



2008

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: Liz Claiborne, Inc.
COUNTRY: Indonesia
FACTORY CODE: 050084922G
MONITOR: Bureau Veritas – CPS Indonesia
AUDIT DATE: December 4, 2008
PRODUCTS: Men's Shirts, Ladies Wear
PROCESSES: Cutting, Sewing, Finishing,
Packing
NUMBER OF WORKERS: 3475



CONTENTS:

Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses _____ 3
Wages, Benefits and Overtime Compensation: Wage Receipt _____ 6
Forced Labor: Employment Terms/Voluntary Agreement _____ 7
Freedom of Association: Right to Freely Associate _____ 9
Freedom of Association: Grievance Procedure _____ 10
Harassment or Abuse: Discipline/Progressive Discipline _____ 11
Harassment or Abuse: Discipline/Review of Disciplinary Action _____ 12
Harassment or Abuse: Discipline/Worker Awareness and Participation of Workers _____ 13
Harassment or Abuse: Discipline/Monetary Fines and Penalties _____ 14
Non-Discrimination: Employment Decisions _____ 15
Code Awareness: _____ 16
Code Awareness: _____ 17
Health and Safety: General Compliance Health and Safety _____ 19
Health and Safety: Evacuation Requirements and Procedure _____ 20
Health and Safety: Safety Equipment and First Aid Training _____ 21
Health and Safety: Chemical Management and Training _____ 22
Hours of Work: General Compliance Hours of Work _____ 23

Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses

WBOT.5 Employers shall provide all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave, severance payments and 13th month payments, to all eligible workers within legally defined time periods. In addition, all leave and bonuses shall be calculated correctly. (S)

Noncompliance

Explanation: Based on record review, factory provided all legally mandated benefits to workers. However, based on randomly sampled selection, some improper leave was noted:

1. At least 1 worker from finishing at Dress 2 unit not given proper menstruation leave.

(Labor Act UU No.13/2003 regarding women workers, Chapter X, Paragraph 4, Article 81(1), female workers on menstruation who feel sick and inform employer shall not work on first and second days of menstruation.)

2. At least 1 worker from sewing 16 at Shirt (unit 3) unit not properly paid for a long sick leave, despite historical paramedic recommendation letters indicating worker has chronic illness and requires long periods of rest for recovery. Employee absent for all November 2008. Worker not paid for 7 days in November 2008 period, while paramedic recommendation letter submitted and clearly indicated worker's health problem.

(Labor Act UU No: 13/2003, Article: 93 (3))

3. At least 2 workers who suffered miscarriages took less than 1.5 months that is required. 1 employee only out for 6 days, another absent for 18 days. In practice, total days of leave provided based on paramedic recommendation letter, instead of entitled 1.5 month paid leave as required by law/regulation.

(Labor Act UU No.13/2003 regarding working hours, Subsection 4, Article 79.1)

4. No nutritious OT meal provided to workers who worked 3 hours or more of OT. In practice, only cash allowance as much as Rp. 1,700 provided. Moreover, allowance only provided if worker worked OT until 19:00 or later. Also, based on record review, some cases found finishing/packing section works OT until morning without nutritious meal provided. Although factory maintained agreement with union for providing allowance instead of nutritious meal, not in accordance with regulation spirit, since agreement made was for issue under applied regulation.

(Labor Minister Decree No. KEP.102/MEN/VI/2004 regarding overtime hours and overtime pay, Article: 7.1)

- Plan Of Action:**
1. Factory should arrange for appropriate menstruation leave period for female employees (1st and 2nd day of menstruation). Such leaves should be arranged based on on-site clinic recommendations, or taken by workers when they feel sick.
 2. Factory should pay employees properly if they take a long sick leave.
 3. Factory should provide adequate miscarriage leave to workers, which should be at least 1.5 months, according by law.
 4. Factory should provide meals and drinks of at least 1400 calories to workers if OT work executed for 3 hours or more.

Deadline Date:

- Supplier CAP:**
1. Factory agreed they will provide 2 days of menstruation leave for all female workers. Factory explained several employees just want to take 1 day of leave at their own will. For this reason, factory confirmed they will encourage and teach all female workers to take 2 full day leave regarding their own health.
 2. Factory agreed they will pay properly if workers report sickness to them on time. Also, factory confirmed to pay back outstanding payments to worker from sewing 16.
 3. Factory agreed they will provide 1.5 months of miscarriage leave for all female workers. Factory explained several employees come to work earlier before taking full leave. For this reason, factory confirmed they will encourage and teach all female workers to take full 1.5 month miscarriage leave regarding their own health.
 4. Factory agreed they will try best to not arrange OT more than 3 hours. In cases where OT needs to be arranged for more than 3 hours, factory will continue to provide meal allowance to workers, at request of workers. Also, such practice approved by local manpower department.

Supplier CAP Date: 06/19/2009



**Action
Taken:**

During follow-up audit on September 1, 2009:

1. Employees suffering due to menstruation or other illnesses provided sick leave; employees who became ill during working hours treated first at on-site clinic. After treatment, employees either sent home or to hospital for further treatment.
2. 1 sample population employee received sick leave from March 16, 2009 to date of audit. Employee received 100% of wages for first 4 months, and is currently receiving 75% of monthly wage. Wages paid to a relative and authorization letter regarding this arrangement obtained from employee.
3. 2 employees provided 27 and 32 days of miscarriage leave respectively, both less than 1.5 months required by law. During document review, noted that number of days provided based on recommendation letter from paramedic.
4. Factory still providing meal allowance to workers who work more than 3 hours OT. This practice was approved by the local manpower department.

**Plan
Complete:**

No

**Plan
Complete
Date:**

Wages, Benefits and Overtime Compensation: Wage Receipt

WBOT.27 All payments of wages and benefits in cash and in-kind made directly to the worker must be properly documented and their receipt and accuracy must be confirmed by the relevant worker in writing (signature, thumbprint, etc.). No one can receive wages on behalf of a worker, unless the worker concerned has, in full freedom, authorized in writing for another person to do so. (P)

Noncompliance

Explanation: In practice, factory did not retain copies of each employee’s signed pay slips; they only maintained a kind of receipt sheet consisting of list of worker’s name, employment ID, production department and signature. Every pay day, pay slips kept in envelope together with money would be provided to workers; in return, they would sign separate sheet as receipt document, as mentioned. During monitoring, ledger of payroll records provided and some requested samples of pay slips for verification. Both documents have no workers’ signatures. Hence, accuracy of records could be in question.

Plan Of Action: Factory should provide pay slip to workers on every pay day. Said pay slip should show earned wages, regular and overtime pay, bonuses and all deductions. In addition, workers should sign the pay slip and ledger to prove they acknowledge receipt of salary.

Deadline Date:

Supplier CAP: Factory agreed they will add “net amount” of worker’s salary on signed salary receipt. This new practice will start distribution day of August 2009 salary. Before distribution of salary, pay slip with details calculated will be provided to workers for checking; this slip will be kept by workers for records. If total salary amount correct, workers will sign salary receipt on pay day. Signed salary receipt can be evidence to prove workers are receiving the accurate amount of salary.

Supplier CAP Date: 08/31/2009

Action Taken: At follow-up audit September 1, 2009, noted pay slip provided with wages for August 2009; payroll records signed by sample population of employees on receipt of payment.

Plan Complete: Yes

Plan Complete Date: 09/01/2009

Forced Labor: Employment Terms/Voluntary Agreement

F.3 Employment terms shall be those to which the worker has voluntarily agreed, in as far as those terms do not fall below provisions of local laws, freely negotiated and valid collective bargaining agreements, or the FLA Code. (P)

Noncompliance

Explanation: Factory used subcontractors to employ janitors for only cleaning service. Management maintained contract agreement with outsourcing company, but at the moment, besides requiring them to sign declaration stating similar information with code of conduct (CoC), no other efforts to use compliance monitoring system to ensure protection and working conditions provided to workers were at least same as protections and working conditions provided at factory commissioning contract, or in accordance with prevailing laws and regulations. Furthermore, factory could not disclose section of payment and payment method on contract due to confidentiality reasons.

(Labor Act UU No.13/2003, Chapter IX regarding employment relations Article 65.4: Protection and working conditions provided to workers/laborers at other enterprise as mentioned under Subsection (2) shall at least [be] same as protection and working conditions provided at enterprise that commissions contract or in accordance with the prevailing laws and regulations.)

Plan Of Action: Factory should set up compliance system/policy to monitor subcontractors, in order to make sure provided protection and working conditions are same as enterprise that commissions the contracts, in accordance with the laws.

Deadline Date:

Supplier CAP: Factory agreed to redesign new agreement so company's standards included. Also, factory will conduct meeting with outsourcing company on quarterly basis to address buyers' standard and update requirements. Besides, factory will conduct internal audit to make sure working conditions of cleaning staff are the same as other workers.

Supplier CAP Date: 06/19/2009



Action Taken: At follow-up audit September 1, 2009; noted factory still only maintained contract with outsourcing company, requiring them to sign declaration similar to provisions of CoC. Company further worked with factory, will conduct regular meetings with outsourcing company on quarterly basis to address buyers' standard and update requirements. Besides, factory will conduct internal audit to make sure working conditions of cleaning staff are same as other workers. These corrective actions planned to be completed before end of October 2009. Factory submitted updated outsourcing meeting records to company for verification. Most recent update meeting conducted on October 16, 2009. During meeting, several topics discussed between factory and cleaning service provider, which include social security contribution/employees' personnel records maintaining system/salary calculation and signing of employment contracts.

Plan Complete: Yes

Plan Complete Date: 10/23/2009



Freedom of Association: Right to Freely Associate

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

Noncompliance

Explanation: Employment agreement provided for contract workers indicated workers could automatically become union members when working in factory. Said statement indicated in employment agreement for contract workers only, while not indicated in employment agreement/appointed letter for permanent and probationary workers.

Plan Of Action: Factory should amend employment agreement for permanent and probationary workers. Terms and conditions of each type of workers' contract should be consistent. Also, such contracts should meet minimum local legal requirements.

Deadline Date:

Supplier CAP: Factory confirmed had removed statement concerning automatic union membership from all employment agreements, effective December 21, 2008. Employees given their understanding of freedom of association/procedure for joining union during orientation and refresher training.

Supplier CAP Date: 07/31/2009

Action Taken: At follow-up audit September 1, 2009, noted that employment agreements for contract employees, permanent employers and for probationary employees did not indicate employees were automatically members of union.

Plan Complete: Yes

Plan Complete Date: 09/01/2009



Freedom of Association: Grievance Procedure

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

Uncorroborated Evidence of Noncompliance

Explanation: Although factory maintained written grievance procedure, no evidence suggestion box is effective means to voice grievances. Based on observation, suggestion box apparently never used or actively utilized; though located at worker’s toilet and near union office.

Plan Of Action: Factory should set up effective grievance system to ensure employees feel free to raise concerns or report grievances to factory. Factory should also respond to grievances of employees in reasonable time period. In addition, factory needs to educate/encourage workers on reporting grievance cases by using suggestion box.

Deadline Date:

Supplier CAP: Factory agreed to educate employees on using suggestion box as confidential communication channel for grievances. Also, factory confirmed will set up system to track suggestion box regularly and attempt to respond to workers within a reasonable period of time.

Supplier CAP Date: 05/30/2009

Action Taken: At follow-up audit September 1, 2009, noted factory maintained 4 suggestion boxes in each of the 3 buildings and 1 near union labor office. According to record of grievances, only 1 issue regarding calculation of OT wages submitted in August 2009; it was posted on announcement board. No grievances noted for July 2009. Most employees stated they were able to discuss issues with supervisor or union representatives. Union leader is [Employee name] and union named [Union name].

Plan Complete: Yes

Plan Complete Date: 09/01/2009

Harassment or Abuse: Discipline/Progressive Discipline

H&A.2 Employers shall have a written system of progressive discipline (e.g., a system of maintaining discipline through the application of escalating disciplinary action moving, for instance, from verbal warnings to written warnings to suspension and finally to termination). Any exceptions to this system (e.g., immediate termination for gross misconduct, such as theft or assault) shall also be in writing and clearly communicated to workers. (P)

Noncompliance

Explanation: No terms of condition indicated in Collective Bargaining Agreement (CBA) for type of Warning Letter issuance, including suspension practice. Currently, CBA with union only indicated general conditions may cause workers to receive disciplinary actions for those types of warnings.

Plan Of Action: Factory should establish CBA which includes terms of conditions for each type of warning letter. Also, factory needs to communicate clearly to workers details of CBA.

Deadline Date:

Supplier CAP: Factory agreed to provide each employee with PKB guidebook and will conduct training to educate employees on terms of condition of CBA. Also, factory will redesign new agreement with union to address terms of condition for each type of warning letter, including suspension practice. It is expected to be completed at end of June 2009.

Supplier CAP Date: 06/30/2009

Action Taken: At follow-up audit September 1, 2009, noted there were still no terms of conditions indicated in CBA for each type of warning letter and suspension which could be issued. Further, PKB expired May 7, 2009; union was in process of renewing PKB. However, evidence that renewal was in progress provided. Factory confirmed to redesign new CBA to have more details of warning letters, as per type of issuance and to train employees for their implementation. These corrective actions planned to be completed before end of November 2009.

Plan Complete: No

**Plan
Complete
Date:**

Harassment or Abuse: Discipline/Review of Disciplinary Action

H&A.3 The disciplinary system shall include possibilities for workers to have disciplinary action imposed on them reviewed by someone at a higher managerial position than the manager who imposed the disciplinary action. In addition, such a system shall include the ability of a worker to appeal and/or question any disciplinary action against him or her and/or have a third party of his or her choice present when the disciplinary action is being imposed. (P)

Noncompliance

Explanation: There was no evidence to prove that current disciplinary system provides workers with an opportunity to reply, challenge or make appeals against termination.

Plan Of Action: Factory should set up internal system and policy for workers to appeal or question any disciplinary actions against them. Such policy should be written and well communicated to workers.

**Deadline
Date:**

Supplier CAP: Factory agreed to redesign new PKB to include terms of conditions for workers to reply, challenge or make appeals against termination. In addition, factory will keep all appeal records in order to prove they have system for workers to reply. It is expected to be complete at end of June 2009.

**Supplier CAP
Date:** 06/30/2009

Action Taken: At follow-up audit September 1, 2009, noted factory had practice for employees to reply, challenge or make appeals against disciplinary action imposed on them, reviewed by worker at higher managerial position. Employees free to give explanation in letter to HR department, which was reviewed and signed by higher managerial position to determine objectivity of disciplinary practices. 5 copies of disciplinary form distributed, 1 for employee, HR, Local Labor Bureau, Union Labor and archive. Complete disciplinary forms provided for review as evidence of disciplinary system.

Plan Yes
Complete:

Plan 09/01/2009
Complete
Date:

Harassment or Abuse: Discipline/Worker Awareness and Participation of Workers

H&A.6 Workers must be informed when a disciplinary procedure has been initiated against them. Workers have the right to participate and be heard in any disciplinary procedure against them. Employers shall maintain written records of all disciplinary actions taken. Workers must sign all written records of disciplinary action against them. Such records must be maintained in the worker's personnel file. (P)

Noncompliance

Explanation: No proper file maintenance system for keeping track of letters issued to workers. Warning letter maintained separately from worker's personnel file.

Plan Of Action: Factory needs to develop well-organized system for filing warning letters. Factory should maintain all warning letters together with individual worker's personnel files.

Deadline Date:

Supplier CAP: Factory agreed to keep all warning letters properly in individual workers' personnel files.

Supplier CAP Date: 01/01/2009

Action Taken: During follow-up audit September 1, 2009, noted that warning letters issued to employees maintained in related employees' personnel files.

Plan Yes
Complete:

Plan 09/01/2009

Complete

Date:

Harassment or Abuse: Discipline/Monetary Fines and Penalties

H&A.8 Employers shall not use monetary fines and penalties as a means to maintain labor discipline, including for poor performance or for violating company rules, regulations, and policies. (S)

Noncompliance

Explanation: Factory applied tardiness deduction for those arriving more than 10 minutes late. Deduction made based on minutes/hours of tardiness. Formula applied is: basic wage divided by 30, then divided again by 7. Result is multiplied by hours/minutes late.

Plan Of Action: Factory should stop all tardiness deductions. Deductions should only be based on actual minutes/hours employee is tardy.

Deadline

Date:

Supplier CAP: Factory agreed they pay wages to workers based on actual attended time and confirmed they won't deduct money from workers' wages based on any disciplinary reasons. Factory will establish a detailed wage calculation policy and make sure their workers understand their wages will be only deducted if they come late.

Supplier CAP 06/19/2009

Date:

Action Taken: At follow-up audit September 1, 2009, noted wages still deducted from workers who arrived at factory more than 10 minutes late. Factory explained deduction of wages will only occur when workers come in 10 minutes late or more. They pay wages to workers according to their actual times in and times out. This is a kind of method to control workers' punctuality. Factory will keep going with this policy in future. Also, factory explained policy is in compliance with Labor Law 13, Article 93 (1): "No wages will be paid if workers/laborers do not perform work." Policy is used to calculate accurate compensation according to workers' attendance; it is not for disciplinary purposes.

Plan Yes

Complete:

Plan Complete Date: 09/01/2009

Non-Discrimination: Employment Decisions

D.2 All employment decisions shall be made solely on the basis of a person's qualifications, in terms of education, training, experience, demonstrated skills and/or abilities, as they relate to the inherent requirements of a particular job. (P)

Noncompliance

Explanation: There were questions in personnel data list and employee requisition form which inquired marital status of applicant. At least 1 completed employee requisition form also indicated that 1 of qualifications was that worker's marital status should be single. Moreover, it was also noted that prior to employment, workers were required to have a medical examination in factory's on-site clinic, which used the form to indicate workers' marital status.

Plan Of Action: Factory should only make hiring decisions based on the worker's ability, experience or qualification. Any discriminate hiring decision based on marital status should be discontinued immediately. Management should communicate this concept to personnel department.

Deadline Date:

Supplier CAP: Factory agreed to remove marital status section on employee requisition form. Also, factory will stop practice of checking a worker's marital status in pre-employment medical examination. Factory will only make hiring decisions based on worker's ability, experience or qualification.

Supplier CAP Date: 01/01/2009

Action Taken: During follow-up audit September 1, 2009, noted factory established policy on May 10, 2009 to remove requirements regarding sex, marital status, and age limit from their MRF (Manpower Requisition Form). It was also noted that prior to employment, employees were not required to have their medical examination performed in the factory's on-site clinic.

Plan Complete: Yes

Plan Complete Date: 09/01/2009

Code Awareness:

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

Noncompliance

Explanation: No evidence indicating company has program (projects, trainings, conferences, etc.) to educate management and employees of company's standards on a regular basis. So far, factory has assigned designated service providers/3rd parties to have an ordinary 1-day social compliance audit.

Plan Of Action: Company will continuously provide most up-to-date standards to factory. In addition, factory should contact company if they are unclear about company's CoC requirements.

Deadline Date:

Supplier CAP: Company will continuously work with factory to develop internal CoC training program for workers. Also, company will arrange necessary training/conference with factory if there are any changes or updates of FLA/company standards. In addition, factory agreed to conduct seminars on quarterly basis to address code of all brands, and to educate workers to enhance general awareness of their basic rights.

Supplier CAP Date: 06/19/2009

Action Taken: Factory had conducted refreshment training regarding company's CoC standards. This refreshment training emphasizes the complaints/grievance procedures for workers. The training records and photos were provided to company for review.

Plan Complete: Yes

Plan Complete Date: 10/09/2009

Code Awareness:

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

Noncompliance

Explanation: Company provided local headquarters' address and phone numbers at bottom of each CoC poster posted. It just stated if any issues related to CoC element unclear, workers could address questions to local headquarters. But, sheet did not provide information for specific contact person or related department. No indication to prove provided address and phone numbers functioned as effective noncompliance reporting mechanisms for workers. No other efforts maintained for workers to actively and effectively utilize it, allowing direct and confidential contact with company. No evidence to show company communicated non-retaliation policy for workers at factory level.

Plan Of Action: Company should enhance noncompliance reporting mechanism for workers. Company currently updating CoC in order to provide more clear/direct grievance channel for workers. Also, factory should set up non-retaliation policy and communicate it clearly to workers.

Deadline Date:

Supplier CAP: Company will continuously work with factory to develop confidential reporting channel for workers at factory level. Also, company will monitor factory in order to establish non-retaliation policy as soon as possible.



Supplier CAP 06/30/2009

Date:

Action Taken: Actually, factory conducts CoC orientation training for each worker when join company. Confidential reporting channel and its details both included in program. Besides orientation training, extra refresher training will be provided to all existing workers every 6 months. Company provided updated CoC with noncompliance reporting details of channel's information/confidential contacts. June 13, 2009, factory conducted refresher training on company's CoC standards, emphasizing complaints/ grievance procedures for workers. Moreover, factory established non-retaliation policy regarding workers making complaints or grievances via confidential reporting channel. Training records and photos of non-retaliation policy provided for review early November 2009.

Plan Yes

Complete:

Plan 11/04/2009

Complete

Date:

Health and Safety: General Compliance Health and Safety

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

Noncompliance

Explanation: 1. No Hazard Assessment and ergonomics measurement ever conducted in facility.

(Labor Ministry Circular No. SE-05/BW/1997: factory shall maintain hazard assessment to determine if personal protective equipment is sufficient for working conditions.)

2. Factory has not maintained bi-annual report of Environmental Management Plan/ Environmental Monitoring Plan Document (UPL/UKL) for year 2008.

(Government Regulation No. 27 of 1999 regarding analysis of environmental Impact, Article 32: company shall make evaluation report of UKL and UPL that was submitted to environmental impact control agency every 6 months in June and December.)

Plan Of Action: 1. Factory should conduct internal hazard assessment and ergonomics measurement to address workplace H&S issues.

2. Factory needs to conduct environmental monitoring plan every 6 months.

Deadline Date:

Supplier CAP: 1. Factory agreed to conduct hazard assessment and ergonomics measurement. Factory will design assessment checklist and use it for internal assessment monthly.

2. Factory agreed to maintain reporting every 6 months on Environmental Management Plan/Environmental Monitoring Plan document. Factory confirmed reports were ready since January 9, 2009.

Supplier CAP Date: 01/09/2009

Action Taken: At follow-up audit September 1, 2009:

1. Hazard assessment and ergonomic measurement not been conducted in factory yet.

2. It was noted that 6-month report of Environmental Management Plan/Environmental Monitoring Plan Document (UPL/UKL) for year 2009 was not maintained in factory yet.

Plan Complete: No

**Plan
Complete
Date:**

Health and Safety: Evacuation Requirements and Procedure

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

Noncompliance

Explanation: Inadequate aisle space in fusing area for checking process in one of the buildings. Found that this area of workplace could not allow free body movement, particularly for those stationed at raw near wall.

Plan Of Action: Factory should ensure all aisles/evacuation paths are appropriate size. All aisles/paths should be kept clear from obstacles and provide sufficient space for movement. Management should conduct internal checks to ensure all aisles meet general evacuation standards.

**Deadline
Date:**

Supplier CAP: Factory agreed to reorganize aisle to be adequate for checking process at fusing area. In addition to reorganizing layout at fusing area, management will conduct internal checks monthly to ensure all aisles meet general evacuation standards.

Supplier CAP Date: 06/19/2009

Action Taken: Factory reorganized layouts at fusing area in order to keep all aisles free from obstacles. Supporting photos provided to company May 28, 2009 for verification.

Plan Yes
Complete:

Plan 05/28/2009
Complete
Date:

Health and Safety: Safety Equipment and First Aid Training

H&S.10 All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be available in sufficient numbers throughout the factory, maintained and stocked as prescribed and easily accessible to workers. A sufficient number of workers shall be trained in first aid and fire fighting techniques. (S)

Noncompliance

Explanation: First aid team members did not wear signage for quick reference in case of emergency.
(Labor Minister Regulation No. PER- 15/MEN/VIII/2008 regarding first aid at workplace, Article 7.2, first aid team shall use particular signs in order to be easy recognized.)

Plan Of Factory should provide special uniforms and badges to first aid team members. Such
Action: uniforms/badges can act as signage for easy recognition during emergency cases.

Deadline
Date:

Supplier CAP: Factory agreed to post picture of first aid team members in workshop in order to provide quick reference in case of emergency. In August 2009, factory will review effectiveness of wearing signage for first aid members.

Supplier CAP 06/19/2009
Date:

Action Taken: Factory posted picture of first aid members in workshop for workers easy reference. In addition, there is detailed name list of trained first aid employees posted next to first aid members' picture. Supporting photos provided to company for review.

Plan Complete: Yes

Plan Complete Date: 10/09/2009

Health and Safety: Chemical Management and Training

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

Noncompliance

Explanation: No secondary container for white oil at chemical storage area.

Plan Of Action: Factory should provide secondary container at white oil storage area. Such container should be clearly marked and stored in areas that lessen chance of leaks, spills or fires.

Deadline Date:

Supplier CAP: Factory agreed to provide secondary container at white oil storage area.

Supplier CAP Date: 01/10/2009

Action Taken: Factory provided secondary container at white oil storage area. Supporting photos provided to company for verification.

Plan Complete: Yes

Plan Complete Date: 05/28/2009

Hours of Work: General Compliance Hours of Work

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

Noncompliance

Explanation: Based on attendance records review, following excessive normal work hours noted:

-At least 4 packing/finishing workers of Dress 2 worked 16-22 hrs/day (9-15 OT hrs/day)

-At least 6 packing/finishing workers of Dress 1 worked 22 hrs/day (15 OT hrs/day)

-At least 4 packing/finishing workers of Dress 2 worked 62.5-70.5 hrs/wk (22.5-30.5 OT hrs/wk) in September 2008.

-At least 7 packing/finishing workers of Dress 1 worked 77-79 hrs/wk (37-39 OT hrs/wk) in August 2008.

(Labor Act UU No.13/2003, regarding work time, Chapter X, Paragraph 4, Article 78.1(b) stated maximum OT work allowed is 3 hrs/day and 14hrs/wk. Labor Minister Decree No. KEP.102/MEN/VI/2004 regarding OT hours and OT pay, Article: 3.)

Plan Of Action: Factory has to work out detailed plan to reduce OT on progressive basis. One goal is to ensure workers have 1 day off a week and work less than 60 hrs/wk. Establish internal controls to ensure no workers work excessively during peak and low seasons. Factory also required to ensure OT is on voluntary basis. PC will work with factory to perform following: (a) identify root causes of working excessive OT; (b) review plan drawn up by factory, and corresponding improvements; and (c) review if controls properly in place to monitor OT on weekly basis and keep it in check.

Deadline Date:

Supplier CAP: Factory agreed on PC's plan of action and identified several reasons for working excessive OT. One reason is delayed materials delivery. Factory will closely work with materials suppliers on how to avoid any delay, so will not affect production. Factory requires suppliers to report delivery schedule immediately if any change or delay is predicted. Also, factory will set up OT logbook in order to keep track of weekly OT. HR department will review overall OT hours every Thursday. If maximum OT limit almost reached, HR will inform production to strictly control line OT planning the next 2 days (Friday/Saturday). Factory agreed to hold monthly production planning meeting. Actual OT hours will be reviewed during meeting. Production department will then inform merchandising team about capacity warning if excessive OT detected.

Supplier CAP Date: 05/28/2009

Action Taken: At follow-up audit September 1, 2009; noted OT hours still above local limit. Time records indicated the following:

- 2 sample population employees worked over 14 OT hrs/wk (27.5-32 hrs) and over 60 hrs/wk (67.5-72 hours) in March 2009.
- 1 sample population employee worked over 14 OT hrs/wk (29.5 hrs) and over 60 hrs/wk (69.5 hours) in January 2009.
- 3 sample population employees worked over 14 OT hrs/wk (30.5-31.5 hrs) and over 60 hrs/wk (70.5-71.5 hours) in August 2009.
- 2 sample population employees worked over 3 OT hrs/day (7.5 hrs) in January 2009.

Further follow up of factory's work hours issue is necessary.

Plan Complete: No

Plan Complete Date:
