FLA Audit Profile	
Country	Indonesia
Factory Location	Karawang
Site	Mono Inc Mono Inc - PT Mono Indonesia
Audit Date in Facility	Monday, May 16, 2011
Audit	Initial Audit
Number of workers	1,000
Manufacture	Shoe Package Mono Mono
Production	Cutting, Sewing, Trimming, Testing, Assembly

Independent External Verification
Indonesia
Karawang
Mono Mono
Monday, May 16, 2011
Initial
1,000
Shoe

FLA Code/Compliance Issue	Country Law/Legal Reference	FLA Benchmark	Non-Compliance	Risk of Non-Compliance	Evidence of Noncompliance (Observation/doc #)	If Not Corroborating, Explain Why	Source/Documentation is Used for Corroborating	Notable Features	PC Remediation Plan	Target Completion Date	Company Follow Up (March 2007)	Documentation	Follow-up? Completed, Pending, Ongoing	Company Follow Up (June 26, 2007)	Documentation	Follow-up? Completed, Pending, Ongoing	Company Follow Up (April 23, 2008)	Documentation	Follow-up? Completed, Pending, Ongoing	Company Follow Up (November 30, 2009)	Documentation	Follow-up? Completed, Pending, Ongoing	External Verification (October 20-21, 2011)	Documentation	Company Follow Up (January 31, 2012)	Documentation
1. Forced Labor																										
Worker/Management Awareness of Code		**FLA Principle of Monitoring, Obligation of Companies:** Develop a program to inform, train, and educate managers and supervisors (from employees about the workplace standards codify, and the FLA Code of Conduct and Implementation Guide in the local language spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.		Most workers were aware that factory has policy regarding Code of Conduct and Implementation Guide such as child labor, discrimination, harassment and abuse, forced labor, and health and safety. Most workers are also aware that PCU have rotor contact with management and workers. Management also have a copy of Nike Expectations PCU Code of Conduct (COC) which they were hired.			Management and worker interviews, document review		Factory is to develop induction training program for new workers that includes information regarding COC.	Dec-06	Training on COC has been included in the induction training.	Induction training materials	Completed										CDC training had been conducted in 2007. The COC was included in the induction training for new workers. Training on the COC information regarding COC has not been included in the induction training program since January 2011. **[Pending]**	Record inspection, worker and management interviews	Factory provided COC training as part of induction training. Training topics covered company policies and procedures, including harassment, wages, working hours, non-harassment, etc. which are part of the COC. Factory is to develop induction training program for new workers that includes information regarding COC. Factory is also to develop training on refresher training for current workers. Factory is to ensure that COC always become part of induction training and regular training program. It should be stated clearly in the Training Procedure.	Training record and Management and worker interviews
Confidential Noncompliance Reporting Channel		**FLA Principle of Monitoring, Obligation of Companies:** Develop a secure communications channel for employees to report violations or potential violations. To enable Company employees and employees of contractors and suppliers to report to the FLA or independent monitor without fear of retaliation, Company management should establish a confidential channel for employees to report violations or potential violations.	No evidence found that company put in place a confidential noncompliance reporting mechanism that allows workers to report violations or potential violations without fear of retaliation. According to the management, when company representatives visited the factory, they interviewed workers directly and distributed questionnaires to workers randomly to the workers. Union members also collected this.			Factory observation, management and worker interviews.		Company compliance team provides workers with business cards during worker interviews in order for workers to contact company representatives directly. Company compliance team, compliance coordinator, and factory workers also contact company to factory management, but investigates their claims during company internal audits.			Completed and Ongoing										Company has posted an Open Letter procedure in the production building for a confidential noncompliance reporting mechanism that allows workers to send complaints directly to the PLA-affiliated company. **[Completed]**	Visual inspection, worker and management interviews		
2. Forced Labor																										
There will not be any use of bonded labor, whether in the form of person labor, indentured labor, bonded labor or otherwise																										
Employment Records	Labor Act (U) No.13/2003, chapter 31 regarding written contract, article 54.1 stated that a work agreement for a specified time current stipulated probation.	Employees will maintain sufficient hiring and employment records and verify compliance with this Code provision.	Factory applied probation period for at least 3 hiring workers, although they had already gone through consecutive employment contracts under specified period of time (PKWP). Factory did not provide PKWP to workers at the time of hiring and employment application after they finished the employment contract under a specified period of time. Factory only provided employment contract to workers after 3 months workers' personnel file. actual date of hiring will be based on new employment agreement issued. In addition, old personnel files of workers who were hired before 2007 were not kept together with current personnel files and employment			Management and worker interviews, document review		1) Factory to develop or review written procedure regarding hiring system which must follow local regulation. 2) Factory to keep all workers's documents from when workers started work in the factory and to update them regularly.	Dec-06	1) Factory still needs to revise the existing hiring procedure to add information/process for when they want to recruit temporary workers, although currently there are no temporary workers.	Hiring procedure	Ongoing	1) Factory management has revised recruitment procedure for contract/temporary workers. 2) In addition, each worker has their own employee file in a folder which is kept in the personnel office. Management, Human Resources, Admin, promotion information, warning letters, etc. Factory has employee database with easy employee file tracking.	Hiring procedure	Completed										The factory has had no over hired contract workers since February 2009. All workers are hired with permanent status. The one worker base to complete 3 months of probation period before they are promoted to permanent status. **[Completed]**	Record inspection, worker and management interviews		
Offers Appointment Letter	Labor Act (U) No.13/2003, chapter 31 regarding written contract terms, article 63 stated that if a written contract of employment is not in time is made orally, the entrepreneur is under an obligation to issue a letter of appointment for the relevant workers' labour.	Employees will provide written contract terms, article 63 stated that if a written contract of employment is not in time is made orally, the entrepreneur is under an obligation to issue a letter of appointment for the relevant workers' labour.	Factory does not provide appointment letters to workers who passed the probation period and are promoted to permanent status. Factory only provides appointment letter for employment agreements of permanent workers mentioned that new workers should take a 3 month probation period. However, there was no statement that after evaluation of probation period, workers will be promoted to permanent status. Although the letter mention sustain satisfaction with management, it was submitted that there was no formal official letter issued to workers who pass the probation period.			Management and worker interviews, document review		1) Factory management to create a policy that clearly indicates how workers become permanent workers after completing their probation period. 2) Factory management to create a letter confirming promotion which must provide appointment letters for workers who successfully complete their 3month probationary period.	Dec-06	1) Factory management must old-revise the policy, since it is not clear how workers can become permanent.	Hiring procedure	Ongoing	Factory has revised the recruitment procedure which states the appointment letter for workers who passed the 3-month probation period.	Hiring procedure	Completed										The factory has had no over hired contract workers since February 2009. All workers are hired with permanent status. The one worker base to complete 3 months of probation period before they are promoted to permanent status. **[Completed]**	Record inspection, worker and management interviews		
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 Documentation		Employers will maintain proof of age documentation for all workers, such as a birth certificate, which verifies date of birth.																					Factory asked people from local area (subcontract workers) to help with unloading bakiss from customers. However, copy of age documentation of outsourced workers was not maintained. Based on the interviews with management, outsourced workers came in least once a week. Management admitted that a group of people from the local area requested jobs as helpers to unload bakiss from customers. Management admitted that they did not have a copy of age documentation. In addition, factory did not maintain a list of outsourced workers names for each loading process. **[New Finding]**	Record inspection, management interviews	Factory is cease this practice. as it is not in compliance with local legal regulation (Manpower Decree No. 100 Year 2004 concerning Contractual Working System). Based on regulation, factory is not allowed to use outsourced workers for the production process and production support. Therefore, factory should use their internal workers to do such processes instead of outsourced workers. It is very common in Indonesia for local people to request job opportunities from factory. It is a good communication when implementing a policy that could impact the community. Factory should discuss with local community and explain to them why factory cannot hire outsourced workers based on regulation of Ministry of Manpower Decree No. 100 regarding temporary workers. Factory should find a better way to accommodate local community requests. Factory could provide training to local people so they can help one-time help and other, or other activities which do not directly involve the factory's direct production work activities. Meetings minutes from discussion.	Management interviews, disciplinary procedure review
Juvenile Worker Identification System		Employers will have a system for identifying work minors and documents that are required for young workers according to applicable laws.		Factory has established policy to only employ workers at least 18 years old. However, there was no policy and procedure established regarding the protection of juvenile workers in the case of apprentice/vocational students.			Management and worker interviews, document review		Factory management to develop policy and procedure for juvenile workers in case apprentice/vocational students apply and are hired by the factory.	Jun-07	Procedure regarding juvenile workers has been developed. In the Apprentice procedure, it stated that age is less than 18 years old, then the work hours are only 3 hours/day and they must attend school. Factory has 3 kinds of apprentice: 1) Apprenticeship is 3 months, 2) the contract is the factory apprentice procedure are based on the local regulation regarding apprentices.	Apprentice procedure	Completed										Factory has maintained policy and procedure regarding the employment of juvenile workers. Under apprenticeship, students are available and hired. Based on factory apprentice procedure, factory has 3 kinds of apprentice: 1) Apprenticeship is 3 months with a maximum apprenticeship program of 3 months and they must have a written permit from their parents and school. **[Completed]**	Record inspection, and management interviews		
4. Harsh or Inhumane Treatment																										
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 disciplinary steps such as verbal warning, written warning, suspension, termination. Company policies and CBA (PKB) will include termination for theft or assault, shall be in writing and timely communicated to workers.		Factory has policy regarding disciplinary practice and it was also included in CBA (PKB). However, no clear explanation regarding type of violation resulting in suspension. CBA Article 38 stated that PKB, Article 15 stated that disciplinary action will consist of verbal warning, written warning, suspension, which could potentially lead to unfair suspension.			Management and worker interviews, document review		Factory to discuss and develop with the union additional notes regarding the suspension section on CBA (PKB).	Feb-07	Renewal of CBA (PKB) still is in the process of negotiation. Negotiation and renewal between management and workers' union will be completed by June 2007.	Management interview	Ongoing	The new CBA has been completed between workers' union and management and includes the suspension period policy under the termination procedure section.	New CBA, industrial dispute procedure and workers' union interviews.	Completed													
Progressive Discipline		Employers will utilize progressive discipline, e.g., escalating disciplinary steps such as verbal warning, written warning, suspension, termination. Company policies and CBA (PKB) will include any exceptions to this rule, e.g., immediate termination for theft or assault, shall be in writing and timely communicated to workers.		On August 20, 2006, factory issued termination announcements for 172 workers. On announcement letter period, no explanation regarding reason why workers were made could be challenged or replied. However, no policy or procedure that, in the case of discipline process resulting in termination, workers have the right to reply, challenge or make appeals against the termination.			Management and worker interviews, document review		1) Factory management to discuss and develop with union an appeal and termination procedure. It should be fair and transparent and in compliance with local law and SA8 Standards. 2) Termination procedures to be communicated to workers once developed.	Feb-07	Renewal of CBA (PKB) still is in the process of negotiation. Negotiation and renewal between management and workers' union will be completed by June 2007.	Management interview	Ongoing	The new CBA has been developed, including a section on the disciplinary sanctions. Factory has developed an industrial dispute procedure.	New CBA, industrial dispute procedure	Completed										The discipline process resulting in termination has been included in the CBA (PKB). Workers have opportunity to reply, challenge or appeal against the termination process. However, there is no clear explanation of workers notice the last termination in 2006. **[Completed]**	Record inspection, management interviews		
Disciplinary Practices	Factory's CBA (PKB) article 5&6? stated warning letter can be issue for working not comply with the rank and operational standard procedure defined.	Employers will utilize consistent written disciplinary practices that are applied fairly among all workers.	All level 2 warning letters were issued due to unachieved production target. The subject of those warning letters was CBA Article 5&6? regarding work not complying with the rank and operational standard procedure defined. However, workers did not indicate the operational mistake that caused the target not to be achieved.			Management and worker interviews, document review		Factory to conduct training to managers and supervisors regarding implementation of disciplinary practice to ensure the disciplinary action taken is in accordance with the CBA (PKB).	Dec-06	Renewal of CBA (PKB) still is in the process of negotiation. Negotiation and renewal between management and workers' union will be completed by June 2007.	Management interview	Ongoing	The disciplinary procedure has been communicated to all managers, supervisors and workers through the factory's training program.	Training record, training program (2007)	Completed										Disciplinary records showed 2 workers were given warning letter type 2 on April 21, 2011 due to not reaching the production target. The subject of those warning letters was CBA Article 5&6? regarding work not complying with the rank and operational procedure. However, the warning letters still did not indicate the operational mistake that caused the target not to be achieved. In addition, there was no information regarding the improvement remaining or guidelines so that they can meet the standards set by the factory. **[Pending]**	Record inspection, and management interviews	Factory to recall all warning letters that were issued improperly, i.e., due to target not achieved. Factory should provide training to workers on achieving production targets, such as production skills, unreasonable production targets, and other factors causing workers to make mistakes in Disciplinary Procedure, so that it avoids a cross-checking process on the need to issue a warning letter. Factory to conduct training to management and supervisors regarding implementation of disciplinary practice to ensure disciplinary actions are taken in accordance with CBA (PKB).	Management interviews, disciplinary procedure review
Disciplinary Practices	Law No. 13 (2003), Art. 9, Every worker/labour has the right to receive equal treatment from the entrepreneur without discrimination	Employers shall apply disciplinary rules, procedures and practices in a fair and non-discriminatory manner to all workers.					Management and worker interviews, document review		Factory management to conduct training to managers and supervisors regarding implementation of disciplinary practice to ensure the disciplinary action taken is in accordance with the CBA (PKB).	Dec-06	Renewal of CBA (PKB) still is in the process of negotiation. Negotiation and renewal between management and workers' union will be completed by June 2007.	Management interview	Ongoing	The disciplinary procedure has been communicated to all managers, supervisors and workers through the factory's training program.	Training record, training program (2007)	Completed										As punishment for poor performance and attendance, workers are deprived from OT work. Majority of selected sample workers stated that they were given OT work in the past. However, in 2010, 2011 (Employee survey) working in sewing line got this punishment because they did not come to work on September 3, 2011 without any reason. Factory also deprived workers from OT work on April 4, September 5, 2011. They were not given OT for at least 10 days. OT approval form (SPL) showed [illegible]ere were highlighted on April 4, September 5, 2011 and on 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, but supervisors interviewed stated that highlighting on the SPL was not from them. It was possible done in the office. Based on the interviews with workers (Employee survey) received warning letter type 2 on April 21, 2011 due to not reaching the production target. These 2 workers were also not given OT hours for several days. **[New Finding]**	Record inspection, and management interviews	Factory is to cease this practice. There must be no improper disciplinary action taken against workers who are following company regulations. Factory should provide training to supervisors on how disciplinary should be followed this practice. Factory to make sure that there is no discriminatory practice in selecting workers for OT. It should be clearly communicated to workers regarding the rules for OT selection based on workers' skill, production needed and workers' skills. Factory to review and ensure that its OT procedure contains a process of selecting workers for OT. Once OT selection process is in place, it should be communicated to workers. Factory should take proper/appropriate disciplinary actions against supervisors that breach the procedure.	Management interviews, overtime procedure review
Training of Management Personnel/Disciplinary Practices		Employers will provide training to managers and supervisors in appropriate disciplinary practices.	No training to managers and supervisors in appropriate disciplinary practices in order to ensure disciplinary actions taken were in accordance with CBA (PKB). In practice, the disciplinary action taken against workers who were found to be subject to reviewed a warning letter. Then, the subject of the action/promotion is reported to Personnel Department, which is very, rough the warning letter and communicates it to the respective worker.			Management interview, document review		Factory management to conduct training to managers and supervisors regarding implementation of disciplinary practice to ensure the disciplinary action taken is in accordance with the CBA (PKB).	Dec-06	Renewal of CBA (PKB) still is in the process of negotiation. Negotiation and renewal between management and workers' union will be completed by June 2007.	Management interview	Ongoing	The disciplinary procedure has been communicated to all managers, supervisors and workers through the factory's training program.	Training record, training program (2007)	Completed										The managers and supervisors received training on harassment and abuse. The last training was conducted August 10, 2011. However, there was still no training for managers and supervisors on implementation of disciplinary practice to ensure disciplinary actions taken were in accordance with CBA (PKB). **[Pending]**	Record inspection, and management interviews	Factory management to conduct training to managers and supervisors regarding implementation of disciplinary practices to ensure disciplinary actions taken are in accordance with CBA (PKB). Factory needs to provide training to managers and supervisors on how to discipline workers, managers and supervisors regarding disciplinary procedures. Factory has conducted training for managers and supervisors regarding implementation of disciplinary practices and to pair in their training program.	Management interviews, training program
5. Non-Discrimination																										
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 ethnicity.																										
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 the Code of Conduct. Such decisions will not consider wages, bonuses, allowances, and other forms of compensation, promotion, discipline, assignment of work, termination of employment, potential of retirement		Factory has established a non-discrimination policy. However, criteria for decisions on work assignments, job training promotions, pay, etc. and whether they are based solely on skill and ability is unclear.			Management and worker interviews, document review		1) Factory is to develop clear performance appraisal system that should be in compliance with labor law and SA8 standards, and strictly be based on work performance. 2) Factory management to provide training/briefing/presentations on performance appraisal system once completed.	Post-draft (April 2007) - May 2007	1) The draft has been developed and it is being finalized by the Factory group.	Draft performance appraisal system	Pending	Performance appraisal system is still waiting for approval from top management.	Performance appraisal system	Completed and Ongoing	1) Performance Appraisal procedure, 2) Training record	1) Factory has developed clear performance appraisal system based on the work performance assessment (Rule that capacity building for HR/compliance team was facilitated in Factory on 2008 and 2009 and Factory management approved Performance Appraisal system. SEA hired external expert consultant to provide training and guidance to selected management staff on performance appraisal system in 2008 and 2009 and implementation of the system has been ongoing as it is implemented. 2) Socialization and trainings on PA system (procedure, steps, criteria, and forms) and Training for other supervisory levels on system given to workers during meetings with their supervisors. PA system has been implemented since January 2010 and it is implemented in various supervisory levels.	1) PA policy, procedure, forms, criteria, etc. 2) Attendance list of socialization/presentation on PA system	Completed	Factory updated its non-discrimination policy January 5, 2011, which clearly states that work assignments, job training promotions, wages and incentives are based on skill, ability and qualification of education. **[Completed]**	Record inspection, worker and management interviews	
Hiring Discrimination Practices	Law No. 13 (2003), Art. 5, Every worker has the same opportunity to obtain a job without discrimination.	Recruitment and employment policies and practices, including job advertisements, job descriptions, and performance/job evaluation policies and practices shall be free from any type of discriminatory bias.					Management and worker interviews, document review																Factory has a non-discrimination policy. However, hiring notices posted on the community showed upper age limit, gender and marital status. Factory lodged for 1 single-male mechanic, 1 single-female QC, 1 single-female sewing operator, 1 single-female QC, the ages of 18 to 25, and 1 single-female staff member, from the ages of 18 to 25. **[New Finding]**	Record inspection, and management interviews	Factory is to cease such practices and ensure all factory practices are in line with all company policies. Factory is to ensure all discrimination in employment practices (from recruitment until termination) are solely based on ability and skills. Factory should not include any personal characteristics such as race, national origin, gender, religion, age, disability, marital status, parental status, sexualization-homosexuality, sexual orientation, and political opinion in its recruitment process. Factory's Recruitment Procedure clearly mentions process of ensuring that recruitment activities are not discriminatory. Factory should provide training to HR and Department regarding company policies and recruitment procedure.	Management interviews, recruitment procedure review
6. Health and Safety																										
Employers will provide a safe and healthy working environments 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 Regulation No. PER-04/MEN/1987 concerning Health and Safety (HYPERIS) Hygiene, Factory, Health and Safety) training for the company's management. Article 3 stated that the company is obliged to participate in company's awareness for HYPERIS training	Employer will comply with applicable health and safety laws and regulations. In any case where laws and HYPERIS Hygiene, Factory, Health and Safety) training standards will apply. The factory will possess all legally required permits.	The approved doctor and nurse served the on-site clinic. However, there was no evidence showing that the same with HYPERIS Hygiene, Factory, Health and Safety) training.				Management and worker interviews, document review		Factory has already changed the provider for health service in 2010 and the new provider is Mitra Keluarga. The same with already have the certificate from HYPERIS.	Done		Certificate Hyperis	Completed										The available paramedic in the clinic received HYPERIS Hygiene, Factory, Health and Safety) certificate March 21, 2011. **[Completed]**	Record inspection, paramedic and management	
Fire Safety: Health and Safety Legal Compliance	Labor Ministry Circular No. SE-05/MEN/1987 stated the factory shall maintain hazard assessment to determine the personal protective equipment is sufficient for the working conditions.	Employer will comply with applicable health and safety laws and regulations. In any case where laws and code of conduct are contradictory, the higher standards will apply. The factory will possess all legally required permits.	Factory has identified the hazards of particular work and provided appropriate PPE. However, no written hazard assessment that identified potential risks and hazards pertaining to jobs in all sections.			Management interviews, document review		1) Factory is to conduct a risk assessment to determine the PPE needs in each factory section. 2) Factory should provide training to workers on the importance and proper use and storage of PPE and also enforce the use of proper disciplinary action for workers who fail to wear the PPE provided by the factory.	Mar-07	1) Draft of risk assessment form has been developed. Factory plans to conduct the risk assessment in April 2007. 2) Training regarding PPE has been conducted.	1) Draft risk assessment form, 2) PPE training record	Ongoing	Risk assessment for all processes in the factory has been developed. Yet, risk assessments did not provide proper measuring tools to control and minimize risk other than through the use of PPE. Factory should provide PPE based on the risk. Factory should be calculated the risk measure to eliminate risk.	Risk assessment record	Ongoing	1) HIRAC (Hazard Identification, Risk Assessment & Control) manual has been developed/completed. This includes identification of types of PPE needed in areas identified as hazardous. 2) PPE training has been conducted. Training was conducted based on the schedule. Factory also includes component of compliance with ISO (which include safety measures) in CBA discussions (PKB). Safety is a consideration point in production line focus projection.	1) HIRAC Manual, 2) 2007-2008 ISO training schedule and HSE training records.	Completed													
Fire Safety: Health and Safety Legal Compliance	Labor Minister Regulation No. PER-01/MEN/1981 concerning Occupational Medical Examination, article 2(1) any undertaking or enterprise in subsection 2 (3) of Safety Act (UU No. 1 Year 1970) must conduct examination to workers (including complete physical examination, physical fitness, forms of the lungs (if possible), laboratory routine, and other examinations considered necessary by the doctor). Article 3 stating as mined in subsection 2 (2) above shall provide periodical medical examination to workers at least once in a year, unless otherwise determined by the Director General.	Employer will comply with applicable health and safety laws and regulations. In any case where laws and code of conduct are contradictory, the higher standards will apply. The factory will possess all legally required permits.	Factory has never provided occupational medical examinations to workers. Factory only conducted medical examinations in specific medical examinations, including exams for workers dealing with chemicals.			Management and worker interviews, document review		1) Factory is to conduct the following medical check ups: pre-employment, annual (PCU is included in HSE regular work program), 2) Factory should provide medical check ups (pre-employment and annual) to workers with certain conditions in order to prevent them from working in the factory.	Aug-07	1 x-G Factory already has an agreement with the health provider to conduct medical check ups for 2007.	Agreement letter between Management and medical provider	Ongoing	1 x, G, Medical check ups have been conducted for pre-employment and annual PCU for some workers. Pre-employment MCU is included in factory's Recruitment and Selection Procedure. General MCU program is provided in HSE regular work program. Medical check ups are designated for hazardous areas, there are additional checks to ensure workers' fitness. If they are placed in those areas.	1) Medical check ups report, 2) Recruitment and Selection Procedure	Completed and Ongoing	Factory started to provide occupational medical examinations for workers in production area in 2010. Based on the MCU results, in 2010 for 1 worker, 1 in 2011 for 2 workers, and in November 28, 2010 for 298 workers. Based on medical examination results, around 800 out of 1,250 workers have not yet been provided with occupational medical examinations. **[Ongoing]**	Record inspection, interviews	1) Factory is to conduct the following medical check-ups (MCU): a) Pre-employment MCU, b) Annual MCU, c) Medical check-ups for workers with certain conditions. 2) All MCU results are to be kept in the recordings. 3) Factory is to make these medical check ups part of its regular HSE program. Factory should include MCU requirements in its Recruitment and Selection Procedures, but not to be used as a way to screen workers with certain conditions in order to prevent them from working in the factory. 4) Factory to ensure MCUs are conducted in a timely manner. 5) Factory should include MCUs as part of HSE program. Factory should include MCUs in Recruitment and Fitness HSE Legal List, and Corrective and Preventive Actions.	Management interviews, medical check-up plan
Chemical Management		All chemicals and hazardous substances should be properly labeled, stored, and transported according to applicable laws. Workers should receive training appropriate to their job responsibilities, or the safe use of chemicals and other hazardous substances.	Factory had 2 spot cleaning rooms called Sewing Spot and Cutting Spot. However, Sewing Spot was used as an eye wash station only in Sewing Spot Cleaning. Management explained that they planned to utilize only 1 spot cleaning room in future.			Factory observation, management and worker interviews.					1) According to the SEA HSE guidelines, the eyewash station should be located in a place that is easy to reach and the maintenance control check list for the eyewash stations, and ensure that they are located in areas where chemicals are used and stored.		Completed										Factory currently only has 1 spot cleaning room next to the sewing department with eyewash station available in the area. **[Completed]**	Visual inspection	
Chemical Management		All chemicals and hazardous substances should be properly labeled, stored, and transported according to applicable laws. Workers should receive training appropriate to their job responsibilities, or the safe use of chemicals and other hazardous substances.	No second containment provided in spot cleaning rooms to prevent spillage when refilling chemical into the spray gun.			Factory observation, management and worker interviews.		Factory management to provide secondary containment for all chemicals in the spot cleaning rooms, in the refilling area that may require a secondary container.	Dec-06	1) Secondary containment has been provided in the area where the chemicals are stored.		Completed										All chemical containers in spot cleaning room observed provided with secondary containment. **[Completed]**	Visual inspection, worker interviews	
Sanitation in Facilities	Labor Minister Regulation No.7 of 1964 concerning Basic Requirements for Hygiene and Lighting in workplace, article 3(1 stated A clean healthy in a healthy which fulfills the requirements of health, such as: a) Place does not have flies, mosquitoes or other insects, provided with sufficient clean water supply, b) Floors are maintained, cleaned at least 2 x 1 times a day.	All facilities including factory buildings, toilets, dormitories, and dining areas should be kept clean and safe and be in compliance with applicable laws.	During lucky hours (e.g., around 10:00 PM and 5:00 PM), there were lack of running water in workers' toilet.			Factory observation, management and worker interviews.		1) Factory management viewing water shortage in factory should provide a plan to ensure that there is sufficient water supply in toilets and dorms. 2) If necessary, factory is to add to the capacity of the water tank to ensure the availability of running water in the toilets during all hours of operation.	Dec-06	1) Inspections to all toilets are being conducted regularly. 2) Water tank capacity has been increased to 20 cubic meter. There were no complaints from workers regarding water shortage in the toilets.	Toilet inspection report, water quality, water interview															
Sanitation in Dining Area		All food preparation shall be prepared, stored, and served in a manner that complies with applicable laws. Adequate clean, safe drinking water should be available in each building.	There is lack of a dining facility (e.g., chairs, tables) for workers to eat their meals. Management stated that they provided a dining facility can only accommodate about 20% of total workforce. During lunch or dinner workers have their meals around the factory grounds (benches front yard, parking area, etc.). Outdoor eating could create problems in workers when it is raining.				Factory observation, management and worker interviews.		Factory management has planned to extend the current dining facility in order to accommodate the entire workforce.	Dec-07	The canteen proposal has been sent to top management for approval.	Canteen proposal	Ongoing	Canteen renovation started in June and is expected to be finished by the middle of August.	Factory, canteen, canteen proposal	Ongoing	Canteen renovation was finished as planned in August 2007. Canteen can accommodate 1,000 workers and chairs to accommodate workers at lunch time.	Factory canteen observation	Completed										Factory has expanded the canteen capacity. It is that there are more chairs and tables available for workers. **[Completed]**	Visual inspection	
7. Freedom of Association and Collective Bargaining																										
Employers will recognize and respect the right of employees to freedom of association and collective bargaining.																										
Employee Union/Association		The employer will not interfere with the right to freedom of association by sustaining organizations, establishing or limiting one workers' organization over another																					There are 2 workers' unions at the factory called SPTP and SPSI. Pancasila SPTP was established October 2010. Each union maintained signed statements from their members stating that they were willing to join the union and agreed to contribute Rp 1,000/month. It was observed that majority of workers are members of both unions. SPSI was the first union in factory. Based on interviews, union member fees since January 2011 with agreement from unions. Therefore, unions are unable to collect funds from their members. Management admitted that they provided a list of all resign factory holiday deductions for union member fees to their new leaders of leadership in workers' union. Before SPTP was established, management provided a list of workers who resigned in October 2010. [Employee survey] established and leads SPTP. Since factory holds the union fees, SPTP and SPSI cannot run their own programs properly. **[New Finding]**	Record inspection, worker, union representatives and management interviews	Factory should find a better solution to clarify with both unions the accurate union members, respectively. It could include, but not limited to, inviting both unions to a meeting explaining the need for them to solve their internal problems, i.e., between both unions. It should be clarified mentioned that management is responsible for seeking accurate data and information from workers and unions regarding the number of workers for union dues. Factory should help and facilitate both unions in holding a membership verification process. Based on the results of this process and the number of members, management should be able to provide a letter stating union to deduct union dues from workers' salaries on a monthly basis. Factory has conducted workers' deduction for one of the trade unions (Pancasila SPTP) based on the number of members, which is better than their members already factory to deduct their union dues from their salary. However, the other union (SPSI) has yet to provide the number of members to factory. Based on the data, it is considered cannot make deductions for union dues. Factory does not have authority to make deductions from workers' salaries without content letters from workers.	Management interviews
Compliance to Local Collective Bargaining Laws	Law No.13 on Employment (2003), Art. 111(2), The ability of company regulation is 2 years and must be reviewed after the expiration.	Employers will comply with all national and local laws and regulations concerning collective bargaining and shall negotiate in good faith conflicts and issues to ensure employees will use the mandate that provides the greatest protection for workers.																					The CBA (PKB) has expired since 2009. However, there was no annual to close that the PKB (period of 2007 to 2009) is in the process of renewal. **[New Finding]**	Record inspection, worker representatives and management interviews	Despite ongoing conflict between both unions on a national level, factory should do its utmost to ensure this conflict will not stop factory from conducting its business operations. Factory should be able to consider unions cause of the organization of meeting CBA is mandatory. It should be addressed in formal meeting. there should be meeting minutes signed by both unions (SPTP and SPSI). Factory should also refer to Law No. 21 Year 2000 (SPTP and SPSI) to discuss CBA. Factory should keep the scope of the letter as file.	Management interviews
Written Policy and Procedure for Termination/Retrenchment for Operational Purposes		Contracts from Audit instrument (BA-17A) Does the factory have a policy for termination/retrenchment for operational purposes?		No policy and procedure for termination/retrenchment for operational purposes established in place. Furthermore, August 23, 2006, factory terminated 172 workers. Reason for mass termination/retrenchment was because factory lost the majority of production workforce. However, such termination reason was not stipulated in CBA or any policy and procedure.			Management and worker interviews, document review		Factory management to discuss and develop with the union the termination procedure, which should be fair and transparent, and in compliance with local law and SA8 Standards.	Feb-07	The renewal of CBA (PKB) is still in process of negotiation. Negotiation and renewal between management and workers' union will be completed by June 2007.	Draft of CBA (CBA)	Ongoing	The new CBA has been developed which states termination procedure. Factory has developed industrial dispute procedures should workers have the need to appeal a disciplinary action.	New CBA, industrial dispute procedure	Completed										The factory has not yet mentioned policy and procedure for termination/retrenchment for operational purposes. **[Pending]**	Record inspection, management interviews	Factory should ensure that its Termination Policy and Procedure includes termination/retrenchment for operational purposes. Policy should be transparent, and in compliance with local law and SA8 Standards. Factory should develop termination procedure, which included termination for operational purposes.	Management interviews, termination procedure review
8. Fair 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 legally																										
Wage Benefits Deductions	Labor Act (UU) No. 13/2003, article 30 stated that the company is obliged to inform the structure and scales of wages by taking into account the level, position, years of work, education, and competence of workers' labours. (2) Entrepreneurs shall make their workers/labourers' wages prematurely by taking into account the principles of justice and productivity. Also Labor Minister Decree No. KEP-49/MEN/VI/2000 regarding Determination structure and scales of wages.	Employers will communicate clearly and in writing to all workers before they accept employment, the terms and conditions of employment including wages and benefits they are entitled to and workers are entitled to that company and under the applicable law.		No proper policy and procedure regarding communication of wages and benefits to workers. Management only provided incentive systems, benefits and bonuses to which all workers are entitled to that company and under the applicable law.			Management and worker interviews, document review		Factory management is to clearly inform all workers of wage and benefits they are entitled to that company and under law. Training should be provided in writing, by posting information on bulletin boards and during new-employee/wages employee trainings.	Apr-07	Training regarding wages and other benefits has been conducted.	Training record	Ongoing	Factory has developed training program for 2007, which includes training of wages and benefits. Wages/Benefits have been posted.	Training program	Completed and Ongoing	Ongoing	As stated in June 30, 2007 follow-up, regular training program for 2007 which includes training of wages, bonuses, benefits and deductions policies, etc. has been provided to workers. Company policies and procedures are posted on bulletin boards and during new-employee/wages employee trainings/CBA. Additionally, regular refreshment training is provided to current workers, and conducted in new-worker orientation training.	Related company policies and procedures, training schedule and attendance, security training, training given to training workers, CBA/workers' handbook	Completed and Ongoing	Workers have been trained on wages and benefits. Induction training for new workers includes information regarding wages, bonuses, benefits and deductions policies. Target bonus is given to workers who reach the production target and workers have been receiving bonuses since January 2011. Bonus is Rp 100,000 per month. Workers receive the same amount of IDR 75,000 per month as limited allowance. **[Completed]**	Record inspection, and management interviews	
Deduction for Services		Deductions for services to employees will not exceed the cost of the service to the employee. If questioned, employers will demonstrate the reasonableness of these charges.	In practice, factory provided free work tools (e.g., scissors, Grand spot, leather-cases, pressure foot, etc.) to workers upon request. However, there was no policy and procedure. It was found that if workers have tools for any reason, factory will require workers to pay for tools at range of Rp. 5000-5,000. Worker interview indicated that payment has to be made in cash. This practice was not regulated by CBA. Management stated that workers should provide tools by themselves. However, not for tool tools, workers should compensate to CBA.			Management and worker interviews, document review		1) Factory management to stop the practice of penalizing workers as monetary deduction for any violations in the workplace. 2) Management should provide free work tools due to negligence and not due to carelessness or theft they may be given a non-monetary disciplinary procedure that is in

			SMI Findings					Remediation				Update1			Update2			Update3			Third Party Verification		Company Verification Follow Up	
PLA Code/Compliance Issue	Country Law/Legal Reference	PLA Benchmark	Noncompliance	Risk of Noncompliance	Evidence of Noncompliance (Documentation)	If Not Corroborated, Explain Why	Sources/Documentation Used for Corroborating	Notable Features	PC Remediation Plan	Target Completion Date	Company Follow Up (March 2007)	Documentation	Completed, Pending, Ongoing	Company Follow Up (June 26, 2007)	Documentation	Completed, Pending, Ongoing	Company Follow Up (April 23, 2008)	Documentation	Completed, Pending, Ongoing	Company Follow Up (November 28, 2008)	Documentation	Completed, Pending, Ongoing	External Verification (October 29-31, 2011)	Documentation	Company Follow Up (January 30, 2012)	Documentation
Time Recording System		Time worked by all employees, regardless of compensation system, will be documented by time cards or other accurate and reliable recording systems such as electronic swipe cards.																					Factory used outsourced workers for unloading process. A group of people from local area requested jobs as helpers to unload fabrics. Factory management stated that they did not maintain attendance records for outsourced/casual workers since the number of workers in groups that received jobs varied and the number of hours worked by each outsourced/casual worker. Factory also did not issue information on the number of outsourced workers to the local community. Factory management stated that it is unable to know in advaced how many outsourced/casual workers will arrange for and hiring workers to the factory. The number of workers in a group will depend on the workload. **[New Finding]**	Record inspection, worker interview	Factory to cease the practice, as it is not in compliance with local legal regulation (Manpower Decree No. 100 Year 2004 concerning Contractual Employment). Factory should discuss with local community and outsourced workers, as this practice is considered a persuasive process. Therefore, factory should use their internal workers to do these processes, instead of outsourced workers. It is very common in Indonesia for local community to stage demonstrations if factory does not have good communication when implementing a policy that could impact the community. Factory should discuss with local community and explain to them that factory cannot use temporary workers due to it breaking the Ministry of Manpower Decree No. 100 regarding temporary workers. Factory should find a better way to accommodate local community support such as managing field sellers. Surrounding the factory, making the factory a priority to hire local community members, and using the market factory direct production work activity. Meeting minutes from the	Management interview
Accurate Benefit Compensation	Labor Act No. 13/2003, regarding Termination Pay (Article 156 Paragraph 3 Letter a) states: In case the worker/ labourer's wages is paid on the basis of daily calculation, a one-month wage shall be equal to 30 times a one-day wage.	All employees will be credited with all time worked for an employee for purposes of calculating length of service to determine the benefits to which workers are entitled	Payroll record review found that workers who resigned were paid wages based on the number of days they worked in the resignation/termination on the 2nd period of payroll(we need 1 days pay. Management suggested this was due to computer system error in calculating the day.				Management and worker interview, document review		1) Factory to regularly check computer program for salary calculation to ensure that resignation/termination wages are correct and overstatement or resign from factory must be given all payments in accordance with the law. 2) Factory to change the payroll system to automatically calculate the last day of resignation/termination (each). 3) Factory to inform all workers regarding the channels of communication if they want to resign/terminate from factory.	Immediately	1, 2) Factory has already sent excel to payroll staff to add 1 day salary for the last day of work for resigned workers. 3) Resign is in terminated is 31 days. 3) The pay slip states that the amount of salary is not correct, workers can contact the payroll staff.	1) Memo to payroll staff, 2) Pay slip form	Completed								Based on the payroll records, the workers who resigned are paid correctly. **[Completed]**	Record inspection		
Accurate Benefit Compensation	Act (UU) No. 3/1992 regarding social security scheme (JAMSOSTEK), article 38 stated (1) Employer is required to pay social security and their family, list of wages and its changes and list of work injury in the company or part of it, (2) Article 39 (1) Employer is obliged to inform the workforce and company data related with social security scheme (JAMSOSTEK) and (2) Employer is obliged to 5.7% of monthly wage for each worker paid by employer (JPK) and by employee (JPK).	All employees will be credited with all time worked for an employee for purposes of calculating length of service to determine the benefits to which workers are entitled	Record review found that JAMSOSTEK contribution was made based on legal minimum wage (UMR) for region in 2006 (Rp. 1,000,000 per month). For those paid wage less than Rp. 1,000,000 per month, contribution was still based on Rp. 1,000,000. Only for those paid wage less than Rp. 1,000,000 per month, for those paid wage more than per month, contribution was based on the actual wage.				Management and worker interview, document review		1) Factory must review the contribution payment for JAMSOSTEK which must be based on basic wages, which include permanent/contract workers. 2) Factory to make a retroactive payment for the balance payment of JAMSOSTEK since 2005 to all workers.	1) January 2007 2) March 2007	1) Retroactive payment for JAMSOSTEK (social security insurance) was paid December 9, 2006.	Payment slip review, worker interview	Completed								Based on contribution records of social security (JAMSOSTEK) and payroll records, contributions are calculated correctly from actual wages of workers. **[Completed]**	Record inspection, management interview		
Record Maintenance	Regulation of the Minister of Manpower No. KEP-150/MEN (1999). Every entrepreneur is required to make and keep a list of workers and wage book. A wage book is a record book that is easy to be understood by all parties, concerning the payment and the amount of wage to the employees of the company concerned.	All legally required payroll documents, journals and reports will be available complete, accurate and up-to-date. (In the United States items this would include W-4s, I-9s, green cards, 941s and supporting evidence																					Factory used outsourced workers for unloading process. A group of people from local area requested jobs as helpers to unload fabrics. Factory management stated that they did not maintain attendance records for outsourced/casual workers since the number of workers in groups that received jobs varied and the number of workers in groups that received IDR 70,000 for costs of unloading containers on September 30, 2011 paid by cash. However, the itemized payroll for these workers was not available. Factory management stated that they did not keep a list of workers in groups that received IDR 70,000. The management stated that they did not mention detailed payroll, since they are paid based on piece-rates (per container). **[New Finding]**	Record inspection, management interview	Factory to cease the practice, as it is not in compliance with local legal regulation (Manpower Decree No. 100 Year 2004 concerning Contractual Employment). Factory should discuss with local community and outsourced workers, as this practice is considered a persuasive process. Therefore, factory should use their internal workers to do these processes, instead of outsourced workers. It is very common in Indonesia for local community to stage demonstrations if factory does not have good communication when implementing a policy that could impact the community. Factory should discuss with local community and explain to them that factory cannot use temporary workers due to it breaking the Ministry of Manpower Decree No. 100 regarding temporary workers. Factory should find a better way to accommodate local community support such as managing field sellers. Surrounding the factory, making the factory a priority to hire local community members, and using the market factory direct production work activity. Meeting minutes from the	Management interview
2. Hours of Work																										
Except in extraordinary business circumstances, employees will (1) 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 such laws are not enforced, the standard in this Code, and (2) for every seven day period, at least one day off in every seven day period.																										
Overtime Limitations	Labor Act (Ai No.13/2003, regarding the working hour chapter (Article 77) paragraph 2 article 78 (1)) stated that overtime can only be done maximum 3 hours per day and 14 hours in one week, Labor Minister Decree No. KEP-102/MEN/VI/2004, regarding the working time article 3(1), stated that overtime can only be done maximum 3 hours in one day and 14 hours in one week.	Except in extraordinary business circumstances, employees will (1) 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 (2) for every seven day period, at least one day of rest every seven-day period. An extraordinary business circumstance is a temporary period of extra work that could not have been anticipated or alleviated by reasonable preparation. Overtime hours worked in excess of code standard will be voluntary.	Attendance record review found that most workers (particularly from sewing and finishing sections) worked up to 12 hours per day (2 OT hours per day)(March 27, 28, 29, 2006 and April 11, 2006). Some workers (particularly from sewing section) worked 10 hours per week (20 OT hours per week) (e.g. Rasi, on April 3-10, 2006, March 6-12 & 20-26, 2006 and August 7-13, 2006.				Management and worker interview, document review		1) Factory is to control the working hours of all workers. Factory needs to find the root causes of exceeding working hours and take action on the root causes. 2) Factory is to follow Manpower Act No. 100 regarding overtime work/pay and not exceeding hours of work limits/requirements.	Dec-06	1) Factory has set the overtime schedule to a maximum of 3 hours per day, with additional workers on Saturday if needed. Factory working days are from Monday-Friday.	Overtime schedule	Completed and Ongoing								Based on time records, all workers worked within the legal limit of 3 hours OT per day and 14 hours OT per week. **[Completed]**	Record inspection, worker interviews		
Voluntary OT				Practically, workers will sign OT agreement form (SPL) provided by each leader/supervisor in the morning, no matter whether or not they want to work overtime. On Friday (Monday-Friday) and Saturday, workers will sign SPL on Friday morning, together with SPL for OT on Friday. From worker evaluation records, it was found that workers (in the sewing section) complained if worker cannot come to work on one day despite having signed SPL Friday morning. Furthermore, this worker's evaluation record will be used as a basis of performance evaluation for not coming to work or absence (number of warning letter, demotion, etc. Management overtoured they request workers to sign PL Friday morning (5 OT work days: Monday (mini day), due to lunch meal and work enlargement reason.				Management and worker interview, document review		1) Factory to train managers and supervisors regarding implementation of OT procedure which must be accordance with PP No. 100 regarding overtime work/pay. Factory to inform supervisors that workers cannot be given warning letters because of refusal to do overtime work. 3) In addition, all OT forms should be signed by workers. Workers should only be asked to sign when they agree to work OT.	Dec-06	1, 2) Training regarding overtime procedure has been provided to supervisors and managers.	Training record	Ongoing	Factory has developed training program for 2007, which includes training on overtime procedures.	Training program	Completed								Workers can decline overtime. No worker's evaluation record was used as a basis of performance evaluation for not coming to work or absence. Workers signed SPL was already signed on Friday morning. **[Completed]**	Record inspection, worker, supervisor and management interviews		
3. 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.																										
4. Miscellaneous																										
Illegal subcontracting		Operations Rule Audit Instrument: (Sh.1) Does the factory have someone overseeing the subcontractors to ensure that the subcontractors are operating in compliance with the code? (Sh.2) Factor in plan any discrepancies, noncompliances, risks or recommendations for improvement. (Bl.1b) Do contracts between the factory and any subcontractor and/or recruitment agencies comply with the PLA Code of Conduct? (Bl.1c) Do contracts include clauses on minimum wage and OT payments, minimum age and health and safety requirements?. (Bl.2) Please explain any discrepancies, noncompliances, risks or		Factory does not have summer (sewing) subcontractors used (embroidery, washing and cutters pleated) and no evidence the factory has monitored subcontractors to ensure their contracts are implemented in compliance with the code.				Management interviews, document review (no document evidence found)		1) Factory is to make a list of their subcontractors. 2) Factory is to communicate compliance policies to its subcontractors and monitor subcontractors' compliance at production facilities as well. Factory can use the buyers' CDC as well as Indonesian laws/regulations as references.	1) January 2007, 2) June 2007	1) List of subcontractors has been made. 2) Factory has been conducting compliance monitoring at their subcontractors, such as Pleated, Cutting, Embroidery, and Washing. Communicated compliance policies during visits as well.	Photos of monitoring visit	Completed								Factory has conducted monitoring and provided correction on CAP to the subcontractors used such as a printing factory on November 2, 2006 and a cutting supplier on November 2, 2006 and a dying factory on November 7, 2006 and catering supplier on May 4, 2011. **[Completed]**	Record inspection, management interview		