Audit Profile		Independent External Verification
ntry	Indonesia	Indonesia
ory name	010233362E	010233362EV
	Bureau Veritas - CPS Indonesia	Donny Triwandhani
e(s) in facility	September 19-20, 2006	October 20-21, 2011
s)	adidas, Nike	adidas
nber of workers	1,404	1,292
duct(s)	Knit Jackets, Shirts, Pants	
duction Processes	Cutting, Sewing, Trimming, Ironing,	
	Finishing, Packing	

Troduction Trocosco	S Cutting, Sewing, Trimming, Ironing, Finishing, Packing						Do we disting	Te.	Matural Hadatas	[Ctatue]	Undete e	Lindete e	[Ctatue]	Third Douby Verification	Common Verification Fallow Un
FLA Code/Compliance Issue	Country Law/Legal Reference	FLA Benchmark	Noncompliance	Risk of Noncompliance  Risk of Noncompliance  (Uncorrobora	nce Corroborated Sources/Documentation Notat	PC Pomodiation Plan	Target Completion Date  Company Follow Up (March 2007)	Con Documentation Pe	Company Follow Up ending, ngoing  Company Follow Up (June 26, 2007)  Documentation	[Status]  Completed, Pending, Ongoing	Company Follow Up (April 23, 2008)  Documentation  Completed, Pending, Ongoing	Company Follow Up (November 28, 2008)	Completed	d, External Verification Docu	mentatio Company Verification Follow Up  (January 10, 2012)  Company Follow Up  (January 10, 2012)
1. Code Awareness Worker/Management Awareness of Code		FLA Principle of Monitoring, Obligation of Companies: Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the		Most workers were aware that factory has policy regarding working hours restriction; minimum age; minimum wage; non-discrimination; harassment and abuse; forced labor; and health and safety. Most workers are also aware that PCs have strict policy regarding working hours and minimum age. However, none of them have received PCs' Code of Conduct (COC) when 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. Inc.	nduction training Comp naterials	pleted Page 1					COC training had been conducted in 2007. The COC was included in the induction training for new workers only until 2010. However, information regarding COC has not been included in the induction training program since January 2011. [Pending]  Record inspect worker worker inspect workers only until 2010. However, inspect workers were an expect workers on the additional and a second workers workers on the additional an	regarding factory's Compliance Policies included freedom of association, wages, working hours, non-harassment, etc. which are part of the COC. Factory is to develop induction training program for new workers that reviews
Confidential Noncompliance Reporting Channel		situation, to enable Company employees and employees of contractors and suppliers to report to the	No evidence found that company put in place a confidential noncompliance reporting mechanism that allows workers to report complaints directly to the FLA-affiliated company. According to the management, when company representat visited the factory, they interviewed workers directly and protheir business cards to the workers. Union members also confirmed this.	o lives	Factory observation; management and worker interviews	Company compliance team provides workers with business cards during worker interviews in order for workers to contact compliance team confidentially. In addition, company compliance staff does not identify workers who contact company to factory management, but investigates their claims during company internal audits.		Comp Ongoi	pleted and plants and plants are also as a second plants and plants are also as a second plant are also as a second plants are also as a second plant are also as a second plants are also as a second plant are also as a second plant are also as a second plant are also as a second plants are also as a second plant are also					Company has posted an Open Letter procedure in the production building for a confidential noncompliance reporting mechanism that allows workers to report complaints directly to the FLA-affiliated worker company. [Completed]	nspection, nspection; and ement
Employment Records	Labor Act UU No.13/2003, chapter IX, regarding working agreement, article 58.1 stated that a work agreement for a specified time cannot stipulate probation.	g Employers will maintain sufficient hiring and employment records to demonstrate and verify compliance with this Code provision.	Factory applied probation period for at least 3 finishing work although they had already gone through consecutive emplo contracts under specified period of time (PKWT). Practicall factory required this kind of worker to submit a new employ application after they finished the employment contract und specified period of time. Factory only maintained latest employment agreement in the new workers' personnel file; date of hiring will be based on new employment agreement	byment ly, yment der a actual	Management and worker interviews; document review	The state of the second s	Dec-06 1) Factory still needs to revise the existing hiring procedure to add hirinformation/procedure for when they want to recruit temporary workers, although currently there are no temporary workers.	liring procedure Ongoi	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 factory management updates regularly with training records, promotion information, warning letters, etc. Factory has employee database with easy employee file tracking.	Completed				The factory has had no more hired contract workers since February 2009. All workers are hired with permanent status. The new workers have to complete 3 months of probation period before they are promoted to permanent status. [Completed]	and ement
	Labor Act UU No.13/2003, chapter IX, regarding employment relations, article 63)1 stated if a work agreement for an unspecified time is made orally, the entrepreneur is under an obligation to issue a letter of appointment for the relevant worker/ laborer.	g	issued. In addition, old personnel files and employment agreements under PKWT were not kept together with curre personnel files and employment agreement.  Factory did not provide appointment letters to workers who the probation period and are promoted to permanent worker Personnel file and hiring procedure review found that employ agreements of permanent workers mentioned that new work should take a 3 month probation period. However, there was statement that after evaluation of probation period, workers automatically appointed as permanent workers. When monsought clarification with management, it was admitted that was no formal official letter issued to workers who pass the probation period.	p pass ers. eyment ckers es no ewere nitors there	Management and worker interviews; document review	1) Factory management to create a policy that clearly indicates how workers become permanent workers after completing their probationary period. 2) Factory management is to review the hiring procedure which must provide appointment letters for workers who successfully complete their 3-month probationary period.	Dec-06 1) Factory management must still revise the policy, since it is not clear how workers can become permanent.	liring procedure Ongoi	Factory has revised the recruitment procedure which states the appointment letter for workers who passed their 3 months probation period.  Hiring procedure	Completed				The workers who pass the probation period are provided appointment letters. All workers are hired as permanent workers. The appointment letters of permanent status workers are maintained in personnel files.  [Completed]	on; and ement
	sory education in the country of manufacture who	of the country of manufacture allows) or younger than the ere such age is higher than 15.  Employers will maintain proof of age documentation for all workers, such as a birth certificate, which verifies date of birth.												Factory used people from local area (outsourced workers) to help with unloading fabrics from containers. However, copy of age documentation of outsourced workers was not maintained. Based on unloading records, there were unloading processes conducted at least once a week. Management admitted that a group of people from the local area requested jobs as helpers to unload fabrics from containers. However, management confirmed that the factory did not maintain copy of age documentation. In addition, factory did not maintain a list of outsourced workers names for each loading process. [New Finding]	ement Working System). Based on regulation, factory is not allowed to use
Juvenile Worker Identification System		Employers will have a system for identifying work stations and operations that are inappropriate for young workers according to applicable laws.		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.	Jan-07 Procedure regarding juvenile workers has been developed. In the apprentice procedure, if applicants' age is less than 18 years old, then the work hours are only 3 hours/day and they must have a permit from their parents or school. The maximum apprenticeship is 3 months. All the contents in the factory apprentice procedure are based on the local regulation regarding apprentices.		pleted					Factory has maintained policy and procedure regarding the protection of juvenile workers in case apprentice/vocational students are available and hired. Based on factory apprentice procedure, work hours for apprentice/ vocational students are only 3 hours/day with a maximum apprenticeship program of 3 months and they must have a written permit from their parents and school. [Completed]	managing food sellers surrounding the factory, so they are more tidy and clean, or other activities which do not directly involve the factory's direct production work activity. Meeting minutes from discussion with local ement
4. Harassment or Abuse Every employee will be treatharassment of abuse.  Progressive Discipline	ated with respect and dignity. No employee will I	Employers will utilize progressive discipline, e.g., escalating discipline using steps such as verbal warning, written warning, suspension, termination. Any exceptions to this rule, e.g., immediate termination for theft or assault, shall be in writing and clearly communicated to workers.		Factory has policy regarding disciplinary practice and it was also included in CBA (PKB). However, no clear explanation regarding type of violation resulting in a suspension. CBA Article 35 regarding 'Payment during Suspension' does not specify rules whereby workers receive 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.	fanagement Ongoi nterview	The new CBA has been completed between workers' union and management and includes the suspension period policy under the termination procedure section.  New CBA, management and workers' union interviews	Completed				The type of violations resulting in a suspension have been included in the CBA (PKB). [Completed]  Record inspect managinitervie	on, ement
Progressive Discipline		Employers will utilize progressive discipline, e.g., escalating discipline using steps such as verbal warning, written warning, suspension, termination. Any exceptions to this rule, e.g., immediate termination for theft or assault, shall be in writing and clearly		On August 23, 2006, factory issued termination announcements for 172 workers. On announcement letter posted on announcement board, there was a note that decision made could not be challenged or replied. Moreover, no policy or procedure that. in the case of discipline process resulting in termination, workers have	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 SEA 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 Ongoi nterview	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	al Completed				The discipline process resulting in termination has been included in the CBA (PKB). Workers have opportunity to reply, challenge or make appeals against the termination. However, there was no more termination of workers since the last termination in 2006.  [Completed]	ion; and
	Factory's CBA (PKB) article 54B7 stated: warning letter can be issue for working not comply with the task and operational standard procedure defined.	practices that are applied fairly among all workers	At least 2 warning letters were issued due to unachieved production targets. The subject of those warning letters was Article 54B7 regarding work not complying with the task an operational standard procedure. However, warning letters di indicate the operational mistake that caused the target not achieved.	nd lid not	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.	fanagement Ongoi nterview	The disciplinary procedure has been communicated to all managers, supervisors and workers through factory's training program.  Training record, training program (2007)	Completed				Disciplinary records showed 2 workers were given warning letter type 2 on April 11, 2011 due to not reaching the production target. The subject of those warning letters was CBA Article 55BII regarding work not complying with task and operational standard procedure.  However, the warning letters still did not indicate the operational mistake that caused the target not to be achieved. In addition, there is no record showing that these workers received retraining or guidelines so that they can meet the standards set by the factory.  [Pending]	unachieved production targets. Factory should find root causes for not achieving production targets, such as insufficient skills, unreasonable production target setting, machinery problem. Factory to review and revise procedure review
·	has the right to receive equal treatment from	Employers shall apply disciplinary rules, procedures and practices in a fair and non-discriminatory manner to all workers.												As punishment for poor performance and attendance, workers are deprived from OT work. Majority of selected sample workers stated that they are excited to work OT to earn more income. I.e., 1)  [Employee name] working in sewing line got this punishment because they did not come to work on September 6, 2011 without valid reason after Muslim holidays (Idul Fitri) in period of August 26-September 5, 2011. They were not given OT for at least 12 days. OT approval form (SPL) showed [Employee name] was highlighted in pink/blue and was not allowed to work OT from September 12 to 16, 22, 23, 26 to 30, 2011, but supervisors interviewed stated that highlighting on the SPL was not from them. It was possibly done in the production office. 2) 2 workers, [Employee name] and [Employee name] received warning letter type 2 on April 11, 2011 due to not reaching the production target. These 2 workers were also not given OT hours for several days. [New Finding]	Factory should take proper disciplinary practice against those supervisors procedure review followed this practice. Factory to make sure that there is no discriminatory
Training of Management in Disciplinary Practices		supervisors in appropriate disciplinary practices	No training to managers and supervisors in appropriate disciplinary practices in order to ensure disciplinary actions were in accordance with CBA (PKB). In practice, the super has authority to determine whether or not a worker is subje receive a warning letter. Then, the nature of the violation/mi is reported to Personnel Department, which in turn, issues warning letter and communicates it to the respective worke	rvisor ect to istake the	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.	flanagement Ongoi nterview	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 appropriate disciplinary practices in order to ensure disciplinary actions taken were in accordance with CBA (PKB). [Pending]	ement actions taken are in accordance with CBA (PKB). Factory needs to develop program
or retirement, on the basis	of gender, race, religion, age, disability, sexual of	Employment decisions will be made solely on the basis of education, training, demonstrated skills or abilities. All employment decisions will be subject to this provision. They include: hiring, job assignment, wages, bonuses, allowances, and other forms of compensation, promotion, discipline, assignment of work, termination of employment, provision of retirement		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 SEA standards, and strictly be based on work performance. 2) Factory management to train all managers and supervisors on performance appraisal system once completed.	(April 2007), [Factory group].	Praft performance Pendi ppraisal system	ing Performance appraisal system is still waiting for approval from top management.  Draft performance appraisal system appraisal system		included a clear and fair category of assessment, and training on such to factory by an external consultant in Q3 2007). In the first stage, PA system was implemented to promote contract workers to permanent status, and has been implemented for all staff levels. Application for non-managerial level employees will be conducted between Q3 2008 - 2009. 2) Training on PA system (procedure, steps, etc.) was first provided to upper level management. Training for other supervisory levels will follow prior to application of PA for operators.	based on fair work performance assessment (Note that capacity building for HR/compliance team was facilitated in SEA Project	y forms, criteria, etc. 2) Attendance list of meeting/socialization on PA system p	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]  managinterview	on; and ement
ĕ	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.												Factory has a non-discrimination policy. However, hiring notices posted on the main security post showed upper age limit, gender and marital status. Factory looked for 1 single male mechanic, whose age ranged from 20-30 years old; 10 sewing operators, from the ages of 19 to 28; and 1 single female staff member, from the ages of 18 to 25.  [New Finding]	ement to employment practices (from recruitment until termination) are solely made recruitment
Fire Safety: Health and Safety Legal Compliance	Labor Minister Regulation No. PER-01/MEN/1979 regarding obligation of HYPERKES (Hygiene, Factory, Health and	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	The appointed doctor and nurse served the on-site clinic. However, none of the paramedics participated in HYPERKE	ES	Management and paramedics interviews; document review	Factory has already changed the provider for health service in the factory to a provider where the doctor and the nurse who already have the certificate from HYPERKES.		Certificate Hyeres Comp	pleted					The available paramedic in the clinic received HYPERKES (Hygiene, Factory, Health and Safety) certificate March 21, 2011. [Completed] param managintervie	on, dic and
Safety Legal Compliance	stated the factory shall maintain hazard assessment to determine the personal	laws and regulations. In any case where laws and code	Factory has identified the hazards of particular work and prappropriate PPE. However, no written hazard assessment identified potential risks and hazards pertaining to jobs in a sections.	that	Management interview, 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 procedures 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.		Risk assessment for all processes in the factory have been developed. Yet, risk assessments did not provide proper measuring tools to control and eliminate risks, other than through the use of PPE. Factory should create a risk control, as PPE should be considered the last measure to eliminate risk.		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 regularly per developed HSE training schedule. Factory also includes component of compliance with 6S (which include safety measures) in CBA disciplinary system, and it is a consideration point in production line			Factory has maintained written hazard assessment called HIRAC (Hazard Identification, Risk Assessment & Control) manual that identifies potential risks and hazards pertaining to jobs in all sections. As per HIRAC manual, the line leaders and HSE coordinator are designed to monitor the implementation of the hazard assessment program. [Completed]	on; line and ement
Safety Legal Compliance	02/MEN/1980 regarding Periodical Medical Examination, article 2)2: any undertaking as	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 examinati (pre-medical examinations, periodic medical examinations specific medical examinations) including exams for workers dealing with chemicals.	or	Management and worker interviews; document review	1) Factory is to conduct the following medical check ups (MCU): a) Pre-employment MCU, b) Annual MCU, c) Special MCU based on health risk assessment. 2) All MCU records are to be kept on file accordingly. 3) Factory is to make these medical check ups part of its regular HSE programs. 4) Pre-employment MCU is to be made part of factory's 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.	ma	greement letter etween factory nanagement and nedical provider	1 a, b) Medical check ups have been conducted for preemployment and annual MCUs for some workers. Factory plans to provide MCUs for all workers.	al Ongoing	bonus proportion.  1 a, b, c) Medical check ups have been conducted for preemployment, with annual MCUs for some workers. MCUs for all workers have been conducted, prioritizing workers in hazardous areas first. MCUs are conducted in cooperation and as part of an agreement with the medical service provider; 2) All MCU records are kept on file; 3) Annual MCU is included in HSE regular work program; 4) Preemployment MCU is included in factory's Recruitment and Selection Procedure. General MCU program is provided at the last stage of recruitment and only for positions designated for hazardous areas, there are additional checks to ensure workers' fitness if they are placed in those areas.			Facility started to provide occupational medical examinations for workers with following details: June 8, 2008 for 8 workers; January 19, 2009 for 179 workers; November 7, 2009 for 207 workers; and November 28, 2010 for 298 workers. Based on medical examination records, around 600 out of 1,292 workers have not yet been provided with occupational medical examinations. [Ongoing]	and assessment. 2) All MCU records are to be kept on file accordingly. 3) check-up plan ement Factory is to make these medical check ups are part of its regular HSE
	Protection of Mannower	All chemicals and hazardous substances should be properly labeled and stored in accordance with applicable laws. Workers should receive training,	Factory had 2 spot cleaning rooms called Sewing Spot Cleand Finishing Spot Cleaning. However, there was an eye wastation only in Sewing Spot Cleaning. Management explain that they planned to utilize only 1 spot cleaning room in fut	/ash ned	Factory observation; management and worker interviews	1) According to the SEA HSE guidelines, the eyewash station must be reachable within 30m of the workstation. 2) Provide maintenance control check list for the eyewash stations, and ensure that they are located in areas where chemicals are used and stored.	Dec-06 1, 2) Eyewash facility and the maintenance check list have been provided and implemented.		pleted					Factory currently only has 1 spot cleaning room next to the sewing department; eye wash station was available in the area. [Completed]	nspection
Chemical Management  Sanitation in Facilities	Labor Minister Regulation No.7 of 1964 regarding Condition of Health, Cleanness and	properly labeled and stored in accordance with applicable laws. Workers should receive training, appropriate to their job responsibilities, in the safe use of chemicals and other hazardous substances.  All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and			Factory observation; management and worker interviews  Factory observation; management and worker	Factory management to provide secondary containment for all stored liquid chemicals and chemicals in the refilling area that may require a secondary container.  1) Factory management cleaning service staff to conduct inspection to ensure that the tap is closed when not in use in	Dec-06 Secondary containment has been provided in the area where the chemicals are stored.  Dec-06 1) Inspections to all toilets are being conducted regularly. 2) Factory has added 10% quantity to its purchase order of water.	oilet inspection Comporm, water quantity	pleted					All chemical containers in spot cleaning room observed provided with secondary containment. [Completed]  Adequate running water observed in workers' toilet; available all the times. [Completed]  Visual workers available all the workers.	nspection,
	lavatory is a lavatory which fulfills the following conditions: does not smell, not dirty, does not have flies, mosquitoes or other insects, provided with sufficient clean water for use, can be easily cleaned, cleaned at least 2 – 3 times a day.		There is lack of a dining facility (e.g., chairs, tables) for wor	rkers	Factory observation;	order to prevent waste. 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.  Factory management has planned to extend the current dining		rder, worker hterview  Canteen proposal Ongoi	ing Canteen renovation started in June and is expected to be Factory observation	n, Ongoing	Canteen renovation was finished as planned in August Factory canteen Completed			Factory has expanded the canteen capacity so that there are more Visual	nspection
		served in a sanitary manner in accordance with applicable laws. Safe drinking water should be available in each building.	to have their meals during lunch or dinner. The current dinir facility can only accommodate about 20% of total workforce During lunch or dinner workers have their meals around the factory grounds (factory's front yard, parking lot, etc.). Outcome setting could cause problems to workers when it is raining.	ng e. edoor	management and worker interviews	facility in order to accommodate the entire workforce.	approval.		finished by the middle of August. canteen proposal		2007. It is equipped with enough tables and chairs to accommodate workers at lunch time.			chairs and tables available for workers. [Completed]	
	and respect the right of employees to freedom of a	The employer will not interfere with the right to freedom of association by controlling workers' organizations or favoring one workers' organization over another												There are 2 workers' unions at the factory called SPTP and SPSI.  New union (SPTP) was established October 2010. Each union maintained signed statements from their members stating that they were willing to joint the union and agreed to contribute IDR 1,000/month. It was observed that majority of workers are members of the new union (SPTP). However, factory has held deductions for union member fees since January 2011 with agreement from unions.  Therefore, unions are unable to collect funds from their members.  Based on written agreement dated January 13, 2011, the reason factory holds deductions for union member fees is that there was dualism of leadership in workers' union. Before SPTP was established, [Employee name] was on the board of SPSI. But in October 2010, [Employee name] established and leads SPTP. Since factory holds the union fees, SPTP and SPSI cannot run their work programs properly. [New Finding]	union members, respectively. It could include, but not be 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 clearly mentioned that management is responsible for seeking accurate data and supporting
Collective Bargaining Laws	The validity of company regulation is 2 years	Employers will comply with all national and local laws and regulations concerning collective bargaining and free association. Where conflicts are known to exist, employers will use the standard that provides the greatest protection for workers.												process of renewal. [New Finding] repres	on; union should do its utmost to ensure this conflict will not stop factory from having a renewal CBA process. Factory should find a better way to make unions aware of the importance of renewing CBA immediately. It should be
Other: Policy and Procedure for Termination/Retrenchment for Operational Purposes  8. Wages and Benefits		Questions from Audit Instrument: (5A.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 mentioned on announcement letter was for efficiency 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 SEA 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.	Praft of CBA (CBA) Ongoi	The new CBA has been developed which states procedures regarding the disciplinary sanction. Factory has developed industrial dispute procedures should workers have the need to appeal a disciplinary action.	al Completed				The factory has not yet maintained policy and procedure for termination/retrenchment for operational purposes. [Pending] inspection in tervies.	Factory should ensure that its Termination Policy and Procedure includes termination/ retrenchment for operational purposes that are fair, transparent, and in compliance with local law and SEA Standards. Factory had updated termination

				IEM Findings	Evidence of			Remediation	l .	[Status]	Updates	[Status]	Updates	[Status]	Updates	[Status]	Third-Party Verification		Company Verification Fo	ollow Up
FLA Code/Compliance Issue Country La	Law/Legal Reference	FLA Benchmark	Noncompliance	Risk of Noncompliance	Evidence of Noncompliance (Uncorroborated )  If Not Corroborated Explain Why	Sources/Documentation Used for Corroborating	Notable Features PC Remediation Plan	Target Completion Date	Company Follow Up (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 20-21, 2011)	Documentatio n	Company Follow Up (January 10, 2012)	Documentation
Employers recognize that wages are essential least the minimum wage required by local law or benefits	v or the prevailing industry wage, whichever	s higher, and will provide legally mandated																		
and scales of wage level, position, yea competence of the Entrepreneurs shal workers/laborers' winto account their eand productivity. A No. KEP-49/MEN/	s shall formulate the structure employees incentive sy ears of work, education and ne worker/ laborer.(2) employees incentive sy workers are applicable I	n the language of the worker the wages, stems, benefits and bonuses to which all entitled in that company and under the		No proper policy and procedure regarding communication of wage, incentive, benefits and deduction systems established to educate workers. Factory has included some information related to wages i CBA (PKB). However, it was not comprehensive and there was no clear base decision in determining incentive/allowance given to workers. I.e., No clear information regarding how much and to whom target bonus is to be paid. No information regarding skill allowance that is practically provided to QC workers only. The amount of this allowance varies.	in	Management and worker interviews; document review	Factory management is to clearly inform all workers of wa calculations, incentives, benefits and deductions policies. Training should be provided in writing, by posting informati bulletin boards and during new employee/ongoing employe trainings.	on on	egarding wages and other benefits has been co		Factory has developed training program for 2007, which includes training on wages and benefits. Wages/benefits have been posted.		As stated in June 26, 2007 follow up, regular traini includes topics such as wage calculations, incenti benefits and deductions policies, etc. has been proworkers. Company policies and procedures are pothe announcement board and included in the Work Handbook/CBA. Additionally, regular refreshment to provided to current workers, and conducted in new orientation training.	ves, policies and procedures; training sted on schedule and labor er training records; raining is training material			Workers have been trained on wages and benefits. Induction for new workers also covers communication on wages, incention benefits and deduction systems. Target bonus is given to wow who reach the production target and workers have been inform the amount of the target bonus is IDR 5,000 per day. QC worked the same amount of IDR 75,000 per month as skilled allowance. [Completed]	inspection; worker and med that management rkers interviews		
Deduction for Services  Time Recording System	the cost of employers charges	he service to the employer. If questioned, will demonstrate the reasonableness of these days all employees, regardless of	In practice, factory provided free work tools (e.g., scissors, threa spool, bobbin case, pressure foot, etc.) to workers upon hire. However, from records of broken/lost small tools review, found that if worker loses tools for any reason, factory will require workers to pay for tools at range of Rp. 500-5,500. Worker interviews indicated that payment has to be made in cash. This practice was not regulated by CBA. Management also admitted that broken small tools would be freely replaced, but for lost tools workers should compensate in cash	d d		Management and worker interviews; document review	1) Factory management to stop the practice of penalizing workers via monetary deductions for any violations in the workplace. If factory management verifies that workers los due to negligence and not due to overuse or theft they ma given a non-monetary disciplinary procedure that is in accordance with factory CBA and internal regulations. 2) policy must be announced to all workers including mechanismanagers, supervisors and the personnel department.	e tools / be his			Factory has developed a policy that prohibits monetary penalties. Policy has been communicated to all employees, including mechanics.	Announcement of monetary penalizing policy					All working tools are provided for free. The workers do not need for replacement of lost tools. [Completed]  Factory used outsourced workers for unloading process. A gr	inspection; worker and management interviews	Factory to cease this practice, as it is not in compliance w	
	cards or oth	on system, will be documented by time er accurate and reliable recording systems etronic swipe cards															people from local area requested jobs as helpers to unload fa from containers. Outsourced workers are hired only when cor arrive at the factory. However, factory did not maintain attendanceords for outsourced/casual workers when the unloading process was conducted. There was no information on the number of howorked by each outsourced/casual worker. Factory also did information on the number of outsourced workers for each load process. The management stated that the leader of outsourced/casual workers will arrange for and bring workers factory, The number of workers in a group will depend on the workload. [New Finding]	ntainers lance interview interview nours not have ading to the	regulation (Manpower Decree No. 100 Year 2004 concerning Working System). Based on regulation, factory is not allow outsourced workers, as this process is considered a permatherefore, factory should use their internal workers to do the instead of outsourced workers. It is very common in Indone community to stage demonstrations if factory does not have communication when implementing a policy that could impromenting. Factory should discuss with local community them that factory cannot use temporary workers due to it is Ministry of Manpower Decree No. 100 regarding temporary should find a better way to accommodate local community managing food sellers surrounding the factory, making the land clean, or other activities which do not directly involve faproduction work activity. Meeting minutes from the discuss	wed to use anent process. nese processes, esia for local we good pact the and explain to preaking the workers. Factory support such as m be more tidy actory direct
Compensation of Employment, ch case the worker/ la basis of daily calcushall be equal to 36	chapter XII article: 157.2, in an employed laborer's wages is paid on the local loca	for purposes of calculating length of service the benefits to which workers are entitled	Payroll record review found that workers who resigned/ were terminated in May and August 2006 (particularly for those resigned/terminated on the 2nd period of payday) are owed 1 day's pay. Management suggested this was due to computer system error in calculating the day.			Management and worker interviews; document review	1) Factory to regularly check computer program for salary payment to prevent miscalculation on salary. All workers terminated or resign from factory must be given all payment accordance with the law. 2) Factory to change the system manual calculation for periods 16 to 31 (for resigned/terminates). 3) Factory to inform all workers regarding the charcommunication if they want to complain about salary payments.	payment if terminated salary is nation anels of ment.	ory has already sent more to payroll staff to addif the total days in the month that a worker resign is 31 days. 3) The pay slip states that if the anot correct, workers can contact the payroll sta	igns or is staff, 2) Pay slip form aff.							Based on the payroll records, the workers who resigned are payrettly. [Completed]	paid Record inspection		
Compensation  scheme (JAMSOS Employer is oblige and their family, lis and list of work injute the company; (2) Ir obliged to inform the data related with seprogram to the reless. 7% of monthly we see the scheme (JAMSOS Employer is obliged and their family, list and list of work injute and list of work injute and list of work injute.	OSTEK), article: 18 stated (1) an employe	for purposes of calculating length of service 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. 800,000) instead of actual wages. For monthly workers paid mor 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, but more than legal minimum wage per month, contribution was based on the actual wage.	),		Management and worker interviews; document review	1) Factory must review the contribution payment for JAMSOSTEK which must be based on basic wages, which include fixed allowance (seniority). 2) Factory to do the retroactive payment for the balance payment of JAMSOST since 2005 to all workers.	h 2007, insurance) 2) March 2007	ctive payment for JAMSOSTEK (social security ) was paid December 9, 2006.	Payment slip Completed review, worker interviews							Based on contribution records of social security (JAMSOSTE payroll records, contributions are calculated correctly from acwages of workers. [Completed]	, l		
KEP-06/MEN (199 obliged to prepare, wage book. A wage is easy to be unde concerning the pay		be available complete, accurate and up-to be United States terms this would include W-															Factory used outsourced workers for unloading process. A greepele from local area requested jobs as helpers to unload farom containers. Outsourced workers are hired only when corarrive at factory. Sample payment receipt/voucher of IDR 70,0 costs of unloading containers on September 30, 2011 provide review. However, the itemized payroll for those workers was ravailable. There was no information on the number of hours withe number of workers in groups that received IDR 70,000. The management stated that they did not maintain detailed payrous they are paid based on piece rates (per container). [New Fin	inspection, management management interview  abrics inspection, management interview  abrics inspection, management interview	regulation (Manpower Decree No. 100 Year 2004 concerning	interview  interview
Except in extraordinary business circumstance week and 12 hours overtime or (b) the limits on the laws of such country will not limit the hours	on regular and overtime hours allowed by the irs of work, the regular work week in such co	law of the country of manufacture or, where																		
working time chapt 78.1(b) stated that conducted maximulation hours in one week.  KEP-102/MEN/VI/2 time article 3(1), st	2.13/2003, regarding the apter X paragraph 4 article at overtime can only be mum 3 hours in one day and 14 ek. Labor Minister Decree No. (I/2004, regarding the working stated that overtime can only aximum 3 hours in one day and week.  Except in e employees lesser of (a) (b) the limit the law of t	will (i) not be required to work more than the 48 hours per week and 12 hours overtime or son regular and overtime hours allowed by e country of manufacture or, where the laws ntry will not limit the hours of work, the week in such country plus 12 hours d (ii) be entitled to at least one day off in day period. An extraordinary business se is a temporary period of extra work that	Attendance record review found that most workers (particularly from sewing and finishing sections) worked up to 12 hours per day (4 OT hours per day) March 27, 28, 29, 2006 and April 11, 1 & 13, 2006 and most workers from all sections worked up to 60 hours per week (20 OT hours per week) at least, in April 3-10, 2006, March 6-12 & 20-26, 2006 and August 7-13, 2006.	2		Management and worker interviews; document review	1) Factory is to control the working hours of all workers. F needs to find the root causes of exceeding working hours take action on the root causes. 2) Factory is to follow Mar Act No. 102 regarding overtime work/pay and not exceeding hours of work limits/requirements.	and hours per of apower Factory wo	has set the overtime schedule to a maximum day, with additional overtime on Saturday if neworking days are from Monday-Friday.	•							Based on time records, all workers worked within the legal lir hours OT per day and 14 hours OT per week. [Completed]			
Voluntary OT	reasonable	efforts. urs worked in excess of code standard will .		Practically, workers will sign OT agreement form (SPL) provided by each leader/supervisor in the morning, no matter whether or not OT is actually carried out. For OT on rest day (e.g., Saturday), workers will sign SPL on Friday mornings together with SPL for OT on Friday. From worker evaluation records maintained by supervisor, it is recorded as bad performance if worker cannot come to work on rest day despite having signed SPL Friday morning. Furthermore, this worker's evaluation record will be used as basis of performance evaluation by management to determine issuance of warning letter, demotion, etc. Management mentioned they required workers to sign PL Friday morning for OT work on Saturday (rest day), due to lunch meal and work arrangement reasons.	it ce r,	Management and worker interviews; document review	1) Factory to train managers and supervisors regarding implementation of OT procedure which must be accordance CBA. 2) Factory must clearly inform managers and supervitat workers cannot be given warning letters because of resto do overtime work. 3) In addition, all OT must be strictly voluntary, and workers should only be asked to sign when agree to work OT.	e with supervisors fusal	ning regarding overtime procedure has been pro	0	Factory has developed training program for 2007, which includes training on overtime procedures.	n Training program Completed					Workers can decline overtime. No worker's evaluation record used as a basis of performance evaluation for not coming to vest day (Saturday) even if SPL was already signed on Friday morning. [Completed]	work on a inspection;		
In addition to their compensation as is legally required in the country of manufact their regular hourly compensation rate.		·																		
Miscellaneous Illegal subcontracting	have somed their contral code? (31.2) noncomplial noncomplial factory and agencies of day, maxim payments,	rom Audit Instrument: (3I.1) Does the factory ne overseeing the subcontractors to ensure its are implemented in compliance with the Please explain any discrepancies, nices, risks or uncorroborated evidence of nice. (5E.1b) Do contracts between the any subcontractors and/or recruitment imply with the FLA COC, including one rest rum hours of work, minimum wage and OT ininimum age and health and safety is?. (5E.2) Please explain any		Factory does not have someone overseeing subcontractors used (embroidery, washing and canteen provider) and no evidence the factory conducted monitoring visits 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 communicate compliance policies to its subcontractors conduct monitoring exercises at subcontractors' facilities Factory can use the buyers' COC as well as Indonesian laws/regulations as references.	and 2007, 2) June conducting as well.	subcontractors has been made. 2) Factory has g compliance monitoring at their subcontractor inting and food suppliers and communicated couring visits as well.	rs, such monitoring visit							Factory has conducted monitoring and provided orientation of the subcontractors used such as a printing factory on Novem 2006, [Factory name] on November 9, 2009, embroidery factor November 7, 2006 and catering supplier on May 4, 2011.  [Completed]	nber 22, inspections ory on management		