



2011

## FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL VERIFICATION REPORT\*

**COMPANY:** Fifth & Pacific Companies  
(formerly known as Liz Claiborne, Inc.)

**COUNTRY:** Indonesia

**FACTORY CODE:** 050084922GV

**MONITOR:** Andrew Teh

**AUDIT DATE:** December 28 – 30, 2011

**PRODUCTS:** Men's Shirts, Ladies Wear

**PROCESSES:** Cutting, Sewing, Finishing,  
Packing

**NUMBER OF WORKERS:** 10,035

\*To read the original IEM for this factory, please visit the FLA website [here](#).  
For an explanation on how to read this report, please visit the FLA website [here](#).



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

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

### **Noncompliance**

**Explanation:** Based on records review, the factory provided all legally mandated benefits to their workers. However, based on randomly selected samples, some improper leave was noted:

1. At least 1 worker from the finishing section at the Dress 2 unit was not given proper menstruation leave.
2. At least 1 worker from the sewing 16 section at Shirt unit (unit 3) was not properly paid for long-sick leave, despite having historical paramedic recommendation letters indicating that the worker has a chronic illness and requires long periods of rest for recovery. The employee was absent for all of November 2008. The worker was not paid for 7 days in November 2008, even though the paramedic recommendation letter was submitted and clearly indicated the worker's health problem.
3. At least 2 workers who suffered miscarriages took less than the 1.5 months that is required. 1 employee was only out for 6 days, while another was absent for 18 days. In practice, the total days of the leave would be provided based on the paramedic recommendation letter, instead of the entitled 1.5-month paid leave as required by law/regulation.
4. There was no nutritious overtime meal provided to workers who worked 3 hours or more of overtime. In practice, it was only provided as cash allowance, as much as Rp. 1,700. Moreover, the allowance would only be provided if the worker worked overtime until 19:00 or later. Additionally, based on record review, some cases found that the finishing/packing section worked overtime until morning without being provided a nutritious meal. Although the factory maintained an agreement with the union for providing an allowance instead of a nutritious meal, this was not in accordance with the regulation's spirit, as the agreement made was, in fact, for the issue under the applied regulation.

Legal References: 1) Labor Act UU No.13/2003 regarding women workers, Chapter X, Paragraph 4, Article 81(1) stated that female workers on menstruation who feel sick and inform their employer shall not work on the first and second days of their menstruation period; 2) Labor Act UU No: 13/2003, Article 93 (3); 3) Labor Act UU No.13/2003 regarding working hours, Subsection 4, Article 79.1; 4) Labor Minister Decree No. KEP.102/MEN/VI/2004 regarding overtime hour and overtime pay, Article 7.1

**Plan Of Action:**

1. Factory should arrange for an appropriate menstruation leave period for female employees (first and second day of their menstruation period). Such leaves should be arranged based on on-site clinic recommendations or taken by workers when they feel sick.
2. Factory should compensate employees properly if they take a long sick leave.
3. Factory should provide adequate miscarriage leaves to workers, which should be at least 1.5 months, according by law.
4. Factory should provide meals and drinks of at least 1400 calories to workers if overtime work is executed for 3 hours or more.

**Deadline Date:**

**Supplier CAP:**

1. Factory agreed that they will provide 2 days of menstruation leave for all female workers. Factory explained that several employees just want to take 1 day of leave at their own will. For this reason, factory confirmed that they will encourage and teach all female workers to take 2 full days of leave regarding their own health.
2. Factory agreed that they will pay workers properly if they report their sickness to them on time.
3. Factory agreed that they will provide 1.5 months of miscarriage leave for all female workers. Factory explained that several employees come to work earlier before taking the full leaves. For this reason, factory confirmed they will encourage and teach all female workers to take the full 1.5 month miscarriage leave regarding their own health.
4. Factory agreed that they will try best to not arrange overtime work that is more than 3 hours. In case overtime needs to be arranged for more than 3 hours, factory will continue to provide a meal allowance to workers, as this is a request by workers. Also, such practice was approved by the local manpower department.

**Supplier CAP Date:** 06/19/2009

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

1. Employees suffering due to menstruation or other illnesses were provided sick leave and employees who became ill during working hours were to be treated first at the on-site clinic. After treatment, these employees were either sent home or to the hospital for further treatment.

2. 1 employee in the sample population had received sick leave from March 16, 2009 to the date of the audit. The employee received 100% of their wages for the first 4 months and is currently receiving 75% of their monthly wage. The wages were paid to a relative and an authorization letter regarding this arrangement was obtained from the employee.

3. 2 employees were provided 27 and 32 days of miscarriage leave, respectively, less than the 1.5 months required by law. During the document review, it was found that the number of days provided were based on a recommendation letter from a paramedic.

4. Factory is still providing meal allowance to workers who work more than 3 hours of OT. The local manpower department approved this practice.

**Plan Complete:** No

**Plan Complete Date:**

**Action Verified:** No

**Action Verified Text:** 2. Completed: Documentation review found that the worker received the unpaid sick leave (7 days) on December 10, 2008 for the sick leave period of November 13-20, 2008.

3. Completed: Documentation review on 10 miscarriage leave incidents found that workers were entitled to 45 days of miscarriage leave.

4. Ongoing: Management and worker interviews found that since February 2010, the factory has provided free meals from 4–4:30pm for workers whenever they work overtime for more than 3 hours. However, there was no evidence or test reports to measure the meals' calorie levels.

5. New Finding: Worker interviews at the branch factory [Branch factory name] found that the factory has appointed another outsourcing agent called [Outsourcing agent's name]; should janitors be absent for whatever reason (except for the 4 days of marriage leave entitlement), there would be a wage deduction of IDR 24,000/day.

6. New Finding: Documentation review and worker and management interviews found that, with the owner of [Cleaning service provider name], who has been the cleaning service provider of [Factory name's] main factory, the janitors (cleaners) are paid minimum wage and they are only entitled for marriage and compassionate leave, along with JAMSOSTEK pension/death/accident scheme. From factory management interview, the janitors are entitled to the medical facility in the on-site clinic. However, the cleaners were not entitled to other mandatory employment benefits, such as JAMSOSTEK healthcare scheme, annual/menstruation/sick leave, severance pay, and separation pay.

**Action Verified Date:** 12/30/2011

**Follow-Up Plan of Action:** 3. Ongoing  
4. Factory had local health department test the canteen on November 25, 2011. The report and permit from the local health department numbered 560/1339/2011 was valid for 2 years, but the report did not specify the meals' calorie levels. Factory would have their HRD Welfare staff to request the local department to include meal calories as one of the testing parameters.

March 2013: Third-party audit firm conducted an audit and it was confirmed that factory received the recommendation from the local labor department on the minimum calories according to local law.

5. According to the factory, employees from the outsourcing agent were taking no paid personal leave. Factory would discuss with the outsourcing agent's management and ensure that leave entitlements follow labor regulations. Factory would designate HRD staff to conduct an internal audit and monitoring program to ensure there is compliance. The target completion date is August 28, 2012.

March 2013: Still not improved. Participating company would further work with the factory to have the corrective actions be done.

6. Employees from subcontractor [Subcontractor name] were paid minimum wages and covered with social security for pension, death, and accident and are entitled with health care in their house polyclinic, sick leave, and severance pay. Factory would encourage the subcontractor to maintain the policy, which is already in compliance with the regulation, and will review the policy on annual/menstruation/sick leave, severance pay, and separation pay. Factory would designate HRD staff to conduct internal audit and monitor program to ensure there is compliance. The target completion date is August 30, 2012.

March 2013: Still not improved. PC will work with the factory for the corrective actions to be done.

## Wages, Benefits and Overtime Compensation: Minimum Wage

WBOT.2 Employers shall pay workers at least the legal minimum wage or the prevailing industry wage, whichever is higher. (S)

### Noncompliance

**Explanation:** [New Finding:](#) The branch factory [Branch factory name] has appointed another outsourcing agent called [Outsourcing agent name]. The janitors employed via the agent are paid IDR 600,000, which is below the minimum wage of IDR 880,000.

**Plan Of Action:** Factory should ensure that all employees, including those employed by the outsourcing agent, are paid the legal minimum wage. The outsourcing agent is to comply with the mandatory labor regulation of paying the legal minimum wage.

**Deadline Date:**

**Supplier CAP:** Factory would require the management of subcontracting agent, [Subcontracting agent name], to comply with the labor regulation of minimum wage payment.

**Supplier CAP Date:** 03/08/2012

**Action Taken:** Factory would require the management of subcontracting agent, [Subcontracting agent name], to comply with the labor regulation of minimum wage payment. Factory would designate a responsible HRD staff member to conduct an internal audit and monitoring program to ensure that the subcontractor pays the minimum wages as required by law.

[March 2013:](#) Third-party audit was conducted and found that factory still had not corrected the issue. PC would work with the factory on the corrective actions to be taken.

**Plan Complete:** No

**Plan Complete Date:**

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## Wages, Benefits and Overtime Compensation: Payment for All Hours Worked

WBOT.7 Workers shall be paid for all hours worked in a workweek. Calculation of hours worked must include all time that the employer allows or requires the worker to work. (S)

### Noncompliance

**Explanation:** [New Findings:](#)

1. At the branch factory [Branch factory name], the factory has appointed another outsourcing agent called [Outsourcing agent name] for recruiting janitors. Although interviews with the janitors revealed that they work overtime for 2 hours during the week days (Monday to Friday) and 1 hour on Saturday, it was not possible to verify that the overtime work is compensated; there were no pay slips for these workers. Additionally, janitors are required to work 3 hours of overtime on Sunday, twice each month from 7.00-10.00am, with total overtime wage of IDR 14,000 for 3 hours, which is below the proper overtime wage of IDR 29,010 for 3 hours.

2. Documentation review, worker interviews and management interview with the owner of [Subcontracting agent name], who has been the cleaning service provider of [Factory name]'s main factory, found that the janitors were paid a flat overtime wage, i.e., IDR 5,050 an hour, which is below the proper overtime wage.

**Plan Of Action:** Factory is required to provide employees with pay slips, which reflect all the compensations for all regular hours of work, overtime, work, and other benefits. All the wage calculations for regular hours and overtime work should meet legislative requirements.

**Deadline Date:**

**Action Taken:** Factory would discuss with the subcontracting agent's management and require them to comply with the overtime premium requirements as per regulation and to deliver pay slips to workers. Regular internal audit and monitoring program to ensure the pay slips are given to employees and compliance of overtime payment and wages compensation entitlement for employees.

[March 2013:](#) Third-party audit was done and the issue is still [Pending](#). PC will work with the factory on the corrective actions to be taken.

**Plan Complete:** No



**Plan  
Complete  
Date:**

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### **Wages, Benefits and Overtime Compensation: Record Maintenance**

WBOT.21 Employers shall ensure that all legally required payroll documents, journals and reports are available, complete, accurate and up-to-date. (P)

#### **Noncompliance**

**Explanation:** [There are inconsistencies in the document review and in management and worker interviews; therefore, the working hours, wages, and benefits could not be verified accurately in this audit.](#)

**Plan Of  
Action:**

**Deadline  
Date:**

**Action  
Taken:**

**Plan           No  
Complete:**

**Plan  
Complete  
Date:**

**Action       No  
Verified:**

**Action       [Ongoing:](#) Documentation review from January 2011 to December 2011 found that the  
Verified      working hours records, wage records, and employment benefits for production workers  
Text:         were consistent. However, the time recording system for janitors is not robust; there  
               were no pay records kept for outsourced workers.**



**Action  
Verified  
Date:**

**Follow-Up  
Plan of  
Action:** Currently, the employees' attendance for subcontracting agents is kept manually, with manual wages payment. Factory had discussed with the subcontracting agent's management and they agreed to provide electronic attendance and payroll records. Factory would check their attendance record on a monthly basis. Factory would conduct an internal audit and monitoring program to ensure the compliance of the time recording system and that all pay records are kept for further verification. The target completion date is August 30, 2012.

March 2013: Verified by third party audit firm, subcontracting agents in both the Main and Branch factories had bought the punch card time recording machine and started to use.

**Wages, Benefits and Overtime Compensation: Posting Notices**

WBOT.23 All notices that are legally required to be posted in the factory work areas shall be posted. All legally required documents, such as copies of legal code or law, shall be kept at the factory and available for inspection. (P)

**Noncompliance**

**Explanation:** The current information on labor laws and regulations was not posted on notice boards.

**Plan Of  
Action:** All legally required law and regulations shall be posted on notice boards.

**Deadline  
Date:**

**Action  
Taken:**

**Plan  
Complete:** No

**Plan  
Complete  
Date:**

**Action Verified:** Yes

**Action Verified Text:** Completed: According to monitor's observation, the labor laws and regulations (UU no. 13 year 2003) were posted on notice boards.

**Action Verified Date:** 01/30/2012

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### **Wages, Benefits and Overtime Compensation: Wage Receipt**

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

#### **Noncompliance**

**Explanation:** In practice, the factory did not retain copies of each employee's signed pay slips. The factory only maintained a kind of receipt sheet consisting of a list of workers' names, employment IDs, production departments and signatures only. Every payday, the pay slip, which is kept in the envelope together with the money is provided to workers; in return, the workers would sign a separate sheet as the receipt document as mentioned. During monitoring, a ledger of payroll records and some requested samples of pay slips were provided for verification. Both documents have no worker signatures on them; therefore, the accuracy of the records could be in question.

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

**Deadline Date:**



**Supplier CAP:** Factory agreed that they will add the "net amount" of workers' salary on the signed salary receipt. This new practice will start from the distribution day of August 2009's salary. Before distribution of salary, a pay slip with detailed calculation will be provided to workers' checking; workers will keep this slip as a record. If the total salary amount is correct, workers will sign the salary receipt on the pay day. The signed salary receipt can be evidence to prove that workers are receiving the accurate amount of salary.

**Supplier CAP Date:** 08/31/2009

**Action Taken:** September 1, 2009, follow-up audit: A pay slip was provided with the wages for August 2009; upon receipt of payment, the sample population of employees signed the payroll records.

**Plan Complete:** No

**Plan Complete Date:**

**Action Verified:** No

**Action Verified Text:** Ongoing: Documentation review and worker interviews found no indication of incorrect wage calculation for production workers. Workers received their pay statement and acknowledged receipt of their salary payment paid through the bank. But, there were no pay slips provided for the outsourced workers.

**Action Verified Date:** 12/30/2011

**Follow-Up Plan of Action:** According to the factory, the employees of subcontracting agents have their wages paid with a simple pay slip and it is recorded manually. Factory had discussed with the subcontracting agent's management and agreed to provide pay slips with all required detailed information. Factory would designate HRD staff to conduct an internal audit and monitoring program to ensure the pay slips are provided to workers. The target completion date is August 30, 2012.

March 2013: Third-party audit conducted and the issue is still Pending. PC would work with the factory for the corrective actions to be taken.

### **Forced Labor: Employment Terms/Voluntary Agreement**

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

#### **Noncompliance**

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

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

**Plan Of Action:** Factory should set up a compliance system/policy to monitor their subcontractors in order to make sure the provided protection and working conditions are a) same as the enterprise commissioning the contracts or b) in accordance with the laws.

**Deadline Date:**

**Supplier CAP:** Factory agreed to redesign the new agreement so that company's standards are included.

**Supplier CAP Date:** 06/19/2009

**Action Taken:** September 1, 2009, follow-up audit: The factory still only maintained a contract with the outsourcing company and required that the company sign a declaration similar to the provisions of the code of conduct. Company had further worked with the factory; they will conduct regular meeting with the outsourcing company on a quarterly basis to address the buyers' standards and to make them aware of update requirements. Besides, the factory will conduct an internal audit to make sure the working conditions of the cleaning staff are same as those of other workers. These corrective actions are planned to be completed before the end of October 2009. Factory had submitted the updated outsourcing meeting records to the company for verification. Most recent meeting was October 16, 09. During the meeting, several topics were discussed between factory and cleaning service provider, including: social security contribution, employees' personnel records maintaining system, salary calculation, and signing of employment contracts.

**Plan Complete:** No

**Plan Complete Date:**

**Action Verified:** No

**Action Verified Text:** Pending: Management interview found that factory still has not maintained any personnel records for outsourced janitors (cleaners). There were still no other efforts to use the compliance monitoring system to ensure the protection and working conditions provided to these workers was at least the same as those provided at the factory. However, the outsourcing agent of the [Factory name's] main factory did present the JAMSOSTEK payment records to the monitor for verification.

New Finding: Worker interviews at branch factory, [Branch factory name], found the factory has appointed another outsourcing agent called [Outsourcing agent name], all janitors are employed under a "contract" basis; the contract period would be renewed 3 times without any break within a total period of 5 years. I.e., first contract for 1 year, second for 2 years, and third for another 2 years, instead of a maximum 3-year period.

Legal Reference: Labor Law No.13, Year 2003, No 59: Article 59: (1) Work agreement for specified time can only be made for a certain job, which, because of type and nature of job, will finish in a specified time, that is: b) Work whose completion is estimated time which is not too long and no longer than 3 years; (4) Work agreement for specified time may be made for period of no longer than 2 years and can only be extended 1 time that is not longer than 1 year. (6) Renewal of work agreement for specified time can only be made after grace period of 30 days is over, since work agreement for specified period comes to an end; renewal of work agreement for specified time can only be made once that is no longer than 2 years.

**Action  
Verified  
Date:** 12/30/2011

**Follow-Up  
Plan of  
Action:** 1. According to the factory, the subcontracting agents kept their employees' basic information, which includes the application and an ID card copy in a simple personnel file. Factory had discussed with the subcontracting agent's management and they agreed to provide more details and background information, e.g., school certificate, family card, police certificate, birth certificate. Factory would conduct an internal audit and monitoring program to ensure all personnel records are maintained for further verification. Target completion date is August 30, 2012.

March 2013: Third-party audit confirmed that the factory had conducted the monitoring meeting every 3 months with the outsourcing agent. However, the personnel records were not available during the audit. PC would work with the factory on the corrective actions to be taken.

2. Factory had discussed with the management of the subcontracting agent and they agreed to review the current employment policy to comply with the regulation. Factory would designate staff of HRD to conduct internal audit and monitoring program to ensure all the workers are provided with work agreement and its implementation comply with the local law regulations. Target completion date is Aug 28, 2012.

March 2013: Third party audit confirmed that the factory had conducted the monitoring meeting every 3 months with the outsourcing agent. However, the employment contract records for workers of outsourcing agent were not available during audit. PC would work with the factory on the corrective actions to be done.

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## Forced Labor: Employment Records

F.9 Employers shall maintain sufficient hiring and employment records to demonstrate and verify compliance with this Code provision. (P)

### Noncompliance

**Explanation:** New Findings: According to documentation review, worker interviews and management interview with the owner of [Outsourcing agent's name] who has been the cleaning service provider of [Factory name's] main factory, the outsourcing agent did not sign any employment contracts with the janitors and did not keep any payroll records.

**Plan Of Action:** Factory is required to have all their subcontracting agents sign employment contracts with all their employees and to have all hiring and employment records kept for future verification. Factory needs to keep all the personnel documents, attendance records, and payroll records as per the legislative requirements.

**Deadline Date:**

**Supplier CAP:** Factory will discuss with the subcontracting agent's management and will require them to review the current employment policy and provide payroll records to employees. Factory would conduct an internal audit and monitoring program to ensure the subcontracting agents comply with the legislative requirement of having employment contracts and payroll records for verification. The target completion date is August 30, 2012.

**Supplier CAP Date:** 03/08/2012

**Action Taken:** According to the factory, they had discussed with the subcontracting agent's management and they agreed to review the current employment policy and to provide payroll records to employees. Factory would conduct an internal audit and monitoring program to ensure the subcontracting agents comply with the legislative requirement of having employment contracts and payroll records for verification.

March 2013: Third-party audit confirmed that the factory had conducted the monitoring meeting every 3 months with the outsourcing agent. However, the employment contract and payroll records were not available during the audit. PC would work with the factory on the corrective actions to be taken.

**Plan Complete:** No



**Plan  
Complete  
Date:**

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### **Forced Labor: Forced Overtime**

F.14 The imposition of mandatory overtime beyond the limits set by the law, a freely negotiated collective bargaining agreement, and/or the FLA Code, in an environment where a worker is unable to leave the work premises, constitutes forced labor. (S)

#### **Noncompliance**

**Explanation:** New Finding: Worker interviews found that most workers commented that the daily overtime is regular and compulsory. Should workers do not wish to work overtime; they have to get the permission from their supervisors. According to CBA Article 12 (3)'s clause mentioning that considering the nature of the worker, then the factory applies the following working hours: Monday to Thursday: 7am to 4pm with 30-minute break, Friday: 7am to 4pm with 60-minute break, and Saturday: 7am to 3:15pm with 30-minute break. Which means the factory has included the total hours of overtime as "regular" working hours. According to Overtime Consent Form, the overtime hours only started from 4pm (Monday to Friday) and 3:15pm (Saturday), which, by right, should have started from 2:30pm.

**Plan Of Action:** Factory is required to ensure all workers work in the factory are working voluntary and have their freedom of movement. All overtime work should be voluntary with voluntary overtime policy and the workers have their right to decline overtime.

**Deadline Date:** 07/31/2012

**Supplier CAP:** Factory would conduct refreshment training on the work hours schedule and voluntary overtime and would randomly check with employees to ensure their understanding the voluntary nature of working hour.

**Supplier CAP Date:** 03/08/2012



**Action Taken:** According to the factory, their normal working hours are from Monday to Thursday (7am to 4pm) with 30-minute break, Friday (7am to 4pm) with 60-minute break, and Saturday (7am to 3:15pm) with 30-minute break. This working schedule, with overtime, was agreed by the employees through the union. The overtime is voluntary. This is clearly stipulated on the Collective Labor Agreement approved by the Manpower Department. The workers have their right and liberty to leave at 2:30pm. Factory would conduct refreshment training on the work hours schedule and voluntary overtime and would randomly check with employees to ensure their understanding on the working hours.

March 2013: Third party audit conducted and confirmed that the voluntary overtime arrangement had been stipulated in the CBA and there is no complaint on the overtime arrangement from the workers. However, the CBA would be expired in March 2013 and now the factory is working on the new CBA for the approval from local Man Power Bureau. PC would monitor the progress.

**Plan Complete:** No

**Plan Complete Date:**

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### **Freedom of Association: General Compliance Freedom of Association**

FOA.1 Employers shall comply with all local laws, regulations and procedures concerning freedom of association and collective bargaining. (S)

#### **Noncompliance**

**Explanation:** Worker interviews found that all workers confirmed that they have never received a handbook on the collective bargaining agreement (CBA). When crosschecked with management on the distribution system of PKB handbook, indeed, the factory maintained that the record indicated that the workers have received a copy of the handbook. However, the records were not properly maintained; therefore, it could not be fully verified whether or not all workers have been provided with the handbook.

**Plan Of Action:** Establish a clear procedure and documentation on providing the CBA copy to the workers.

**Deadline Date:**

**Action  
Taken:**

**Plan  
Complete:** No

**Plan  
Complete  
Date:**

**Action  
Verified:** No

**Action  
Verified  
Text:** Ongoing: According to documentation review and management and worker interviews, the current CBA is valid from February 15, 2010 – February 14, 2012. Factory has distributed the original copy of CBA to new workers who have joined since 2010, but not to old workers. However, the factory provided CBA refreshment trainings to all old workers, which took about 3 months time. Factory has posted the latest CBA on the notice boards and provided 2-3 original copies of the CBA to each production line for reference.

Legal Reference: Labor Law, No.13, Year 2003, Article 126: (3) The entrepreneur must print and distribute the text of collective labor agreement to each worker/laborer, on the enterprise's expense.

**Action  
Verified  
Date:**

**Follow-Up  
Plan of  
Action:** According to the factory, they have provided CBA training to all new workers on the date of joining and conducted refreshment training every 6 months. 2 books of the CBA are provided to each line for further reference and they have displayed the book of the CBA in the canteen. Factory would continue to conduct refreshment training and would randomly check with employees to ensure their understanding on the CBA. Target completion date is July 19, 2012.

October 2012: Third-party audit confirmed that, according to management and worker interviews, they had provided a copy of the CBA. Factory also posted a copy of the CBA on each notice board.

## Freedom of Association: Right to Freely Associate

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

### Noncompliance

**Explanation:** The employment agreement provided for contract workers indicated that workers could automatically become union members when working in the factory. Said statement was indicated in the employment agreement for contract workers only; however, it was not indicated in the employment agreement/appointed letter for permanent workers and for probationary workers.

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

**Deadline Date:**

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

**Supplier CAP Date:** 07/31/2009

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

**Plan Complete:** Yes

**Plan Complete Date:** 09/01/2009

**Action Verified:** Yes



**Action Verified Text:** [Completed:](#) Documentation review found that the factory has deleted the clause regarding "automatically becoming union members" on the contract workers' employment agreement.

**Action Verified Date:** 12/30/2011

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### **Freedom of Association: Grievance Procedure**

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

#### **Uncorroborated Evidence of Noncompliance**

**Explanation:** [Although the factory maintained a written grievance procedure, there was no evidence that the suggestion box is an effective means to voice grievances. Based on observation, the suggestion box was apparently never used or actively utilized, even though it was located at the workers' toilet and near the union office.](#)

**Plan Of Action:** [Factory should set up an effective grievance system to ensure employees feel free to raise their concerns or to report grievances to the factory. Factory should also respond to employees' grievance in a reasonable time period. In addition, factory needs to educate/encourage their workers to report their grievances using the suggestion box.](#)

**Deadline Date:**

**Supplier CAP:** [Factory agreed to educate their employees on utilizing the suggestion box as a confidential communication channel for making grievances. Also, factory confirmed that they will set up a system to track the suggestion box regularly and will attempt to respond to workers within a reasonable period of time.](#)

**Supplier CAP Date:** 05/30/2009

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

**Plan Complete:** Yes

**Plan Complete Date:** 09/01/2009

**Action Verified:** Yes

**Action Verified Text:** [Completed:](#) Documentation review, along with management and worker interviews, found that over the last 2 years, a total of 14 suggestion letters were received by management from workers. In addition, there have been other grievance methods practiced in the factory, such as, workers could approach their immediate superiors, Human Resource Department or union representatives.

**Action Verified Date:** 12/30/2011

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**Harassment or Abuse: Discipline/Progressive Discipline**

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

**Noncompliance**

**Explanation:** There were no terms of condition indicated in the Collective Bargaining Agreement (CBA) for the types of warning letter issuance, including the practice of suspension. Currently, the CBA with the union only indicated the general conditions that may cause workers to receive disciplinary actions and those types of warning letters.

**Plan Of Action:** Factory should establish a CBA, which includes the terms of condition for each type of warning letters. In addition, factory needs to communicate clearly to workers the details of the CBA.

**Deadline Date:**

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

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

**Action Taken:** September 1, 2009, follow-up audit: There were still no terms of condition indicated in the CBA for the each types of warning letters and suspensions which could be issued. Further, the PKB had expired on May 7, 2009 and the union was in the process of renewing the PKB. However, evidence that the renewal was in progress was provided. Factory confirmed to redesign the new CBA to be more detailed regarding warning letters as per type of issuance and to train employees for their implementation. These corrective actions are planned to be completed before the end of November 2009.

**Plan Complete:** No

**Plan  
Complete  
Date:**

**Action**      [No](#)  
**Verified:**

**Action**      [Pending: Although workers are issued warning letters and suspensions as disciplinary  
Verified](#)      [measures, there are no written policies on these practices. According to the  
Text:](#)      [documentation review and per the CBA, there were still no clear terms and conditions  
for each type of warning letter issuance, including the practice of suspension.](#)

**Action  
Verified  
Date:**

**Follow-Up**      [Factory will have short-term corrective actions to discuss with the union regarding the  
Plan of](#)      [warning letter issue and will come out with corrective actions. Regarding long-term  
Action:](#)      [corrective actions, factory will: a\) redesign the new CBA with more detail on the warning  
letters related to the type of issuance and b\) have training provided to the employees to  
ensure their understanding.](#)

[March 2013: Third-party audit confirmed that factory had established the procedure in  
the new CBA. But, there was no agreement from the union labor and it was not filed with  
the local Manpower department for approval. PC would work with the factory on the  
corrective actions to be taken.](#)

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**Harassment or Abuse: Discipline/Review of Disciplinary Action**

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

**Noncompliance**

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

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

**Deadline Date:**

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

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

**Action Taken:** September 1, 2009, follow-up audit: The factory established a practice for employees to reply, challenge or make appeals against a disciplinary action imposed on them, for the action to be reviewed by someone in a higher managerial position. The employees were free to give their explanation in a letter to the HRD, which was reviewed and signed by someone in a higher managerial position, in order to determine the objectivity of the disciplinary practices. 5 copies of the disciplinary form were distributed: to the employee themselves, HRD, Local Labor Bureau, Union Labor, and for archives. Complete disciplinary forms were provided for review, as evidence of the disciplinary system.

**Plan Complete:** Yes



**Plan** 09/01/2009

**Complete  
Date:**

**Action** Yes

**Verified:**

**Action** Completed: Documentation review found that the factory has provided chronological  
**Verified** forms, which are to be filled out by workers, when workers are called by the Human  
**Text:** Resource Department for clarification. Workers were asked to provide their side of the  
story.

**Action** 12/30/2011

**Verified**

**Date:**

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

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

#### **Noncompliance**

**Explanation:** There was no proper file maintenance system for keeping track of the letters issued to workers. Warning letters were maintained separately from the workers' personnel files.

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

**Deadline**

**Date:**

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

**Supplier** 01/01/2009

**CAP Date:**



**Action Taken:** [September 1, 2009, follow-up audit:](#) The warning letters issued to employees were maintained in the related employee's personnel file.

**Plan Complete:** [Yes](#)

**Plan Complete Date:** [09/01/2009](#)

**Action Verified:** [Yes](#)

**Action Verified Text:** [Completed:](#) Documentation review found that all warning letters were kept in the related individual's personnel file.

**Action Verified Date:** [12/30/2011](#)

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### **Harassment or Abuse: Discipline/Monetary Fines and Penalties**

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

#### **Noncompliance**

**Explanation:** [The factory gave workers a tardiness deduction for those workers arriving more than 10 minutes late. The deduction was made based on the minutes/hours of tardiness. The formula applied is: basic wage divided by 30, then divided again by 7. The result is multiplied with the hours/minutes of lateness.](#)

**Plan Of Action:** [Factory should stop all tardiness deductions. Deductions should only be based on the actual minutes/hours that the employee is tardy.](#)

**Deadline Date:**

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

**Supplier CAP Date:** 06/19/2009

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

**Plan Complete:** Yes

**Plan Complete Date:** 09/01/2009

**Action Verified:** Yes

**Action Verified Text:** Completed: Same findings as above. According to management, they do not apply monetary fines, instead, the factory does not pay workers for the hours they do not work (no work, no pay policy). This practice is in compliance with the Labor Law, No. 13, 2003 (no work, no pay policy).

**Action Verified Date:** 12/30/2011

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**Harassment or Abuse: Discipline/Verbal Abuse**

H&A.11 Employers shall not use any form of verbal violence, including screaming, yelling, or the use of threatening, demeaning, or insulting language, as a means to maintain labor discipline. (S)

**Noncompliance**

**Explanation:** New Finding: 60% of workers interviewed expressed that some supervisors always scold them with abusive words, like "bodoh" in Bahasa, which means "stupid" in English. The monitors did not observe any disciplinary measures taken against supervisors perpetrating verbal abuse.

**Plan Of Action:** Factory should not use any form of verbal violence to maintain labor discipline. Any verbal violence should be stopped.

**Action Taken:** Factory will design and establish the policy of anti-harassment and abuse. The policy will be communicated with employees through training and the notice board in the canteen. Employees or supervisors who violate the policy would be subjected to disciplinary actions. The factory will designate HRD staff to monitor adherence to the anti-harassment and abuse policy. Factory would conduct refreshment training and randomly check to ensure the understanding of all employees. The target completion date is September 2012.

March 2013: Third-party audit conducted and confirmed with training records. Factory had conducted refreshment training to middle management for at least 30 supervisors and the chief in production line.

**Plan Complete:** Yes

**Plan Complete Date:** 03/30/2013

## Non-Discrimination: Employment Decisions

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

### Noncompliance

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

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

**Deadline Date:**

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

**Supplier CAP Date:** 01/01/2009

**Action Taken:** September 1, 2009, follow-up audit: The factory established a policy on May 10, 2009, to remove the requirements regarding sex, marital status, and age limits from their MRF (Manpower Requisition Form). Prior to employment, employees were not required to have their medical examination performed in the factory's on-site clinic.

**Plan Complete:** Yes

**Plan Complete Date:** 09/01/2009

**Action Verified:** Yes

**Action Verified Text:** Completed: Documentation review found that the factory has revised the employee requisition form by deleting the "marital status" question. Factory has now established 2 sets of forms: a) application form, without the marital status question, and b) employee data form, which the marital status information is required by JAMSOSTEK to be filled out after workers are confirmed as employees. Workers are no longer required to undergo any medical examination prior to the employment, as of December 10, 2008.

**Action Verified Date:** 12/30/2011

### **Non-Discrimination: Protection and Accommodation of Pregnant Workers and New Mothers**

D.9 Employers shall abide by all protective provisions in local laws and regulations benefiting pregnant workers and new mothers, including maternity leave/benefits, prohibitions regarding night work, temporary reassignments away from work that pose risk to the health of women and their children, temporary adjustment of working hours during and after pregnancy, and the provision of breast-feeding breaks and facilities. Where such legal protective provisions are lacking, employers to take reasonable measures to ensure the safety and health of pregnant women and their unborn children. Such measures shall be taken in a manner that shall not unreasonably affect the employment status, including wages and benefits of pregnant women. (P)

#### **Noncompliance**

**Explanation:** New Finding: According to factory policy, all pregnant workers should not work overtime or do work that requires a "standing" position. However, according to monitor's observation in [Factory name's] main factory, 2 pregnant workers from Cutting QC department in the "Dress 2" building were assigned jobs which required "standing long hours" throughout the normal and regular overtime working hours (e.g., standing for 8.5 hours/day, Monday to Thursday, etc.).

**Plan Of Action:** Factory should follow their policy and ensure the safety and health of pregnant women and their unborn children. Pregnant workers should not be assigned to work in "standing long hours" positions or chairs with back rests should be provided to the pregnant workers.



**Deadline  
Date:**

**Supplier  
CAP:** Factory would provide chairs with back rests to the pregnant employees. Refreshment briefing would be given to workers and direct supervisors. The target completion date is September 8, 2012.

**Supplier  
CAP Date:** 03/08/2012

**Action  
Taken:** Factory had provided chairs with back rests to the pregnant workers. Refreshment briefing on this requirement would be conducted to the workers and their direct supervisors. October 2012: Third-party audit conducted and confirmed that no pregnant workers worked in standing positions.

**Plan  
Complete:** Yes

**Plan  
Complete  
Date:** 10/31/2012

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**Code Awareness:**

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

**Noncompliance**

**Explanation:** There was no evidence indicating that the company has a program (e.g., projects, trainings, conferences) to educate management and employees about the company's standards on a regular basis. So far, the factory has assigned designated service providers/third parties to give an ordinary 1-day social compliance audit. There has no method established by the factory yet to measure workers' continuous understanding of the code of conduct (COC). After the COC training, factory only conducted a direct question and answer session to give participants who are unclear about the training the opportunity to ask questions.

**Plan Of Action:** Company will continuously provide the most up-to-date standards to factory. Factory should contact the company if they are unclear about the company's COC requirements.

**Deadline Date:**

**Supplier CAP:** Company will continuously work with factory to develop the internal COC training program for workers. Also, company will arrange necessary training/conference with factory if there any changes or updates of FLA/company standards. The factory agreed to conduct seminars on a quarterly basis to address the COCs of all brands and to educate workers on enhancing the general awareness of their basic rights.

**Supplier CAP Date:**

**Action Taken:** Factory had conducted a refreshment training regarding the company's COC standards. This refreshment training emphasized the complaint/grievance procedures for workers. The training records and photos were provided to company for review.

**Plan Complete:** Yes

**Plan Complete Date:** 10/09/2009

**Action Verified:** No

**Action Verified Text:** Completed: Management interview and documentation review found that the factory has been providing continuous COC training to workers on half-yearly basis since 2010.

New Finding: According to the monitor's observation at [Factory name's] main factory, the language of the company's COC poster is in English only, there is no Bahasa Indonesia version.

**Action Verified Date:** 12/30/2011

**Follow-Up Plan of Action:** Factory would post the new company COC poster in Bahasa Indonesia at the [Factory name's] factory. The target completion date is March 31, 2012.

October 2012: Third-party audit conducted and confirmed that COC poster in local language was posted.

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### Code Awareness:

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

### Noncompliance

**Explanation:** Company provided its local headquarters' address and phone numbers at the bottom of each COC poster posted. It stated that if any issues related to COC elements were unclear, workers could address questions to local headquarters. But, this sheet did not provide information regarding a specific contact person or related department. There was no indication to prove that the provided address and phone numbers function as an effective noncompliance reporting mechanism for workers. Furthermore, there were no other efforts maintained to actively and effectively utilize it as a way for allowing workers to directly and confidentially contact the company. Also, there is no evidence to show that company has communicated a non-retaliation policy for workers at the factory level.

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

**Deadline Date:**

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

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

**Action Taken:** Actually, factory conducted COC orientation training for each worker when they joined the company. The confidential reporting channel and details were both included in the program. Besides the orientation training, extra refreshment training will be provided to all existing workers every 6 months. Company had provided an updated COC with the noncompliance reporting channel information/confidential contact details. on June 13, 2009, factory conducted a refreshment training regarding the company's COC standards. This refreshment training emphasized the complaint/grievance procedures for workers. Moreover, factory had established a non-retaliation policy regarding workers making complaints or grievances through the confidential reporting channel. The training records and photos regarding the non-retaliation policy were provided to company for review in early November 2009.

**Plan Complete:** Yes

**Plan Complete Date:** 11/04/2009

**Action Verified:** No

**Action Verified Text:** Ongoing: Monitor observation and management interview found that there was still no evidence showing that the company has established or communicated a non-retaliation policy for workers. Monitor observation at [Factory name's] main factory found that the company's COC poster in English specified the contact details in Hong Kong, such as a telephone number, a fax number, an office address and an email address. At [Branch factory's name] branch factory, the Bahasa Indonesia version of the company's COC poster was posted, but contact details are in China, such as a telephone number, a fax number, an office address, and an email address. As workers do not speak English, both communication channels may impose language barriers.

**Action Verified Date:**

**Follow-Up Plan of Action:** The COC poster is provided by the customer with the customer's hotline number and email address for the worker to communicate.

March 2013: The COC poster was provided by the PC; only hotline number, fax numbers, office address and email address in China can be supported. COC posters in both factories are now in local language. However, as COC poster was provided by FNPC and the communication channel was supported by FNPC, there may be technical issues regarding the languages and some of the countries that FNPC is working with. However, with the availability of all the information, including a telephone number, a fax number, an office address, and an email address, in the COC poster, we believe that when FNPC captures the confidential communication from workers, we would direct the translation needs and assist the workers at the earliest.

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## Health and Safety: General Compliance Health and Safety

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

### Noncompliance

**Explanation:** 1. No Hazard Assessments or ergonomics measurements have ever been conducted in the facility.

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

Legal References: 1) Labor Ministry Circular No. SE-05/BW/1997, states that the factory shall maintain hazard assessment to determine that the personal protective equipment is sufficient for the working conditions; Government Regulation No. 27 of 1999 regarding analysis of environmental Impact, Article: 32, company shall give an evaluation report of UKL and UPL, submitted to the environmental impact control agency every 6 months, in June and December.

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

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

**Deadline Date:**

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

2. Factory agreed to maintain the every 6 months' report of the environmental management plan or environmental monitoring plan document. Factory confirmed that such reports were ready as of January 9, 2009.

**Supplier CAP Date:** 01/09/2009

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

1. A hazard assessment and ergonomic measurement had not been conducted in the factory yet.
2. The 6-month report of the Environmental Management Plan/Environmental Monitoring Plan Document (UPL/UKL) for the year 2009 was not maintained in the factory yet.

1. Factory conducted a hazard identification and risk assessment October 27, 09. This assessment provided the identification of different type of hazards in the work place. Supporting documents were sent to company for verification on November 4, 2009.
2. The environmental management plan for months January to June 2009 was ready July 1, 2009. It was sent to company for review on November 4, 2009.

**Plan Complete:** Yes

**Plan Complete Date:** 11/04/2009

**Action Verified:** No

**Action Verified Text:**

1. Ongoing, Documentation review found that the factory has conducted the hazard and risk assessment for the Sewing, Spot Cleaning, and Cutting Departments in January 2011. Although the factory has provided rubber mats for workers to stand on for the long hours of work, the factory has not conducted a comprehensive ergonomic assessment yet.
2. Completed, Documentation review found that the semester report of the environmental monitoring documentation (UPL & UKL) for January to June 2011 has been conducted and reported on July 5, 2011. The next report for July to December will be due in January 2012.

**Action Verified Date:**

**Follow-Up Plan of Action:** Factory would assign the Health and Safety Specialist to review and conduct comprehensive ergonomic assessment as per the requirement. Factory has designed the hazard assessment and ergonomic form and would include hazard and ergonomic assessment in the Safety Committee priority list. The target completion date is December 31, 2012. October 2012: Third-party audit conducted and confirmed that factory had conducted comprehensive ergonomic assessment.

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### Health and Safety: Evacuation Requirements and Procedure

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

#### Noncompliance

**Explanation:** There was inadequate aisle space in the fusing area for the checking process in one of the buildings. This area of the workplace could not allow free body movement, particularly for those stationed at raw near the wall.

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

**Deadline Date:**

**Supplier CAP:** Factory agreed to re-organize aisles to be adequate for the checking process in the fusing area. In addition to reorganizing the layout of the fusing area, management will conduct internal checking monthly to ensure all aisles meet the general evacuation standards.

**Supplier CAP Date:** 06/19/2009

**Action Taken:** Factory re-organized the layout in the fusing area in order to keep all aisles free of obstacles. Supporting photos were provided to the company on May 28, 2009 for verification.

**Plan Complete:** Yes

**Plan Complete Date:** 09/08/2012

**Action Verified:** No

**Action Verified Text:** Pending: Monitor observation found that some aisles in Sewing Department Dress 2 Building are narrow and that some are blocked by pillars and crowded sewing workstations.

New Finding: Monitor observation found that there were no emergency evacuation arrows on the aisle at the Dress 2 Building. In addition, there were 2 external stairways located at Dress 2 Building that had only 1 side handrail. 1 of the stairways was partially blocked by some goods.

**Action Verified Date:**

**Follow-Up Plan of Action:** 1. The factory would ensure the aisles are at least 60cm in width and clearly marked, without any obstacles. Evacuation training would be conducted at least twice a year. Factory would designate a staff member from Utility to conduct internal audit to ensure the Sewing line at Dress 2 is free from obstacles at all times. Briefing and training will be provided to employees in the Sewing Dept Dress 2 building. The target completion date is September 8, 2012.

March 2013: Third-party audit confirmed that there was no obstruction observed.

2. The emergency evacuation arrows had been repainted and the goods which partially blocked the stairways had been removed. Factory would maintain all evacuation arrows to be clearly marked at all times and all aisles are free from obstacles. Factory would assign staff member from Utility to conduct internal audit to ensure the emergency evacuation arrows are available and stairways are free from obstacles. Target completion date is September 8, 2012.

March 2013: Third-party audit conducted and it was observed that factory had provided emergency evacuation arrows in the sewing line and installed 2 handrails. However, some of the floor evacuation arrow signs were still found missing in the finishing area. PC would work with the factory on the corrective actions to be taken.



## Health and Safety: Safety Equipment and First Aid Training

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

### Noncompliance

**Explanation:** Members of the first aid team did not wear any signage for quick reference in case of emergency.

Legal Reference: Labor Minister Regulation No. PER- 15 /MEN/VIII/2008 regarding first aid at workplace, Article: 7.2 states that first aid team shall use a particular sign in order to be easily recognized.

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

**Deadline Date:**

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

**Supplier CAP Date:** 06/19/2009

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

**Plan Complete:** Yes

**Plan Complete Date:** 10/09/2009

**Action Verified:** Yes

**Action Verified Text:** [Completed:](#) Although members of the first aid team did not wear any signage, pictures of first aiders were posted on the production floor and workers were aware of the persons in charge of first aid.

**Action Verified Date:** 12/30/2011

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### Health and Safety: Personal Protective Equipment

H&S.11 Workers shall be provided with effective and all necessary personal protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to health and safety hazards, including medical waste. (S)

#### Noncompliance

**Explanation:** [New Finding:](#) Monitor observation found that the worker handling collar and calf-metal panels with sharp edges did not wear any metal protective gloves.

**Plan Of Action:** Factory is required to do the work-related risk assessment to identify the personal protective equipment (PPE) requirements for each type of work process. Factory is required to provide PPE to workers in order to prevent unsafe exposure to health and safety hazards.

**Deadline Date:**

**Action Taken:** Factory had done the assessment on PPE requirements for special machine processes. Based on the assessment with the machine manual, the process did not require workers to wear PPE.

[March 2013:](#) Third-party audit conducted and observed that all workers use PPE, such as chain gloves, while using the band-knife machine. However, the majority of the chain gloves used were not in good condition. PC would work with the factory on the corrective action to be taken.

**Plan Complete:** No

**Plan  
Complete  
Date:**

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### Health and Safety: Chemical Management and Training

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

#### Noncompliance

**Explanation:** 1. There was no secondary container for white oil at the chemical storage area.

2. Some workers did not wear protective gloves when handling chemicals.

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

**Deadline  
Date:**

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

**Supplier  
CAP Date:** 01/10/2009

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

**Plan  
Complete:** Yes

**Plan  
Complete  
Date:** 11/01/2012

**Action Verified:** No

**Action Verified Text:** 1. Pending: Monitor observation found that the factory still has not made any secondary containment for white oil at chemical storage area.

2. Pending: Monitor observation found that the worker did not wear any protective glove when handling the chemical called white oil. According to the material safety data sheet (MSDS), protective gloves are required. According to the worker, they commented that they could just wash their hands with water later.

New Finding: 3. Monitor observation found at [Branch factory's name] branch factory that some cartons containing "mayon" (used as a chemical to stabilize the pattern paper on top of the fabric) were stacked up to about 2.5 meter high, without a stable and solid base. As the hazard characteristic of mayon is fire, this may expose to the risk of those cartons falling down and catching on fire.

**Action Verified Date:**

**Follow-Up Plan of Action:** 1. Factory would assign a designated location for the storage of white oil and will increase the height of secondary containment. Target completion date is May 31, 2012.

October 2012: Third-party audit conducted and observed that factory had made secondary containment for white oil at chemical storage area.

2. Factory would arrange PPE training for workers and requires workers to wear protective gloves while handling the chemicals white oil. Target completion date is August 2, 2012.

October 2012: Third-party audit conducted and observed that factory had provided gloves for workers to use when handling the chemical.

3. Factory would maintain that all chemical containers are stored with a stable and solid base. Factory would give additional instructions to operators on the handling of hazardous materials and on the limitations of stacking height. Factory would also brief the related workers in order to increase their awareness on chemical handling. Target completion date is August 2, 2012.

October 2012: Third-party audit conducted and observed that the cartons containing "mayon" were removed.

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**Health and Safety: Machinery Maintenance and Worker Training**

H&S.18 All production machinery, equipment and tools shall be regularly maintained and properly guarded. Workers shall receive training in the proper use and safe operation of machinery, equipment and tools they use. Employers shall ensure safety instructions are either displayed/posted near all machinery or are readily accessible to the workers. (S)

**Noncompliance**

**Explanation:** Some workers were found not using the installed eye shield when operating the overlock stitching machine.

**Plan Of  
Action:**

**Deadline  
Date:**

**Action  
Taken:**

**Plan           No  
Complete:**

**Plan  
Complete  
Date:**

**Action       No  
Verified:**

**Action       Completed: Monitor observation found that workers did use the installed eye shields  
Verified       when operating the overlock stitching machines.**

**Text:** New Finding: Monitor observation found that most sewing workers do not use needle guards properly, and bend the needle guards to an upper position, which may expose the risk of finger injury. In addition, some needle guards were installed at an improper height. 2 sewing machines have not had needle guards installed.

**Action       12/30/2011  
Verified  
Date:**

**Follow-Up Plan of Action:** Factory would conduct training for supervisors, mechanics, and operators to ensure needle guards are properly used and installed. Factory had assigned a mechanic staff member to conduct regular internal inspection and ensure needle guards are being installed and used. Target completion date is June 29, 2012.

March 2013: Third-party audit conducted and observed that all needle guards are installed for sewing machines; however, it still found that the majority of needle guards installed were still too high. PC would work with the factory on the corrective actions to be taken.

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## Health and Safety: Other - Health and Safety

Other

### Noncompliance

**Explanation:** New Finding: Monitor observation and worker interviews found that the quantity of the meal provided to workers for dinner was inadequate. The factory is obliged to provide a minimum of 1,500 calories of food to workers, whenever they work overtime. The monitors observed that many workers have bought additional dishes from food stalls located near the back entrance of the factory.

**Plan Of Action:** Factory should provide a sufficient quantity of food to workers.

**Deadline Date:**

**Supplier CAP:** Factory has provided a free meal to employees and the meal quantity has been tested by the Health Department on November 25, 2011. Factory plans to have their menu team conduct an employee survey on their preference of meal. The target completion date is October 9, 2012.

**Supplier CAP Date:** 03/08/2012



**Action Taken:** Factory would have their menu team to conduct an employee survey on their preference of meal. Factory would continue to conduct random checks with employees to ensure their preferences and suggestions on the quantity of meals are being handled and improved.

April 2012: Third-party audit conducted and observed by document review that factory management had obtained recommendations on the quantity of meal calories in the factory from the local health department. PC would continue monitor the status of food quantity.

**Plan Complete:** Yes

**Plan Complete Date:** 04/30/2012

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### **Hours of Work: General Compliance Hours of Work**

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

#### **Noncompliance**

**Explanation:** Attendance record review found that the following excessive normal working hours were noted:

1. At least 4 packing/finishing workers of Dress 2 worked between 16 and 22 hours per day (9 to 15 hours of overtime per day) on a working day.
2. At least 6 packing/finishing workers of Dress 1 worked 22 hours per day (15 hours of overtime per day) on a working day.
3. At least 4 packing/finishing workers of Dress 2 worked ranging at 62.5 to 70.5 hours per week (22.5 hours to 30.5 hours of overtime per week) in September 2008.
4. At least 7 packing/finishing workers of Dress 1 worked ranging at 77 to 79 hours per week (37 to 39 hours of overtime per week) in August 2008.

Legal References: Labor Act UU No.13/2003, regarding the working time, Chapter X, Paragraph 4, Article 78.1(b) states that maximum overtime work allowed is 3 hours per day and 14 hours per week; Labor Minister Decree No. KEP.102/MEN/VI/2004 regarding overtime hour and overtime pay, Article: 3

**Plan Of Action:** The factory has to work out a detailed plan to reduce overtime on a progressive basis. One of the goals is to ensure that workers could have a day off in a week and work less than 60 hours a week. Another one is to establish internal controls to ensure that no workers work excessively during peak and low seasons. The factory is also required to make sure that overtime must be on a voluntary basis. The PC will work with the factory to perform the following: a) identify the root causes of working excessive overtimes, b) review the plan drawn up by the factory and the corresponding improvements, and c) review if controls are properly in place to monitor the overtime on a weekly basis and keep it in check.

**Deadline Date:**

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

**Supplier CAP Date:** 05/28/2009



**Action Taken:** September 1, 2009, follow-up audit: OT hours are still above the local limit. A review of time records indicated the following: a) 2 sample population employees worked in excess of 14 overtime hours a week (27.5 to 32 hours) and in excess of 60 hours a week (67.5 to 72 hours) in March 2009; b) 1 sample population employee worked in excess of 14 overtime hours a week (29.5 hours) and in excess of 60 hours a week (69.5 hours) in January 2009; c) 3 sample population employees worked in excess of 14 overtime hours a week (30.5 to 31.5 hours) and in excess of 60 hours a week (70.5 to 71.5 hours) in August 2009; and 2 sample population employees worked in excess of 3 overtime hours day (7.5 hours) in January 2009. A further follow up of the factory's working hours issues is necessary.

**Plan Complete:** No

**Plan Complete Date:**

**Action Verified:** No

**Action Verified Text:** Ongoing: Working hour review at the [Branch factory name] branch factory from July to December 2011 found that the working hours exceeded the local labor standard (54 hours/week) as follows: a) 799 sewing workers worked 56 hours/week on July 18-24, 2011; b) 120 workers from Finishing Department worked 63 hours/week and 2 sewing workers work 69 hours/week November 7-13, 2011; and c) 565 sewing workers worked 54-56 hours/week on November 21-26, 2011. Working hours exceeding international labor standard: a) 6 workers from Packing Department worked 63 hours/week on July 18-24, 2001; b) 136 workers from Finishing Department worked 63 hours/week on July 18-24, 2011; c) 760 workers from Sewing Department worked 62 hours/week on November 7-13, 2011; and 632 workers from Sewing Department worked 60-62 hours/week on December 5-12, 2011.

**Action Verified Date:**

**Follow-Up Plan of Action:** Factory would discuss with their internal team to identify the major factors leading to excessive overtime. Monthly production meeting would have a topic on the working hours issue and would require factory to progressively reduce the overtime hours and have improvements. Target completion date is July 31, 2012.

March 2013: Third-party audit was conducted and found that factory had excessive overtime issues. PC would work with the factory on the corrective actions to be done.

## Hours of Work: Time Recording System

HOW.6 Time worked by all workers, regardless of compensation system, shall be fully documented by time cards or other accurate and reliable recording systems such as electronic swipe cards. Employers are prohibited from maintaining multiple time-keeping systems and/or false records for any fraudulent reason, such as to falsely demonstrate working hours. Time records maintained shall be authentic and accurate. (P)

### Noncompliance

**Explanation:** The attendance recording was done manually by the janitors' supervisor. They also have to write the time when they come in and out from the factory on the log book that is retained in security guard post.

**Plan Of Action:** Ensure that all time records are documented with an accurate recording system, including the janitors.

**Deadline Date:**

**Action Taken:**

**Plan Complete:** No

**Plan Complete Date:**

**Action Verified:** No

**Action Verified Text:** Pending: Documentation review, along with worker and management interviews found that the attendance records for the janitors are still recorded manually by the supervisor and the security guards. According to the working hour manual records of the main factory at [Factory name], all the "in" and "out" times were the same (e.g., from 6am to 4pm) for all janitors. As for the working hour manual records of the branch factory at [Branch factory name], there was no "in" and "out" time; the supervisor only ticked on the day when janitors were absent on "Absence" cards and present on "Present" cards.

**Action  
Verified  
Date:**

**Follow-Up  
Plan of  
Action:** Factory had discussed with the subcontracting agent's management and they agreed to provide electronic attendance record. Factory would conduct internal audit and monitoring program to ensure the time cards capture all hours of work with daily time in and out records. Target completion date is August 30, 2012.

March 2013: Third-party audit was conducted and confirmed that the subcontracting agents in both factories had bought a time card punching system and had started to use it and register workers' attendance.

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### **Hours of Work: Sick Leave/Restrictions**

HOW.20 Employers shall not impose any undue restrictions on sick leave. Any factory restrictions or procedures regarding sick leave, such as informing the employer as soon as possible, the provision of medical certificates, the use of designated doctors or hospitals, etc., must be in line with local laws, regulations and procedures and must be communicated in full to all workers. (S)

#### **Noncompliance**

**Explanation:** New Finding: According to worker interviews should workers seek medical expenses from non-appointed clinics, the factory would not accept the medical certificate issued by the doctor, would not pay for the incurred medical expenses, and would deduct the salary of the worker accordingly.

Reference: CBA Article No. 19.1, the factory would only pay workers who are absent due to sickness or on sick leave for the medical expenses based on notes issued by factory's doctor or appointed doctors only.

Legal Reference: Labor Law, No.13, Year 2003, Section 2, Wages Article 93: 1) No wages will be paid if workers/laborers do not perform work. 2) However, the provision as mentioned under subsection (1) shall not apply and the entrepreneur shall be obliged to pay worker/laborer's wages if worker/laborer does not perform work because of the following reasons: a) Workers/laborers are ill so that they cannot perform their work.

**Plan Of  
Action:** Factory should have their sick leave policy and procedure developed and established under the legislative requirement.

**Deadline  
Date:**

**Supplier  
CAP:** Factory provides a health care facility for their employees, spouses, and children. Employees are entitled to use the clinic when sick and paid sick leave would be provided. Factory would discuss with the service provider and communicate with employees to ensure they can utilize the health care facility. Factory would conduct employees' refreshment training and ensure their understanding on the usage of the health care facility. The target completion date is September 29, 2012.

**Supplier  
CAP Date:** 03/08/2012

**Action  
Taken:** Factory would discuss with the service provider and communicate with employees to ensure they can utilize the health care facility. Factory would conduct employees' refreshment training and ensure their understanding on the usage of the health care facility.

April 2012: Third-party audit was conducted in the branch factory [Branch factory name] and found that factory would accept any 24-hour emergency hospital and any 24-hour clinic.

March 2013: Third-party audit was conducted in the main factory and it was found that factory had established a new CBA, where the procedure of workers' sick leave was in accordance to the medical care recommendation/nomination. However, there was no agreement from the union and the CBA was not filed for approval from the local manpower bureau yet. PC would work with the factory on the corrective actions to be taken.

**Plan  
Complete:** No

**Plan  
Complete  
Date:**

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