

FLA Audit Profile	
Country	Indonesia
Factory name	05023337E
IEM	Bureau Veritas CPS Indonesia
Date(s) in facility	July 21, 2006
PC(s)	Liz Claiborne, Eddie Bauer
Number of workers	922
Product(s)	Dress Shirts, Blouses, Shirts
Production processes	Cutting, Sewing, Finishing, Packing, Warehouse

FLA Code/ Compliance issue	Country Law/Legal Reference	FLA Benchmark	IEM Findings				Remediation				[Status]	Updates (Cite Date of Follow up)		Third-Party Verification		Company Verification Follow up			
			Noncompliance	Risk of Noncompliance	Evidence of Noncompliance (un corroborated)	If not corroborated, explain why	Sources/ Documentation used for corroborating	PC Remediation plan	Target Completion Date	Company follow up (Cite date of follow up)		Documentation	Completed; Pending; Ongoing	Company Follow up	Documentation	External Verification (Date)	Documentation	Company Follow up (Cite date of planned or follow up visit, if appropriate)	Documentation
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.	The Companies have provided a COC and it was posted at the announcement board and on the wall of production site. However, there was no evidence indicated that there were other efforts undertaken by the Companies to communicate code obligations to both management and the workforce. Additionally, none of workers have ever received training regarding Code of Conduct. They only received some Health and Safety trainings only (e.g. fire drill, first aid, etc).			Managements & workers interview, records review (no document evidence found)	1. The PCs suggests the factory to incorporate CoC standards in the workers' handbook. 2. Factory is expected to implement a program for periodic in-house training on Code elements and other employment policies/practices to both existing and new employees, including management. 3. All training must be documented with supporting training documentation such as content material and attendance.		12/15/06: Code of conduct posters posted on workfloor. It is not included in the handbook. Training was provided during orientation but not periodic after employment.	Orientation training list	Pending								
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.	Both Companies do not develop a secure communication channel to enable workers report noncompliance to the companies.			Managements & workers interview, factory observation	The objective of the PCs is to strengthen contract manufacturers' internal grievance systems, so that direct involvement by PC in employee grievances should be considered a last resort. The PCs request that the factory establish a formal system of dialog between the management and workers in order to allow workers to voice workplace grievances, develop internal procedures for resolving workplace disputes, and resolve grievances in good faith. During PC audits of the factory, PC internal auditors provide contact information to workers who desire to contact the PC directly.		12/15/06: Suggestion box provided. Grievance procedures posted near the suggestion box. No grievances/complaints received since the initial IEM and the follow up audit. Factory should provide training to employees that there is an internal grievance system in place so as to encourage workers to voice workplace grievances. Further checking is required.	Onsite observation	Pending								
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.	The factory posted one suggestion box located near pray room and toilet. Besides, the current practice established in the factory is direct report to each superior or HRD department for any matters that workers would like to address. The management claimed that up to now the suggestion box has never been used by the workers. However, there was no related policy and procedure as well as training maintained to encourage the workers to be able to raise issues of concern to the factory management without fear of reprisal or negative repercussions.																
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																			
Debt/bondage Labor		Employers will maintain sufficient hiring and employment records to demonstrate and verify compliance with the Code provision.		There was no forced labor noted in the factory. However, there was no policy and procedure regarding forced labor established in place.		Managements & Workers interview, factory observation, documents review	It is recommended that the factory adopt a policy prohibiting the use of forced labor.		12/15/06: Policy included in factory memo.	Memo	Completed								
Other improper employment practice under specified period of time contract worker	Labour Act No. 13/2003, article 58, stated that (1) A work agreement for a specified time can only be made for a certain job, which, because of the type and nature of the job, will finish in a specified time, that is: a. Work to be performed and completed at once or work which is temporary by nature; b. Work whose completion is estimated time which is not too long and no longer than 3 (three) years; c. Seasonal work; or d. Work that is related to a new product, a new activity or an additional product that is still in the experimental stage or try-out phase. (2) A work agreement for a specified time cannot be made for jobs that are permanent by nature. Labor Minister Decree No. KEP-100/EN/VI/2004 regarding implementation of specified period of time contract (PKWT), chapter I, article 2 stated (3) Working condition agreed in PKWT must not be lowered than the stipulations in the prevailing laws. CHAPTER VI: REGISTRATION OF PKWT Article 13 stated PKWT shall be registered by employer to the authorized manpower institution in the local district/ city in 7 (seven) days at the latest since it was signed. Article 15 stated in the case the renewal of PKWT does not exceed 30 (thirty) days period after the expired date of PKWT renewal and is not changed to be a different agreement as meant in Article 3, therefore PKWT is changed into PKWTT since it does not meet the requirements for the PKWT.	There was improper employment practice applied under specified period of time contract workers (PKWT). The improprieties were noted as follow: - 577 out of 922 workers employed under specified period of time contract while the jobs performed are permanent by nature. These workers were positioned at all production sections including staff office. - Prior to being as specified period of time contract workers (PKWT), the workers have to undertake 3 stages of probation period (the management called as training session). First stage is 3 days of probation period. During this period, the workers are compensated with transportation allowance only as much as Rp. 5,000 and they work from 8.00 to 15.00/17.00. If the workers pass, they can continue the second stage that required 15 days of probation period. During this period, the workers are compensated with legal minimum wage only without payment on public holiday. Then, if the workers pass, they can continue the third or last stage, which is treated as advance probation period. The workers have to undertake 2 months of probation period. During this period, beside legal minimum wage, the workers will receive meal and transport allowance. But, there is still no payment provided for public holiday. After the workers passed, the worker will be employed under specified period of time contract (PKWT). - From the selected samples review, the workers have been contracted at range 3 to 5 consecutive employment contract. The common period of contract applied is 6 month and 1 year. None of employment contract has been registered to local labor department.			Managements & Workers interview, Factory observation, Documents review	The factory should comply with applicable local labor law governing short-term contract work, probationary periods, and compensation. PCs will investigate this issue further.		12/15/06: The practice remains the same, improvement was required.	Contract	Pending									

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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.		During hiring, the factory required the applicant to provide copy of ID card to ensure that they are not underage worker. However, there was no policy and procedure for hiring and age verification established in place.			Managements & workers interview, factory observation and document review	It is recommended that the factory establish and implement a policy and procedure for hiring and age verification of applicants.		12/15/06: Factory claimed that they have strict procedures on verifying the employees age but no written policy was established.	Age documents	Pending							
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		There were no juvenile worker or apprentices/vocational students noted in the factory. However, there was no policy and procedure in place regarding juvenile workers or apprentices/vocational students.			Managements & workers interview, factory observation and document review	Should the factory consider employing juvenile workers or apprentices, the factory should have a system in place to ensure that the employment of these workers is in compliance with local applicable law.		12/15/06: Factory claimed that their practice of not hiring juvenile worker or apprentice was long established but no written policy was made.	Age documents	Pending							
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.		In practice the factory utilized progressive disciplinary practice by issuing warning letter. The rules of issuing warning letter have been regulated on the 'Company Regulation' (PP) only. However, there was no a specific policy and procedure for handling discipline established in place.			Managements interview, documents review	The factory disciplinary procedure should be written and standardized and any disciplinary measures must follow these procedures. The person in charge of each step should be clearly defined as well as persons in charge of supervision and implementation.		12/15/06: Factory claimed that their discipline practice was long established but no written policy was made.	Company regulation	Pending							
Training of Management in Disciplinary Practices		Employers will provide training to managers and supervisors in appropriate disciplinary practices		There was no training to managers and supervisors in appropriate disciplinary practices applied.			Managements interview, documents review (no document evidence found)	It is recommended that managers and supervisors be trained in appropriate disciplinary practices.		12/15/06: No training was provided.	Company regulation	Pending							
Verbal abuse		Employers will prohibit screaming, threatening, or demeaning verbal language		During audit, there was no harassment and abuse reported. However, there was no a harassment and abuse policy and/or procedure established in place.			Managements & workers interview, documents review	It is recommended that the factory adopt a policy of no harassment or abuse.		12/15/06: Factory claimed that their anti-harassment and abuse practice was long established but no written policy was made yet.	Company regulation	Pending							
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.																			
Non-discrimination policy		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 non-discrimination policy and/or procedure established in place.															
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		During factory observation, auditors observed that there was a pamphlet regarding job vacancies. The qualification of the workers written in the pamphlet was found gender-oriented since workers must be: Female, age 18 – 25 years old. In addition, there was no a non-discrimination policy and/or procedure established and there was no clear measurement that base decisions for work assignments, job-training, promotions and pay on skill and ability in place.			Managements & workers interview, Factory observation, Documents review	The factory should adopt a non-discrimination policy that provides for equality of opportunity in employment at the factory. This policy should be communicated to all levels of the workforce. Recruitment decisions should be based on objective criteria related to the applicant's ability to perform the job required. The factory's job vacancy announcements should be revised to avoid any discrimination against applicants on the basis of age or gender.		12/15/06: No policy was established. Advertisement remains the same.	Pamphlet	Pending							
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.		The factory will provide additional payment for 2 days wage rate of menstruation leave compensation for female permanent workers, if the worker has fully attendance in a month. However, this was not applied for the female contract worker.			Managements & workers interview, Documents review	The factory should comply with local law governing the payment of menstruation leave.		12/15/06: Practice remain the same	Observation	Pending							
Pregnancy Discrimination	Labor Act UU 13/2003, regarding equal opportunities, chapter III, article 6, stated that every worker has the right to receive equal treatment without discrimination. Article: 153 (1) stated The entrepreneur is prohibited from terminating the employment of a worker/ labourer because of the following reasons: d. The worker/labourer is absent from work because he or she is getting married; e. The worker/labourer is absent from work because she is pregnant, giving birth, having a miscarriage, or breast-feeding her baby	Information arising from pregnancy testing undertaken voluntarily will not be used as a factor in involuntarily reassigning, firing or making any other employment decision that disadvantages a pregnant woman		Worker interviews suggested at the time commencing employment, HR staff who performed hiring process verbally stated that female workers employed under specified time of contract that already married were not to be pregnant during the first three months of employment.	This finding was uncorroborated. Auditors found this practice from the interview with one finishing worker at the end of the first day of the audit. In the second day of audit, when it would sought further information from the others workers, the factory has limited auditors' access to conduct workers interview. Auditors limited to not interview workers in sewing line A and line B and could only interview 2 small lines of finishing section which only consists of 7-8 workers per line. As per management, they have to rush the production in order to fulfil the target. However, auditors were able to interview 12 workers during lunch to gain more information regarding this matter. Most of the workers admitted that they also given the same verbal statement from the same HR Staff. In addition, from management interviewed, it was mentioned during hiring, it was only questioned to new workers regarding general condition to confirm the application file submitted and the worker's skill. However, there was no supporting documentation available for review in this regard. Moreover, there was no policy and procedure regarding hiring process established in place.			PC will investigate this issue further.		12/15/06: No pregnancy test was observed, either involuntary or involuntary basis.	Observation	Completed							
Pregnancy Dismissal	Labor Act UU 13/2003, regarding equal opportunities, chapter III, article 6, stated that every worker has the right to receive equal treatment without discrimination. Article: 153 (1) stated The entrepreneur is prohibited from terminating the employment of a worker/ labourer because of the following reasons: d. The worker/labourer is absent from work because he or she is getting married; e. The worker/labourer is absent from work because she is pregnant, giving birth, having a miscarriage, or breast-feeding her baby	Employers will not, on the basis of a woman's pregnancy, make decisions that result in dismissal, threat to dismiss, loss of seniority, or deduction of wages		There was maternity leave applied for specified period of time contract workers, worker interviews suggested that in practice when specified period of time contract worker have to give birth before her contract finished, she has to resign and have to apply again as a new worker when they ready after gave birth.			Managements & Workers interview, documents review	The factory should not, on the basis of a woman's pregnancy, make decisions that result in dismissal, threat of dismissal, loss of seniority, reassignment to hazardous tasks, or deduction of wages. The factory should provide its workers with all legally mandated benefits. PC will investigate this issue further.		12/15/06: According to management and worker interviews and documentation review, there has been no incident of contract workers applying for maternity leave, hence no incident of denial.	Observation	Completed							

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Pregnancy Risk	Labor minister regulation Per-03/MEN/1989 article 3, stated that the employer have to plan and do motions of job to pregnant workers without to reduce 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 risk to the health of the pregnant woman.		During audit, it was observed there was no pregnant worker engaged in work that creates substantial risk to the health of the pregnant woman. However, there was no policy and procedure regarding treatment of pregnant worker in place.			Factory observation, Management & worker interview	The factory should have a system in place to ensure that pregnant women are not engaged in work that creates substantial health risks.		12/15/06: Factory claimed that their practice of protecting pregnant women was long established but no written policy was made.	Company regulation	Pending							
Employment application		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 factory maintained 2 types of employment application: one is used during hiring and another one is used after the workers employed in the factory. In the employment application form to be filled by new applicant, there were questions regarding Sex, Marital Status, and Religion of the applicant. And in the employment application form to be filled after the worker employed, there were question regarding Marital Status and Religion of the worker.																
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	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.				Managements interview, documents review (no document evidence found)	The factory should comply with local regulations requiring health and safety risk assessments.											
Ventilation/Electrical/facility maintenance	The Safety Act UU No.1/1970, regarding Occupational Safety requirements are stipulated to: (a) prevent hazardous electricity current, Labor 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, 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 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 factory walk through auditors observed that Sewing Administrator tables were placed too close to the electrical boxes. Some electrical boxes even became the place to post some announcement/document while there were notices not to touch the box due to the possibility of the electrical shock.				Factory observation, Managements interview	Areas surrounding electrical control panels should be marked with a yellow box indicating that they should be kept clear at all times. The factory should reinforce training of workers on electrical hazards, prevention and safety.											
Sanitation in Facilities	Labor Minister Regulation No. 7 of 1964 regarding Condition of Health, Cleanliness and lighting in workplace, article 6: stated (2) Separate lavatories must be provided for men and women in order to avoid moral disturbances.	All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws	Auditors observed that toilets provided for workers were not properly segregated. Male toilets and female toilets were placed side-by-side in the same area and only segregated by the wall with approximate height 2 meters.						Toilets should be appropriately segregated to protect the privacy of individuals using the facilities.										
Other: Medical Examination	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 Labour 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.	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	No medical examination conducted for most of workers. So far only 4 workers at spot cleaning section workers who have been undergone medical examination on May 2006 (the 4 workers was x – rayed to portrait the condition of their lungs). Workers were informed that the result of the medical examinations was good.				Managements & Workers interview, document review	The factory should provide regular medical examinations to workers, in accordance with local regulations.											
	Article 3.3: Periodical medical examination covers complete physical examination, physical fitness, x-rays of the lungs (if possible), 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.																		
Training		Workplace Code Provision: 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.	The factory only has Health and safety procedure. This policy is in regards to the general standard procedure of Health and Safety in which there are information about emergency exit, how to extinguish fire, emergency light, electrical installation, the location and the content of first aid kit box, work environment, toilet, the placement of the chemicals, and machine safety. There was no policy and procedure regarding machinery, equipment, chemical safety established on site.																
7. Freedom of Association and Collective Bargaining																			
Employers will recognize and respect the right of employees to freedom of association and collective bargaining																			
Other: No valid Company Regulation (PP) posted	Labor Act UU No. 13/2003, regarding the Company Regulation, section VII article 114 stated that the entrepreneur is under an obligation to notify and explain, as well as deliver, the contents of the company regulations or its changes to the worker/ labourer.		It was found the Company Regulation (PP) posted was the expired one that valid for 2004 to 2008. Since the valid one (June 16, 2006 to June 15, 2008) was just issued last month, it has not posted yet. In addition, workers were not aware of the purpose of posting a Company Regulation (PP) on the announcement board. Besides, they never have formally educated about the existence and contents of Company Regulation.				Factory observation, documents review, Management & Workers interview	The factory should post the valid company regulation, as required by local law. Workers should be informed of the company regulations.		12/15/06: Company regulation posted and employees are informed.	Company regulation	Completed							
Right to Freely Associate		Workers will have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. The right to freedom of association begins at the time that a worker seeks employment, and continues through the course of employment	There was no union onsite. However, there was no policy/procedure on freedom of association established in place.				Managements & Workers interview, Documents review (no related document found)	It is recommended that the factory adopt a policy recognizing the rights of workers to freedom of association and collective bargaining.		12/15/06: Factory claimed that they respect the workers' freedom of association but no written policy was established.	Company regulation	Pending							
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																			
Training Wage	Labor Act UU No.13/2003, article 90 stated (1) Entrepreneurs are prohibited from paying wages lower than the minimum wages. Labor Minister Regulation PER-01/MEN/1999, regarding the legal minimum wage, article 14.1 stated that wage paid by the employer to permanent worker, time limit contract, piece rate worker and in probation period worker is, at minimum, comply to the legal minimum wage.	Where training wages are legally allowed, no worker will be paid a training wage for more than three months cumulatively	Prior to hiring as specified period of time contract workers (PKWT), the workers have to undertake 3 stages of probation period (the management called as training session). During undertaking 3 days of probation period (the first stage), the workers were compensated with transportation allowance only as much as Rp. 5,000 and they work from 8:00 to 15:00/17:00.				Managements & Workers review, Documents review	The factory should comply with applicable local labor law governing short-term contract work, probationary periods, and compensation. PCs will investigate this issue further.		12/15/06: Practice remain the same	Observation	Pending							
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	In practice, the factory only communicated new legal minimum wage every year by posting at the announcement board and provided brief information about the wage during hiring. However, there was no policy and procedure about communication of wage, incentive, benefits and deduction systems established to educate the workers about wage, incentive, benefits and deduction systems applied.				Managements & Workers review, Documents review (no related document found), Factory observation	Workers should be informed about their wage calculation, any deductions, benefits and bonuses.		12/15/06: Worker interview shows that the employees is aware of the wage calculation but no written policy was established.	Company regulation	Pending							
Voluntary Use of Benefits		All workers have a right to use or not to use employer provided services, such as housing or meals	The factory has a cooperation thrift organization called *** for workers. Worker can use *** to borrow some money as necessary. The financial source of *** actually comes from the workers contribution that deducted from workers wage of each month. The workers who employed after about 5 months will be automatically become a member by providing first contribution as much as Rp. 30,000, then the next contribution of Rp. 10,000 will be regularly deducted from the wage each month. So far workers were never given a choice whether or not they wish to join ***. There was no written concern from the workers regarding the deduction maintained.				Managements & Workers interview, Documents review	The factory should obtain consent from workers to participate in the Koperasi prior to making any deductions from their wages.		12/15/06: Practice remain the same, no written consent was signed.	Observation	Pending							
Legal benefits	Act No.3/1992 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 fund consist 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. Labor Minister Regulation No. PER 01/MEN/1998 regarding implementation of health care security for worker with better advantage than Jamsostek program, article 12 stated that Company may establish its own healthcare security as long the service standard is better than what Jamsostek gives. Article 15 stated that if Company establishes its own healthcare security with better service standard than what Jamsostek gives, the employer shall ask for legalization to the chief of local labor department.	Employers will provide all legally mandated benefits to all eligible workers	The factory only enrolled their workers into social security scheme (JAMSOSTEK) for Packet A only covering death insurance, workplace insurance and pension fund. For healthcare security (JPK), the factory managed its own JPK by join cooperation with clinic. For the JPK benefit, it was only provided for the workers themselves, not including the worker's family (spouse and child). However, the factory has not legalized this own managed healthcare security (JPK) program to local labor department.				Managements & Workers interview, Documents review	The factory should comply with local labor law and regulations governing participation in Jamsostek or other forms of social security, as per Act No.3/1992		12/15/06: Practice remain the same, factory claimed that they are communicating with the local labour department to solve the issue.	Observation	Pending							

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Legal benefits	Government Regulation PER 04/MEN/1994 article 2.1 stated that the employer is obliged to provide festivity allowance to workers with service equal to 3 consecutive months or more. Article 3.1(b) 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	Festivity Allowance (13th month salary) or called THR in 2005 for all specified period of time contract (PKWT) workers was not paid in accordance with regulation applied. For contract workers employed less than 1 year, it was paid as much as Rp. 50,000. For contract workers employed at range 1 to 2 years, it was paid as much as Rp. 100,000. And for contract workers employed at range 2 to 3 years, it was paid as much as Rp. 150,000.				Managements & Workers interview, Documents review	The factory should comply with government regulations on the calculation of festivity allowance.		12/15/06: Practice remain the same.	Observation	Pending							
Legal Compliance for holiday/leave	Local Act LU No. 13/2003 regarding wage article 93(4) stated wage which be paid toward the employee/labour be not included job in the same manner as mentioned at paragraph (2c) as like: Employee/labour is marriage, paid for during 3 (three) days; Married off him child, paid for during 2 (two) days; Circumcise his child, paid for during 2 (two) days; Baptize him child, paid for during 2 (two) days; Wife give birth or miscarriage, paid for during 2 (two) days; Husband/wife, parent/parent in law, or child or daughter in law is pass away, paid for during 2 (two) days; and Family member in the 1 house is pass away, paid for during 1 (one) day.	Workers will be paid for holidays and leave as required by law	The factory did not apply proper casual mandatory leave according to regulation applied. For example: marriage leave was provided for 2 days paid leave instead of 3 days paid leave; parent dead leave was provided for 1 day paid leave instead of 2 days paid leave. On the granted 'Company Regulation', it was already stated casual mandatory leave according to regulation applied. However, for the implementation, it was still followed old regulation that no longer valid.				Managements & Workers interview, Documents review	The factory should comply with the updated government regulations concerning casual forms of leave.		12/15/06: Practice remain the same.	Observation	Pending							
Legal Compliance for holiday/leave	Labor Act LU No. 13/2003 regarding working hours, subsection 4, article 79.1 Entrepreneurs are under an obligation to allow workers to take rest and leave. Article 79.2 Period of rest and leave as mentioned under subsection cover the yearly period of rest is 12 work days after worker works 12 months consecutively. Article: 81 stated (1) Female workers who feel pain during menstruation period and notify entrepreneur about this are not obliged to come to work on 1st and 2nd day of menstruation. Article: 82 stated (1) Female workers are entitled to 1.5 month period of rest before time at which they are estimated by obstetrician or midwife to give birth and another 1.5 month period of rest thereafter. (2) Female worker who has miscarriage is entitled to period of rest of 1.5 months or period of rest as stated in medical statement issued by obstetrician or midwife. Article: 84 stated Every worker who uses her right to take period of rest as specified under points b, c and d of subsection (2) of Articles 79, 80 and 82 shall receive her wages in full. Article 93(4) stated wage paid toward employee not included job in same manner as mentioned in paragraph (2c), like: Employee is married, paid for 3 days; Marriage of child, paid for 2 days; Circumcision of child, paid for 2 days; Baptism of child, paid for 2 days; Wife gives birth or miscarriage, paid for 2 days; Husband/wife, parent/parent in law, or child or daughter in law passes away, paid for 1 day. Labor Minister Decree No. KEP.100/MEN/VI/2004 regarding implementation of specified period of time contract (PKWT), chapter I, article 2 stated (2) Working condition agreed in PKWT must not be lower than stipulations of prevailing laws.	Workers will be paid for holidays and leave as required by law	The factory did not apply any entitled leaves (e.g. annual leave, pregnancy leave, marriage leave, etc) for all specified period of time contract workers. In addition there was no policy and procedure regarding all entitled leaves for workers.				Managements & Workers interview, Documents review	The factory should comply with government regulations concerning leaves of absence.		12/15/06: Practice remain the same and no policy was established.	Observation	Pending							
Legal Compliance for holiday/leave	Labor Act (LU) No. 13/ 2003, article: 79 stated (1) Entrepreneurs are under an obligation to allow their workers/labourers to take a rest and leave. (2) The period of rest and leave as mentioned under subsection (1) shall include: a. The weekly period of rest is 1 (one) day after 6 (six) workdays in a week or 2 (two) days after 5 (five) workdays in a week. Article: 84 stated Every worker/labourer who uses her right to take requested of rest as specified under points b, c and d of subsection (2) of Article 79, shall receive her wages in full.	Workers will be paid for holidays and leave as required by law	Prior to hiring as specified period of time contract workers (PKWT), the workers have to undertake 3 stages of probation period (the management called as training session). During undertaking 18 days of probation period (2 nd stage) and 2 months of probation period (3 rd stage), the workers did not compensate for public holidays.				Managements & Workers interview, Documents review	The factory should comply with applicable local labor law governing short-term contract work, probationary periods, and compensation. PCs will investigate this issue further.		12/15/06: Practice remain the same.	Observation	Pending							
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.	Due to falsified records, appropriate wages, particularly OT payment and working hours cannot be verified during audit. Having compared time cards and payment records provided with various other records collected from production floor and information from worker interviews, auditor found serious discrepancies presented between time cards and payment records provided and various production related records obtained from floor. Time and payment records apparently being manipulated. Examples in records illustrated as follows: In and Out Going Production samples for washing records at warehouse section suggested was OT work Sunday, March 5, 2006. However, in March 2006, all attendance records of workers at warehouse section, including in charge worker, only recorded working hours at maximum 21:00 during normal working days, at maximum 15:00 some Saturdays and no Sunday work noted. Output target record at finishing (ironing, Folding and Poly bag) section suggested was OT work up to 23:00 July 12, 13, 18, 19, 2006 and Sunday work June 18 and May 21, 2006. However, in July, June and May 2006, all attendance records of workers at Finishing section, including production administrator, only recorded working hours at maximum 21:00 during normal working days, at maximum 15:00 some Saturdays and no Sunday work noted. Hourly Output at Finishing section record at QC Line C & D, suggested was OT work July 16, 2006. However, in July 2006, all attendance records of workers at QC Line C & D, including production administrator, only recorded working hours at maximum 21:00 during normal working days, at maximum 15:00 some Saturdays and no Sunday work noted. OT Agreement Form record for Utility & Fusing workers of Cutting section suggested was OT work up to 20:00 Saturday, March 4, 2006. However, in March 2006, all attendance records for Utility & Fusing workers of Cutting section only recorded working hours at maximum 21:00 during normal working days, at maximum 15:00 some Saturdays and no Sunday work noted. Security Records suggested was OT work Sunday, July 9, 2006 for 80 sewing and 8 warehouse workers; Sunday, July 2, 2006 for 50 cutting workers, 8 warehouse and 20 sample workers; Sunday, June 25, 2006 for 70 cut. As per attendance records provided, noted all attendance records completed at beginning about 0:00 AM and end of work of at maximum 21:00 during normal working days and maximum 15:00 Saturday only (no Sunday work noted). From worker interviews, suggested in practice if is additional work beyond mentioned working hours above, production administrator will punch first worker's time card at 21:00 during normal working days and at 15:00 on Saturday. Then, rest of working hours will be recorded separately in manual record, including work on Sunday. At time of payroll, factory gives 2 different pay slips, 1 for normal working day, other pay slip for Sunday work and OT conducted more than 21:00 PM during normal working days as well as more than 15:00 Saturday. During audit, manual attendance record used to record all actual working hours unable to review, since management kept informing auditor that provided time card and OT Agreement Form (SPL) used to calculate payroll. Manual attendance record revealed through workers interview and was mentioned that each production administrator kept record.				Workers interview, Documents review	The factory must discontinue the practice of fraudulent record keeping immediately. It is important that the factory maintain accurate wage and hour records, and provide these for auditors to review.		12/15/06: There is no falsified record observed during the audit. However, excessive overtime was observed. Some workers (Less than 5%) worked for 60.5 hours per week.	Time records	Pending							
Other: Separation pay (Uang Pisah) of termination payment	Labor Act No. 13/2003, regarding Termination of Employment, chapter VII article: 158-4 stated Workers/labourers 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 labour agreements. Article: 162-2 stated Workers/labourers 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 labour agreements.		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.				Documents review, Managements interview	The factory should comply with regulations governing separation pay, as per Labor Act No. 13/2003, regarding Termination of Employment.		12/15/06: No policy was established.	Company regulation	Pending							

FLA Code/ Compliance Issue	Country Law/Legal Reference	FLA Benchmark	IEM Findings					Remediation					[Status]	Updates (Cite Date of Follow up)		Third-Party Verification		Company Verification Follow up	
			Noncompliance	Risk of Noncompliance	Evidence of Noncompliance (un corroborated)	If not corroborated, explain why	Sources/ Documentation used for corroborating	PC Remediation plan	Target Completion Date	Company follow up (Cite date of follow up)	Documentation	Completed; Pending; Ongoing		Company Follow up	Documentation	External Verification (Date)	Documentation	Company Follow up (Cite date of planned or follow up visit, if appropriate)	Documentation
Other: Above minimum wage to workers with more than one year of service	Labor Minister Regulation PER-01/MEN/1999, regarding the legal minimum wage, article 13 (2) stated that minimum wage shall be applied to workers with less than one service year. Article: 14 (3) stated that the review for the amount of wage that shall be received by workers who work more than one year is based on the written agreement between employee/union and employer. Labor Act (UJ) No. 13/2003, article: 92, stated (1) Entrepreneurs shall formulate the structure and scales of wages by taking into account the level, position, years of work, education and competence of the worker/ labourer. (2) Entrepreneurs shall review their workers/labourers' wages periodically by taking into account their enterprise's financial ability and productivity.		The factory still provided wage equal to legal minimum wage applied (Rp. 737,000 per month) for those workers employed more than 1 year of service, but less than 2 years of service. The factory has established policy that for the workers employed at range 0 to 2 years, the basic wage will be paid equal to legal minimum wage applied only and for the workers employed more than 2 years of service additional wage will be paid (Rp. 1,000 to Rp. 4,000). As additional to basic wage, the factory provided UNMEXD allowances (meal allowance and transport allowance) that will not be paid if the worker is absent for any reason. Meanwhile, the review for the amount of wage increment that shall be received by workers who work more than one year was not based on the written agreement between worker representatives/union and employer.			Managements & Workers interview, Documents review	The factory should comply with regulations concerning minimum wage payment and wage reviews.												
Other: Unclear salary category system between workers still paid overtime and no paid overtime payment.	Labor Act UU No.13/2003, regarding working hour, chapter XI paragraph 4 article 77.2 stated that The working hours as mentioned under subsection (1) cover: a. 7 (seven) hours a day and 40 (forty) hours a week for 6 (six) workdays in a week; or b. 8 (eight) hours a day, 40 (forty) hours a week for 5 (five) workdays in a week; Article: 78 stated Entrepreneurs who require their workers' labourers to work overtime are under an obligation to pay overtime pay. Circular letter SE-2/MBW/1987 regarding the definition of staff who does not receive overtime wage. 1. Staff is an employee who in the Company Organizational Structure holds the position in which has obligation, responsibility, and authority to contribute, to think and execute company policy in order to reach and smoothen the company development. 2. Overtime wage is wage paid by employer to the employee as a reward on doing the work on employer's request that exceeds work hours and work days (7 hours/day and 40 hours/week) and on Sunday rest, or on national holiday stated by government. 3. For staff worker mentioned at point (1), it is considered normal not to get overtime wages although they work more than normal working hour requirement. 4. The criteria of staff worker are: a. Those who hold structural position in company organization; b. Those who have obligation, responsibility, and authority towards company policy; c. Those who get higher wages than other employees; d. Those who receive better facilities compared to other employees. Labor Minister Decree No. KEP-49/MEN/2004 regarding Determination structure and scales of wages, article 2 stated Entrepreneurs shall formulate the structure and scales of wages in the company. Article: 3 stated In formulating the structure and scales of wage as mentioned under subsection (2) are based on job analysis, job description and job evaluation.		There was improper 'All In' salary system practice that could potentially lead to lack of overtime payment. Moreover, there was unclear scale salary system in determining category of workers that receive 'All In' and 'Non-All In' salary, since there was no available supporting documentation to review the system. In practice, the factory applied 'All In' salary for all office staffs, all mechanic workers, boiler operators, all assistance & supervisors, some production operator in Cutting section, QA, etc. For these kinds of workers, there was no more overtime payment compensated regardless how many hours overtime work done. While in fact as per regulation, most of those workers cannot be categorized as those who hold structural position in company organization, have obligation, responsibility and authority toward company policy, get higher wage than the others employee and received better facilities compared to other employees. Based on randomly selected samples reviewed, most of these workers received basic wage at around Rp. 1,000,000 plus unfired allowances including meal allowance at around Rp. 300,000 per month as kind of replacement overtime payment. These allowances will be decreased if the workers cannot come to work. These kinds of worker were not receiving overtime payment regardless how many hours overtime work done. In fact, if the overtime work is compensated, the total salary earned could be possibly more than the 'All In' salary received. In addition, it was found that one mechanic worker who claimed as 'All-In' salary's worker was still received basic wage equal to legal minimum wage applied plus unfired allowances. During audit when it sought further clarification regarding this worker's salary, there were discrepancies information gathered among the managements. The amount figure of allowances stated on the payroll was unexplainable by the managements. Besides, there was different claim among the managements whether or not the worker is 'All-In' salary categorized, while the payroll was clearly stated that the workers was categorized as 'All-In' salary's worker.			Managements & Workers interview, Documents review	The factory should comply with local regulations concerning the categories of workers eligible for overtime compensation.		12/15/06: Practice remain the same. The overtime compensation is still insufficient and not according to the overtime hours worked	Payroll	Pending								
9. Hours of Work																			
Forced overtime		Under extraordinary business circumstances, employees will make extensive efforts to secure voluntary overtime work prior to mandating involuntary overtime	From the record of disciplinary proceedings reviewed, warning letter was issued for the workers who rejected to work overtime including Sunday work overtime.			Workers interview, Documents review	Overtime hours work shall be voluntary. Workers should not be penalized for refusing to work overtime, and no negative incentives should be used to induce overtime.		12/15/06: No warning letter was observed since last audit.	Disciplinary record	Completed								
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 (i) 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 verify due to falsified record, please refer to Wage and Benefit section				The factory must discontinue the practice of fraudulent record keeping immediately. It is important that the factory maintain accurate wage and hour records, and provide these for auditors to review.		12/15/06: There is no falsified record observed during the audit. However, excessive overtime was observed. Some workers (Less than 5%) worked for 60.5 hours per week	Time records	Pending								
Overtime Explanation		Employees shall be able to provide explanation for all periods when the extraordinary business circumstances exception has been used. Employees 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.		Managements & Workers interview, Documents review (No related document found), factory observation	The factory should inform workers of its overtime policy and overtime compensation rates orally and in writing, such as in the employee handbook, and during new hire orientation.		12/15/06: Workers interview shows that they are aware of the overtime compensation but no written policy was established.	Company regulation	Pending								
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.																			
OT Breaks	Labor Minister Decree No. KEP-102/MEN/2004 regarding overtime hour and overtime wage, article: 7.1, stated that Company assigning workers' labors during overtime work is under obligation to (a) pay overtime pay; (b) provide chance for having an enough rest; (c) provide meals and drinks at least 1,400 calories if the overtime work is executed for 3 (three) hours or more. Article 7.2 stated that the meals and drinks provided could not be replaced by money.	Employees will ensure reasonable meal and rest breaks, which, at a minimum, must comply with local laws	The factory does not provide nutritious meal and beverage for the workers worked overtime for 3 hours or more, as instead the factory provided overtime meal allowance as much as Rp. 2,500 for the workers.			Managements & Workers interview, Documents review	The factory should comply with local regulations concerning employer obligations with regard to overtime work and compensation.		12/15/06: Practice remain the same, money was provided instead of meal.	Observation	Pending								
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 verify due to falsified record, please refer to Wage and Benefit section				The factory must discontinue the practice of fraudulent record-keeping immediately. It is important that the factory maintain accurate wage and hour records, and provide these for auditors to review.		12/15/06: No falsified record was observed.	Payroll, time records	completed								
OT Compensation		The factory shall comply with applicable law for premium rates for overtime compensation	Unable to verify due to falsified record, please refer to Wage and Benefit section				The factory must discontinue the practice of fraudulent record-keeping immediately. It is important that the factory maintain accurate wage and hour records, and provide these for auditors to review.		12/15/06: No falsified record was observed. The overtime compensation is still insufficient and not according to the overtime hours worked (Refer to row 6)	Payroll, time records	completed								
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 in place.		Managements & Workers interview, Documents review	The factory should inform workers of its overtime policy and overtime compensation rates orally and in writing, such as in the employee handbook, and during new hire orientation.		12/15/06: Workers interview shows that they are aware of the overtime compensation but no written policy was established.	Company regulation	Pending								
Miscellaneous																			
Subcontracting			The factory does not have someone overseeing the subcontractors used (embroidery and washing) and no evidence the factory conduct monitoring visit to ensure their contracts are implemented in compliance with the code.																