

FLA Audit Profile	
Country	Indonesia
Factory name	120033516E
IEM	Bureau Veritas CPS Indonesia
Date(s) in facility	December 28 & 29, 2006
PC(s)	Reebok International, Ltd.
Number of workers	255
Product(s)	Sock
Production processes	Yarn Warehouse, Computerized Knitting, Overlock, Setting, Folding (Sebet), Packaging

In December 2006, supplier suddenly closed without giving prior notice to buyers and workers. As result, PC's compliance team was unable to create remediation plan for this IEM audit report as it was received after factory shut down. Since factory's closure, owner of factory fled country without paying workers any severance and outstanding payments owed. As factory's main creditor, [bank] has taken over remaining factory assets, building, and equipment. As of March 2007, workers have collected some of their outstanding wages by selling remaining materials and other movable assets. In addition, [bank] paid workers 20% of severance pay package (see point 3 below). About 200 workers (approx. 80% of workforce) accepted bank's payment. Remaining (approx. 20%) workers did not agree with bank's conditions for payment, and their case has been brought to the attention of Industrial Dispute Court. As a result of factory's outstanding payment of wages and severance, PC's compliance team has worked with different stakeholders in order to help workers obtain their severance/outstanding wages. Some of these activities include: 1) SEA Team met with management representatives (workers' committee) to clarify case and provide feedback and suggestions on how to help workers obtain all their outstanding payments, as a result, SEA team conducted 2 meetings with workers' representatives to discuss adidas' outstanding payment. SEA team advised workers to provide legal supporting documents to ensure that when adidas makes payment, adidas is free from any future legal liability. Workers agreed to provide docs, but to date (July 1, 2007), docs not been received. 2) SEA Team held meeting with Ministry of Labor (District office), and workers' committee to inquire Government's opinion on case, and discuss what actions could help workers receive outstanding wages/severance. 3) SEA Team also met with [bank] to clarify legal and financial status of factory. In addition, SEA Team followed up with letter questioning legality of actions taken by bank after meeting i.e., offering workers 20% of severance with condition that workers sign resignation form. Bank responded to SEA team indicating they had no obligation to pay severance pay to workers. However, offer to pay 20% of severance is agreement made with workers to have workers leave the premises so bank would be able to sell remaining assets. In addition, PC made last payment owed to factory to bank as factory has ceased to exist. Bank agreed to allow workers to collect PC's outstanding wages as additional wages. 4) SEA Team sent out formal letters to Ministry of Labor (District office) to inform them of steps taken by adidas, as well as to provide them with notes from various meetings. 5) We have also continued to monitor case by maintaining communication with workers and Ministry of Labor.

		IEM Findings							Remediation					[Status]	
FLA Code/ Compliance Issue	Country Law/Legal Reference	FLA Benchmark	Noncompliance	Risk of Noncompliance	Evidence of Noncompliance (un corroborated)	If not corroborated, explain why	Sources/ Documentation used for corroborating	Notable Features implemented by Management or Company	PC Internal audit findings (Optional)	PC Remediation plan	Target Completion Date	Factory Response (Optional)	Company follow up (Cite date of follow up)	Documentation	Completed; Pending; Ongoing
1. Code Awareness															
Worker/management awareness of Code		FLA Principle of Monitoring, Obligation of Companies: Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.		Although the records showed that the factory has conducted a lot of trainings (e.g. health & safety training, non harassment & abuse training, etc), there was no specific training of the Company's COC provided for workers. According to the management, the factory used to send their representative to attend periodic meeting held by the Company or others buyer in certain place together with others factories. The program was dedicated to refresh and evaluate the implementation of COC in the factory. Then, to cascade down the training received from the Company to their workers, it was made through either 5 minutes briefing in the morning or management/supervisor training.			Management and workers interview, document records review								
Confidential noncompliance reporting channel		FLA Principle of Monitoring, Obligation of Companies: Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.		At the bottom of Company (Reebok)'s Code of Conduct, it was posted Company's local representative address and phone number information. However, it was found the address and phone number was outdated (not the updated one, since it was changed already). In addition, there was no clear information for the purpose of posting the Company local representative address and phone number information. It was also confirmed by workers interviews.			Management and workers interview, document records review								
2. Forced Labor															
There will not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise.															
Employment Records		Employers will maintain sufficient hiring and employment records to demonstrate and verify compliance with this Code provision.			During peak production season, factory often hire piece-rate workers from the local area to work at packing section. The attendance record for piece-rate workers is recorded manually. The piece-rate workers usually hired for 1 to 2 weeks. When the work accomplished, their employment also terminated. It was also noted that no working agreement written for the piece-rate workers. The latest employment of piece rate worker from [local area] was last payday of December 15, 2006. They used to employ at packing section	This is Un corroborated Finding that confirmed through workers interview during on site and off site interview. During having reviewed payroll and attendance records system from the personnel department's computer, it was found that there was information regarding payroll and worker's data of [local area] piece-rate worker. When attempted to seek further clarification with management, there was inconsistent information gathered. At first, it was mentioned that the latest employment of such mentioned workers was in 2003, than the statement was revised that it was in 2004 while form data gathered the latest employment was on 2005. In summary, the management claimed that they were no longer employed such mentioned workers for years. During having reviewed payroll and attendance records system from the personnel department's computer, it was found that there was information regarding payroll and worker's data of [local area] piece-rate worker. When attempted to seek further clarification with management, there was inconsistent information gathered.									
						At first, it was mentioned that the latest employment of such mentioned workers was in 2003, than the statement was revised that it was in 2004 while form data gathered the latest employment was on 2005. In addition from workers interviews, the latest employment of piece-rate workers from [the local area] was last payday of December 15, 2006. They used to employ at packing section.									
Freedom in Employment	Labor Act UU No. 13/2003 article 151 stated (1) The entrepreneur, the worker/laborer and or the tradelabor union, and the government must make all efforts to prevent termination of employment. (2) If despite all efforts made termination of employment remains inevitable, then the intention to carry out the termination of employment must be negotiated between the entrepreneur and the tradelabor union to which the affected worker/laborer belongs as member, or between the entrepreneur and the worker/laborer to be dismissed if the worker/laborer is not a union member. (3) If the negotiation as mentioned under subsection (2) fails to result in any agreement, the entrepreneur may only terminate the employment of the worker/laborer after receiving a decision from the institution for the settlement of industrial relations disputes. Article: 152 stated (1) A request for a decision of the institution for the settlement of industrial relations disputes to allow termination of employment shall be addressed in writing to the institution by stating the underlying reasons for	All workers will have the right to enter into and to terminate their employment freely.	From the records review, last November 2006, there were 3 workers terminated due to retrenchment issue as confirmed by the management. However, although severance payment records were documented and completed with worker's signature, there was illegal process noted. These terminated workers were not reported to local labor department and there was no document in written that indicated agreement with worker and union as required. From the management interview, the approvals with the unions were made in verbal basis only. Actually such case also ever occurred in last November 2005 and at that time there were 20 workers being terminated. The Company had also raised the case from its visit in December 2005. In addition, the factory does not have a system that allowed workers to challenge/defense themselves in case they are granted warning letter/suspension/termination.				Management interview, document records review								
	the request. (2) The request for such a decision as mentioned under subsection (1) may be accepted by the institution for settlement of industrial relations disputes if it has been negotiated as mentioned under subsection (2) of Article 151. (3) The decision on the request for termination of employment can only be made by the institution for the settlement of industrial relations disputes if it turns out that the intention to carry out the termination of employment has been negotiated but that the negotiation results in no agreement.														
Employment Terms		Employment terms shall be those to which the worker has voluntarily agreed.		From reviewed the records of job transfer, it was noted at least one worker had been transferred from packing leader to QC packing operator dated on July 31, 2006. On December 8, 2006, the transfer job applied again from QC packing to QC MC. For the first job transfer process, the factory issued officially letter that provided to the worker. But, for the last job transfer, the worker did not receive any officially letter. Besides, there was reducing of benefit applied for the second job transfer without any prior notice to the worker. There was no details procedure on how job transfer including demotion letter will be issued to ensure clear, consistent and fair process for issuing the letters.			Management and worker interview, document records review								
Freedom of Movement		Employers are prohibited from practices that restrict a worker's ability to terminate his or her employment or freedom of movement, including physical or mental coercion, deposits, unreasonable financial penalties or recruitment fees, and access to and renewal of identity papers and/or work permits or other legal identification documents.													

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Other: Improper probation period practice applied	Labor Act UU No. 13/2003 article 60.1 stated that A work agreement for an unspecified time may require a probation period for no longer than 3 (three) months.		From the records review and interview, illegal probation period practice noted. The factory applied two times probation periods for workers. The first probation period was applied for 3 months and the second one was applied for one month. Employment agreement was given in each probation period. In others case it was noted, at least one worker was being terminated before completing the second probation period.					Managements and workers interview, document records review								
3. Child Labor																
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.																
Age Verification		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.	From document review, the factory has established minimum age of hiring (18 years old) and from factory observation and worker interviews, there was no child labor found. However, the factory has no age verification policy in place. Therefore, there is a risk of child labor since there is no policy and process in place to verify the age of the workers.					Managements and workers interview, document records review								
Juvenile worker Identification System		Employers will have a system for identifying work stations and operations that are inappropriate for young workers according to applicable laws.	The factory has established a policy to employ the workers with age of 18 years old at minimum only. However there was no policy and procedure established regarding the protection of juvenile workers in case of apprentice/vocational students was applied.					Management and workers interview, document records review								
4. Harassment or Abuse																
Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment or abuse.																
Progressive Discipline		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.	From the records of warning letter review, it was noted in November 20, 2006, about 40 workers were issued warning letter type 1 for reason stated is due to ignorance working process that causing reject for PO #03 & 11. There was no detailed procedure on how warning letter will be issued to ensure clear, consistent and fair process for issuing the letters.					Management interview, document records review								
Training of Management in Disciplinary Practices		Employers will provide training to managers and supervisors in appropriate disciplinary practices.	There was no evidence of training to managers and supervisors in appropriate disciplinary practices in order to ensure the disciplinary action taken was in accordance with granted collective bargaining agreement (PKB).					Management interview, document records review								
Verbal abuse		Employers will prohibit screaming, threatening, or demeaning verbal language.		There was one superior in production, particularly in charged at setting and packing section. That worker was [making other workers] afraid. Sometimes she yelled to packing workers, even intimidated the workers, if the work result was unsatisfied.	This is Un corroborated Finding. This information was actually gathered from former packing worker and workers at computer knitting section. It was mentioned that it was useless to interview workers from packing section, since they have been intimidated by their superior. During interview with all packing workers, none of the packing workers interview revealed the issue and they looked under pressure. During audit, the production supervisor refused to be interviewed since according to her she was busy to manage rushing shipment. Although the auditor offered flexibility interview time to her. She still refused it with the same reason and offered her assistance as substitute for the interview. The others reason to choose her to be interviewed was because she has full authority in production matters that included giving recommendation to personnel department to issue warning letter, promotion, job transfer, demotion, etc that related to employment practice.											
5. Nondiscrimination																
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.																
Hiring 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.	Although there was discrimination observed during audit, it was noted that there are discrimination-oriented questions in the application for new workers regarding the religion and sex of the new applicant.					Management interview and document records review								
Employment 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.	The performance appraisal that established as base decision for work assignment, promotion, etc was not properly utilized, since it was found there were workers (at least 3 workers) who being terminated and having good performance appraisal were selected for termination due to retrenchment without clear base decision. Also one worker was being demoted without any performance appraisal conducted.					Management and worker interview and document records review								
6. Health and Safety																
Employers will provide a safe and healthy working environment to prevent accidents and injury to health arising out of, linked 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	The safety act UU No.1/1970, regarding Occupational Safety Law, chapter X article 14.1: The employers shall be obligated to place in writing in the place of work they supervise, all obligatory occupational safety requirements, this Law and all implementation regulations applicable at the place of work concerned, at visible and readable places and pursuant to the 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.	The factory has not posted yet Safety Act No. 1/1970 as required.					Factory observation, management interview								
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 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 established in place.					Management interview and document records review.								
Fire Safety Health and Safety legal compliance	Labor Minister Regulation No. PER-02/MEN/1980 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 examination to workers. Article 2.3: Pre-medical examination covers complete physical examination, physical fitness, X-rays of the lungs (if possible), laboratory routine, and other examinations considered necessary. Article 3.1: any undertaking as meant in subsection 2 (2) above shall provide periodical medical examination to workers at least once a year except otherwise determined by the Director General for development of Labor Relations and Protection of Manpower. Article 3.2: Periodical medical examination is meant to maintain the health condition of the worker after having performed work and to make evaluation on the possible influences of work as early as possible which are necessary to be controlled by taking preventive measures. Article 3.3: Periodical medical examination covers complete physical examination, physical fitness, x-rays of the lungs (if possible).	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.	Factory has not yet conducted pre – medical examination, periodical medical examination, and specific medical examination for workers. Furthermore, it was noted that the workers dealing with chemical were not provided with medical examination to ensure that they free from sickness due to continuous chemical usage.					Managements and workers interview, document records review								

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	laboratory routine and other examinations considered necessary. Article 3.4: Any employer, manager or doctor shall be obliged to make a manual on periodical medical examination conform with the needs in accordance with the existing kinds of work. Article 5.2: Special medical examination shall be provided to workers: a. who have met with an accident or suffering from disease requiring medical care for more than 2 weeks; b. who are over the age of 40 (forty) years or female workers, disabled workers and young workers performing specific works or; c. where there is responsible doubt regarding their health. Article 9: the employer shall be responsible for the expenditure required for the periodical or special medical examination provided by order of the Regional as well as the Central Advisory Council of Health.														
Fire Safety Health and Safety legal compliance	Labor Minister Regulation No. PER-01/MEN/1979 regarding obligation of HYPERKES (Hygiene, Factory, Health and Safety) training for the company's paramedics, article: 1 stated Every company is obliged to participate its company's paramedics for HYPERKES training.	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 is one on-site clinic at the factory that serves workers' basic needs of healthcare. However, the paramedic (nurse) in the clinic has never been participated in HYPERKES (Hygiene, Factory, Health and Safety) training yet.				Management & paramedics interview, document records review								
Fire Safety Health and Safety legal compliance	Labor Minister Regulation No. PER-05/MEN/1985, regarding the use of freight/forklift, article 134 stated that the freight/forklift usage is subjected to legalize by relevant authority. Article 138 stated: Rechecking and retesting of freight/forklift shall be conducted at latest 2 years after 1st checking and testing. Then, the next rechecking and retesting shall be conducted once a year.	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.	From the reviewed records and management interview, it was noted that the factory used one forklift. However, it was noted that the forklift was not completed with operational permit. In addition, the forklift operator does not have a legal license to operate the forklift.				Managements and workers interview, document records review								
PPE	The safety act UU No.1/1970, regarding Occupational Safety Law chapter XI article 14(3): The employer shall be obligated to provide for free, all protective devices obligated to the workers under their supervision and to other person entering to said place of work, plus directions required pursuant to the directions from the supervising officials or occupational safety experts. Labor Minister Regulation PER 01/MEN/1981, regarding The Obligatory Report on Occupational Diseases, article 4.3: The employer is obliged to supply, free of charge, all protective equipment that may be used by the workers in his undertaking to prevent occupational diseases. Article 5.2: The workers must use the 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 exposures (such as inhalation or contact with solvent vapors, noise, dust, etc.) to hazardous elements including medical waste.	The factory has put signs posted or written on the production area that encourage workers to wear PPE such as: "Use Earplug" or "Wear Your Mask". However, it was noted that all Computer Knitting operators were found working without earplug while the machine produce the constant noise.				Factory observation, management and workers interview								
Ventilation/Electrical/facility maintenance	Labor Minister Regulation No. 7 of 1964 regarding Condition of Health, Cleanness and lighting in workplace, article 13(1): a workplace in use at night-time must be provided with emergency lighting equipment. Article 13.4: Exits, such as door, corridors, etc., must be provided with emergency lighting equipment and with signs, painted with luminous, reflecting or fluorescence material.	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.	On the audit day it was noted that there was a electricity black out due to the broken electricity panel, during factory tour it was noted that all emergency light were not lighted up.				Factory observation, management and workers interview								
Ventilation/Electrical/facility maintenance	The Safety Act UU No.1/1970, regarding Occupational Safety Law chapter III article 3: by means of regulation, the following occupational safety requirements are stipulated to: (q) 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.	During facility walkthrough, auditors noticed that factory has poor electricity wires maintenance. It was noted that electricity panel at warehouse area were found without casing, electricity wire at over lock section was found directly plug to the electric panel, and all of electrical wiring were found dusty.				Factory observation, management interview								
7. Freedom of Association and Collective Bargaining															
Employers will recognize and respect the right of employees to freedom of association and collective bargaining.															
Other: Policy and Procedure for termination/retraining for operational purposes		Questions from Audit Instrument: (5A.17a) Does the factory have a policy for termination/retraining for operational purposes?	Types of termination procedure have already included in the Collective Bargaining Agreement (e.g. termination due to pension, passed away, illness, restructure and re-engineering of the company, etc. However, there was no specific policy and procedure for termination/retraining for operational purposes established in place.				Managements and workers interview, document records review.								
Other: Grievance System		Questions from Audit Instrument: (3B.1) Does the factory have an internal comment or grievance system in which workers can raise issues of concern to factory management?	The factory has established suggestion box as one of internal grievance procedures and posted related procedure nearby in several spot areas, such as canteen, production floor, in front of clinic, etc. However, there was no anti-retaliation guarantee included on the procedure. Additionally, the last suggestion box opened was in June 2005. There was no evidence of the effectiveness of suggestion box as one of internal grievance system maintained for workers. The management claimed since June 2005, there was no letter submitted on the suggestion box, that's why the back and forth communication was no longer posted on site.				Management and workers interview, factory observation and document records review								
8. Wages and Benefits															
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.															
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	From reviewed document records of termination, the severance payment was made according to the law. However, there was no details information included on the Collective Bargaining Agreement regarding severance and final settlement that should be received by worker.				Management interview and Document records review								
Accurate recording of wage compensation	Act (UU) No. 3/1992 regarding social security scheme (JAMSOSTEK), article: 18 stated (1) Employer is obliged to have a list of workers and their family, list of wages and its changes and list of work injury in the company or part of the company; (2) In addition to obligation as mentioned in article (1), employer is obliged to inform the workforce and company data related with social security scheme program to the relevant bureau; (4) If employer inform the incorrect data as mentioned in article (2), lead to lack of social security scheme payment for workers, employer is obliged to pay for the lack amount. Government Regulation (PP) No.14/1993 regarding implementation of social security scheme (JAMSOSTEK), article: 9, stated: Contribution is 5.7% of monthly wage for each worker, paid by employer (3.7%) and by employee (2%).	All hourly wages, piecework, bonuses, and other incentives will be calculated and recorded accurately.	From records reviewed, it was noted JAMSOSTEK contribution (employer: 3.7% and worker: 2%) was made based on legal minimum wage (UMR) for [City name] City of 2006 (Rp. 715,000) instead of actual wage. In addition, the factory has written agreement with unions that signed on May 9, 2003 states agreement of 2% deduction for JAMSOSTEK contribution will be based on legal minimum wage only instead of monthly salary. The agreement also had been acknowledged and signed by local labor department.				Documents records review, management and workers interview								

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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 of is penalized by a scale of penalties that can rise to 50% of wages due.	All compensation shall be paid in a timely manner.	During audit, it was noted the factory was going to apply off-work period starting from December 30, 2006 to January 7, 2007. The salary that should be paid on January 1, 2007 will be paid in 2 terms of payment, the first term was going to be paid as much as Rp. 300,000 on December 29, 2006 at the time the audit taking place and the 2nd term was going to be paid the rest of salary on January 10, 2007 after the off work. From interview with management mentioned that the decision for off work was based on the management committee meeting. It was a new occasion applied for the workers that might be planned to apply routinely in future. Besides, the production was currently in low season. Also added that the union had been verbally communicated on this.					Documents records review, management and workers interview							
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.	During audit, appropriate working hours cannot be fully verified, due to inconsistency records noted among attendance record, payroll records and related production records. It was found there were several dates (Sunday) when there were some activities noted at the factory that was not recorded on the print out of attendance shown to auditors during audit. The following are the example of the inconsistencies between attendance record and production records found on production floor:- Packing Individual Output Record belongs to at least two selected packing workers named [Employee name] and [Employee name] suggested that there was overtime work on Sunday of November 12, 2006. However, attendance records for all packing workers including both workers did not show Sunday work on November 12, 2006. Packing Output Record suggested that there was overtime work on Sunday of November 12, 2006 for at least 32 packing workers. However, attendance records for all packing workers including both workers did not show Sunday work on November 12, 2006. Setting Output Record suggested					Workers Interview and Document Records review							
			that there was Sunday work at several months in 2006. The Sunday work noted were November 12, 2006 for at least 17 setting workers worked; November 26, 2006 for at least 22 setting workers worked; October 8, 2006 for at least 21 setting workers worked; October 15, 2006 for at least 20 setting workers worked; September 10, 2006 for at least 8 setting workers worked; September 17, 2006 for at least 7 workers worked; September 24, 2006 for at least 8 workers worked; August 6, 2006 for at least 15 setting workers worked; and August 13, 2006 for at least 19 setting workers worked. However, attendance records for all setting workers did not show Sunday work on those mentioned dates. In addition, from workers interviews, it was reported that workers received separate pay slip for Sunday overtime work, overtime conducted for more than 2 hours and overtime conducted on National Holiday. The management did not confirm this finding and persistently mentioned they never conducted Sunday work.												
Accurate benefit compensation	Labor Act No. 13/2003, regarding Termination of Employment, chapter XII article: 158.4 stated Workers/laborers as mentioned under subsection (1) whose duties and functions do not directly represent the interest of the entrepreneur shall be given detachment money whose amount and the procedures or methods associated with its payment shall be determined and stipulated in the 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 the entrepreneur shall, in addition to the compensation pay payable to them according to subsection (4) of Article 156, be given detachment money whose amount and the procedures/methods associated with its payment shall be regulated in the work agreements, company regulations or collective labor agreements.	All employees will be credited with all time worked for an employer for purposes of calculating length of service to determine the benefits to which workers are entitled.	The factory has not regulated yet separation pay (uang pisah) on the company regulation. This benefit actually is paid to the worker as part of termination package that should be given to the eligible worker when resign from the company.					Management and workers Interview and document records review							
9. 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.															
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) 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. 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 inconsistency records, please refer to Wage and Benefit section.				Managements and workers interview, document records review								
10. Overtime Compensation															
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.															
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 inconsistency records, please refer to Wage and Benefit section					Managements and workers interview, document records review							
OT Compensation		The factory shall comply with applicable law for premium rates for overtime compensation.				Packing workers with permanent status who worked overtime for more than 2 hours, their overtime wage were paid in piece-rate instead of the legal calculation stated in the regulation. The amount is about Rp. 750 per dozen. It was claimed the piece-rate system is lower than the amount overtime payment according to regulation.	This is Un corroborated Finding. The management claimed there was no piece-rate typing payment applied. This information was actually gathered from workers at computer knitting section and former packing workers that has been removed to computerized knitting section. It was mentioned that it was useless to interview workers from packing section, since they have been intimidated by their superior for not to talk to auditors regarding rest day overtime, piece-rate overtime payment or piece-rate workers. It was proved during interview with all packing workers, none of the packing workers interview revealed the issue and they looked under pressure.								
Miscellaneous															
Illegal subcontracting		Questions from Audit Instrument: (3L.1) Does the factory have someone overseeing the subcontractors to ensure their contracts are implemented in compliance with the code? (3L.2) Please explain any discrepancies, noncompliances, risks or un corroborated evidence of noncompliances. (SE.1b) Do contracts between the factory and any subcontractors and/or recruitment agencies comply with the FLA Code of Conduct, including one rest day, maximum hours of work, minimum wage and OT payments, minimum age and health and safety requirements? (SE.2) Please explain any discrepancies, noncompliances, risks or un corroborated evidence of noncompliance.	The factory does not have someone overseeing the subcontractors used (embroidery and canteen provider) and no evidence the factory conduct monitoring visit to ensure their contracts are implemented in compliance with the code.					Managements interview, document records review (no document evidence found)							