whose amount and procedures/methods associated with its payment shall be regulated in work agreements, company regulations or collective labor agreements. (3) A worker/laborer who resigns as mentioned under subsection (1) must fulfill the following requirements: (a) Submit a resignation letter no later than 30 days prior to the date of resignation; (b) Not being bound by a contract to renew the enterprise; (c) Continue to carry out his or her obligations until the date of his or her resignation.		Factory did not pay proper severance payment for eligible resigned workers in accordance with the regulation applied. Factory calculates severance payment given to the resigned worker with the following calculation: year of service x basic wage x 15% /2 and no compensation for workers' leave that has not been taken yet.			Documents review, management and Union Representative interviews		1) Factory to recalculate payment of severance package for resigned workers. 2) Retroactive payment should be made for the resigned workers from May 2006 to date.	1/31/2007				1) Factory has recalculated payment of severance package for workers who have resigned. 2) Retroactive payment has been made for the resigned workers since May 2006 to date. After severance payment policy has been established on April 24, 2007, factory committed that all workers who resigned in 2007 will receive their legally entitled severance, which includes payment for all untaken leave.	Rescaling letter for Resigned Workers	Completed					



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Overtime: Miscalculation of Overtime Wage for Staff	Labor Act (LU) No. 13/2003, regarding working hours, chapter XI paragraph 4 article 77 2 stated working hours as mentioned under subsection (1) cover: (a) 7 hours/day and 40 hours/week for 6 workdays/week, or (b) 8 hours/day, 40 hours/week for 5 workdays/week. Article 78 stated Entrepreneurs who require workers laborers to work OT are under obligation to pay OT pay. Labor Minister Decree No. KEP-102/MEN/2004, regarding calculation of basic OT wage, article 3 stated calculation method of one-hour wage is 11/3 times month's wage. Article 11 stated calculation methods of OT pay are as follows: If OT work executed on working day, for first OT hour, must be paid pay amounted to 1.5 times of one-hour pay; for each next OT hour, must be paid pay amounted to 2 times of one-hour pay. If OT work executed on weekly rest day and/or official holiday for working time of 6 working days, 40 hours/week, therefore, if official holiday falls on shortest working day, calculation of OT pay for first 5 hours is 2 times of one-hour pay, sixth hour is 3 times of one-hour pay and seventh and eighth hours are 4 times. If OT work executed on weekly rest day and/or official holiday for working time of 5 working days and 40 hours/week, calculation of OT pay for first 8 hours is 2 times one-hour pay, ninth hour is 3 times of one-hour pay and tenth and eleventh hours are 4 times one-hour pay. Labor Minister Decree No. KEP-49/MEN/2004 regarding Determination structure and scales of wages, article 2 stated Entrepreneurs shall formulate structure and scales of wages in company. Article 3 stated in formulating structure and scales of wages as mentioned under subsection (2) are based on job analysis, job description and job evaluation.	For all office staff and some production workers (assistance supervisor, packer workers, cutting operator, etc.) the calculation method of overtime is different. If worker works overtime until or past 17:30, factory will calculate the hour with a flat calculation that is 2.5 times, regardless of the overtime hours worked. If worker conducts overtime until 19:30, factory will give meal allowance for as much as Rp. 3,000. If overtime finished before 17:30 factory calculates actual hours. Factory locked provided unpaid allowance for this category of workers at a range of Rp. 20,335 to Rp. 800,000 per month that was different from other workers. But, it is still deducted when the workers are absent without any reason.			Management and worker interviews and document records review	1) Factory management to set working hours policy defining regular working hours, including allowance time for clock-in and clock-out process which does not exceed 15 minutes. 2) Factory to develop procedure for overtime wage work that meets legal regulation (e.g., meal allowance for minimum of 3 hours overtime, proper legal rate for OT wage for all employees). 3) Factory to develop procedure on wage structure that includes allowance and benefit and its deduction that meets local regulation.	13/1/2007					1) Factory has set a working hour policy that defines regular working hours and overtime hours based on local law regulation. In addition, management has created a time recording policy that contains requirement for self recording during clock-in and clock-out. As both policies are running, workers' OT is properly being calculated as required by local law, and workers being provided with meal regulation after three hours of OT. Deductions consist payment for Jamkesmas (medical insurance) and government tax (pph 21) for workers whose wages above IDR 1,100,000, about 5% from wages.	Working hours procedure	Completed					
8. Hours of Work																			
Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime, and (ii) be entitled to at least one day off in every seven-day period.																			
Forced Overtime	Labor Minister Decree No. KEP-102/MEN/2004, article 6.1 stated that for executing overtime work, there should be a written instruction from entrepreneur and written agreement from respective workers' laborers. Article 6.2 stated that written instruction and written agreement as meant in paragraph (1) can be prepared in form of laborer/workers list who are willing to work overtime, which is signed by respective workers/laborers and entrepreneur. Article 6.3 stated that entrepreneur as meant in paragraph (1) must prepare list of overtime work execution, which consists of name of workers/laborers who will perform overtime work and length of overtime work. Labor Act (LU) No. 13/2003, regarding working time chapter X, paragraph 4 article 78 2 stated Entrepreneurs who require their workers' laborers to work overtime beyond normal working hours are under obligation to pay overtime pay.	Under extraordinary business circumstances, employees will make intensive efforts to secure voluntary overtime work prior to mandating involuntary overtime.	In daily practice, factory requires workers to be in facility at 7:16 and start work at 7:20. This also applies for break time. Workers have to be in the facility at 11:45 and start work at 11:50. Factory considered this as a normal work hour. In the case workers come to the factory at 7:30, they will be verbally warned and considered as late. No overtime wage paid for the 30 excessive minutes.		Worker interviews, factory observation	Factory to set working hours policy that defines regular working hours, including allowance for clock-in and clock-out process, which does not exceed 15 minutes.	13/1/2007					Factory has created a time recording policy on March 9, 2007 which requires self recording during clock-in and clock-out. In addition, workers are not allowed to check in more than 15 minutes before shift. Also, workers are no longer asked to show up early to work, and no warnings are given to workers who arrive by 7:30 am. All workers were communicated this policy on March 10, 2007; in addition, the policy has been posted on the notice board.	Time record policy	Procedure completed on 3/9/2007					
Overtime Limitations		Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) limits on regular and overtime hours allowed by law of country of manufacture or, where laws of such country will not limit hours of work, regular work week in such country plus 12 hours overtime, and (ii) be entitled to at least one day off in every seven-day period. An extraordinary business circumstance is a temporary period of extra work that could not have been anticipated or alleviated by other reasonable efforts.	Unable to further verify due to inconsistent records, please refer to Wage and Benefit section.		Management and worker interviews, document records review	Please see remediation plans under wage and benefits.						1) Factory has designated a person to verify payroll. 2) Working hours (overtime) already match with their payroll, wage slip and workers' interview.		Completed					
Overtime Explanation		Employers shall be able to provide explanation for all periods when the extraordinary business circumstances exception has been used. Employers shall take reasonable steps to inform workers about the nature and expected duration of the circumstances.	There was no policy and procedure regarding overtime explanation to workers.		Management and worker interviews, documents review (no related document found), factory observation	1) Factory management to develop and integrate procedure for overtime work under working hours policy. 2) Policy should be communicated to union and workers.	12/31/2006					1) Factory has developed and integrated procedure for overtime work under working hours policy. Per new policy, OT is to not exceed more than 3 hours a day as required by local law regulation. Before workers' work OT, they have to sign OT agreement form (SPK) to ensure voluntary overtime work. 2) Factory management has communicated policy to workers by distributing a note containing OT policy. On January 13, 2007, factory trained the first group of workers on policy; training will be done continuously.	Working hours procedure	1) Completed 2) Ongoing	No training conducted in 2008 yet.	Interview with factory compliance staff.	Pending	No training conducted regarding working hours and OT procedure and policy.	

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Voluntary OT	Labor Minister Decree No. KEP.102/MEN/V/2004, article 6.1 stated that for executing overtime work, there should be a written instruction from entrepreneur and written agreement from the respective workers/labourers. Article 6.2 stated that The written instruction and written agreement as meant in paragraph (1) can be prepared in form of labourers' workers list who are willing to work overtime, which is signed by respective workers/labourers and entrepreneur. Article 6.3 stated that entrepreneur as meant in paragraph (2) must prepare list of overtime work vacation, which consists of name of workers/labourers who will perform overtime work and length of overtime work.	Overtime hours worked in excess of code standard will be voluntary.	In practice, if there is overtime work, the workers will Overtime Agreement Form (SPK). From the record review, inconsistencies were found in writing the SPK, some SPK have date of overtime information, some have no date of overtime information; some have beginning time and end of overtime information; and some have no such information. This resulted in misleading information in overtime hours and wage verification. In addition, there is no acknowledgement on the SPK, informing that the overtime work conducted is voluntary.			Management interview, document records review	1) Factory management to develop procedure for overtime work that ensures that all OT is voluntary. This procedure is to be integrated into working hour policy. 2) Policy should be communicated to union and workers. 3) Factory management to properly document all OT records by training supervisors on proper documentation maintenance.	12/31/2006					1) Factory has developed and integrated procedure for overtime work under working hours policy. OT is to not exceed more than three hours a day as required by local law regulation. Before workers work OT, they will sign OT agreement form (SPK) to ensure voluntary overtime work. 2) Factory management has communicated policy to workers by distributing a note containing OT policy. On January 13, 2007, factory trained the first group of workers on policy. Training will be done continuously.	Working hours procedure	Procedure completed on 1/13/2007.				
<b>16. Overtime Compensation</b>																			
In addition to their compensation for regular hours of work, employees will be compensated for overtime hours at such premium rate as is legally required in the country of manufacture or, in those countries where such laws will not exist, at a rate at least equal to their regular hourly compensation rate.																			
OT Breaks	Labor Minister Decree No. KEP.102/MEN/V/2004 regarding overtime hour and overtime wage, article 7.1, stated Company assigning workers/labourers during overtime work is under obligation to (a) pay overtime pay; (b) provide chance for having enough rest; (c) provide meals and drinks at least 1,400 calories if overtime work is executed for 3 hours or more. Article 7.2 stated that meals and drinks provided could not be replaced by money.	Employers will ensure reasonable meal and rest breaks, which, at a minimum, must comply with local laws.	The factory does not provide a nutritious meal and beverage for workers working overtime for 3 hours or more, instead factory provided overtime meal allowance as much as Rp. 2,000 for the workers.			Management and worker interview, document records review	1) Factory to provide meal and beverage for the overtime work of three hours.	12/31/2006					1) Factory has provided meal and beverage for workers who work three or more hours of OT.	Worker's interview	Completed on 1/31/2007				
Accurate Recording of OT Hours Worked?		Employees will be paid for all hours worked in a workweek. Calculation of hours worked must include all time that the employer allows or requires the worker to work.	Unable to further verify due to inconsistent records, please refer to Wage and Benefit section.			Management and worker interview, document records review	1) Factory management must ensure that all hours of work (including OT) are properly being recorded by workers only. 2) Workers' hours of work (including OT) must properly be reflected in payroll and pay slips; in addition, full wages (including their OT for the week) should be included in their wages. 3) All OT must be calculated using the OT premium required by law and be paid.						1) Factory management has designated one person to verify payroll. Therefore, working hours (overtime) matches with their payroll and wage slip. 2) All OT premium is being calculated based on local law regulation.	Working hours procedure	Completed in May 2007				
OT Compensation		The factory shall comply with applicable law for premium rates for overtime compensation.	Unable to further verify due to inconsistent records, please refer to Wage and Benefit section.			Management and worker interview, document records review	1) Factory management must ensure that all hours of work (including OT) are properly being recorded by workers only. 2) Workers' hours of work (including OT) must properly be reflected in payroll and pay slips; in addition, full wages (including their OT for the week) should be included in their wages. 3) All OT must be calculated using OT premium required by law and be paid.						1) Factory has set working hour policy that defines regular working hours and requires self recording during clock-in and clock-out. Two additional time record machines have been provided to avoid long queues. This information is based on factory observations and workers' interview. 2) Factory management has designated one person to verify payroll. Therefore, working hours (overtime) matches with their payroll and wage slip. 3) All OT premium is being calculated based on local law regulation.	Working hours procedure	Completed in May 2007				
OT Compensation Awareness		Workers shall be informed about overtime compensation rates, by oral and printed means.	There was no policy and procedure about overtime compensation awareness established and in place.			Factory observation, management and worker interviews	1) Factory management to develop policy on working hours that includes overtime wage compensation. 2) Policy to be communicated to workers and union.	1/31/2007					1) Factory has developed policy on working hours that includes overtime wage compensation. OT premiums for 6 working days first hour 100%, second hour and more 200%. 2) Factory policy has been communicated to workers and union. On January 13, 2007, factory trained first group of workers on policy. Training will be provided continuously.	Working hours procedure.	Completed on 1/6/2007				
<b>Miscellaneous</b>																			
Legal Subcontracting		Questions from Audit Instrument (3.1) Does factory have someone overseeing subcontractors to ensure contracts are implemented in compliance with code? (3.2) Please explain any discrepancies, non-compliances, risks or uncorroborated evidence of non-compliance. (3E.10) Do contracts between factory and any subcontractors and/or recruitment agencies comply with FLA Code of Conduct, including one rest day; maximum hours of work; minimum wage and OT payments; minimum age and health and safety requirements? (3E.12) Please explain any discrepancies, non-compliances, risks or uncorroborated evidence of non-compliance.	The factory does not have someone overseeing the subcontractors used (embroidery and washing), and no evidence that factory conducts monitoring visits to ensure that contracts are implemented in compliance with the code.			Management interview, document records review (no document evidence found)	1) Factory management to develop monitoring procedure for subcontracted facilities. In addition, management to designate person to monitor implementation of local laws/regulations as well as SEA standards. List of current subcontracted facilities should be kept updated in place.	1/31/2007					1) Factory has developed monitoring procedure for subcontracted facilities. 2) Factory designated a compliance officer to monitor subcontractors in order to update PPC website (situs website) on subcontractors' compliance efforts. Factory's compliance officer monitors subcontractors once a month to update their data.	Monitoring procedure.	Completed				Note: Factory is not responsible for subcontractor, since such are being managed by licensee.