



FLA Code/Compliance Issue	Country Law/Legal Reference	FLA Benchmark	Noncompliance	HBM Proficiency						Remediation				Finalized	Violations (Cite Date of Follow Up)		Third Party Verification		Company Verification Follow Up	
				Risk of Noncompliance	Evidence of Noncompliance (Uncomorbate #)	If Not Comorbated, Explain Why	Source/ Documentation	Notable Features	PC Internal Audit Findings (Optional)	PC Remediation Plan	Target Completion Date	Factory Response (Optional)	Company Follow Up (Cite Date)		Documentation	Completed/Pending/Ongoing	Company Follow Up	Documentation	External Verification (Date)	Documentation
Evacuation Procedure	The Safety Act LU No. 11970 regarding Occupational Safety Law Chapter III, Article 3. By means of regulation, the following occupational safety requirements are stipulated: It provides opportunities to evacuate during fire or other hazardous events. Labor Minister Regulation No. PER-07/1984 regarding Condition of Health, Cleanliness and Lifting in Workplaces Article 2: Every establishment of an undertaking shall include the following measures: a) to prevent fire and accident; c) to promote cleanliness and good order.	All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, unobstructed aisles, employee education, evacuation procedures, etc.) shall be complied with and workers shall be trained in proper safety, first aid, and evacuation procedures.	There were at least 4 aisles in sewing line at Building III blocked by production material boxes and pile of garment production.				factory observation, management interview			The factory should maintain clear stairways, aisles, and exit points for safe evacuation in an emergency.			No findings based on HBM current regular monitoring process.							
Safety Equipment	Labor Minister Regulation PER-04/MEN/1985 regarding Requirements for the Installation and Maintenance of Light Fire Fighting Equipment, Chapter II, Article 4(1). Every 1 or group of light fire fighting equipment must be placed or position clearly seen, easily, reached, taken, and equipped with marking.	All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be in place, maintained as prescribed and accessible to the employees.	There was missing placement mark for 2 fire extinguishers in fabric warehouse.				factory observation, management interview			Factory to place a proper mark, mount, check, and repair the pressure of all fire extinguisher on site, including those that are noted during the audit.										
Safety Equipment		All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be in place, maintained as prescribed and accessible to the employees.	There were incomplete first aid supplies for at least 4 first aid kit boxes in Sewing Building 1 and 3. Contents do not match checklist posted. There were missing gloves, burn cream, scissors, and adhesive bandage. There was a stretcher (hand) near the exit, but it was poorly maintained.				factory observation, management interview			All first-aid kits should be accessible at all times in each work area and with necessary supplies. First-aid kits should be restocked with unexpired materials and maintained on a regular basis.			No findings based on HBM current regular monitoring process.							
Chemical Management	Labor Minister Directive No. KEP-167/MEN/1988 regarding Hazardous Chemicals Control at Work, Article 2 and 3: Company using, storing, releasing, producing, and transporting hazardous chemicals at work place is obliged to control the chemicals by providing Material Safety Data Sheet (MSDS). Article 16: MSDS shall put down in place which is easily noticed by the worker.	All chemicals and hazardous substances should be properly labeled and stored in accordance with applicable laws. Workers should receive training appropriate to their job responsibilities in safe use of chemicals and other hazardous substances.	There was missing MSDS for some chemical substances, such as pull-out powder, rust go, thinner, tar go. In addition, there is no source of water and/or appropriate medical supplies near chemical storage/chemical usage area.				worker and management interviews, factory observation			All MSDS should be posted where chemicals are handled and written in the language spoken by a majority of employees, as well as English.										
Other: No Back Rest for seating facility	Labor Minister Regulation No. PER-07/1984 regarding Condition of Health, Cleanliness and Lighting in Workplaces Article 9(2). Seating facilities shall have a backrest for support.		Most workers' chairs do not having back supports.				Factory observation, management & workers' interview			Factory to stop by stop install the backrests for all seating facilities. Priority related to ergonomic measurements will start with high-risk areas for work that involves seated posture/positions.										
Other: Medical Examination	Labor Minister Regulation No. PER-02/MEN/1980 regarding Periodical Medical Examination, Article 2: An undertaking shall provide pre-medical exam to workers. Article 2.3: Pre-medical exams cover complete physical exam, physical fitness, x-rays of lungs, if disabled, laboratory routine, and other exams as considered necessary. Article 3.1: Any undertaking as stated in sub-section 2 (2) above shall provide periodical medical exam to workers at least once a year except otherwise determined by Director General for Development of Labor Relations and Protection of Manager. Article 2.2: Periodical medical exam is meant to maintain the health condition of worker after having performed work and to make evaluation on possible ailments to work as early as possible which are necessary to be controlled by taking preventive measures. Article 3.3: Periodical medical exam covers complete physical exam, physical fitness, x-rays of lungs (if possible), laboratory routine and other exams considered necessary. Article 3.4: Any employer, manager or doctor shall be obliged to make a medical or periodical medical exam conform with needs in accordance with existing laws or rules. Article 3.2: Special medical exam shall be provided to workers: a) who have met with an accident or are suffering from a disease requiring medical care for more than 2 weeks, b) who are over the age of 45 years or female workers, disabled workers, and young workers performing specific work, or c) where there is reasonable doubt regarding their health. Article 3: Employer shall be responsible	Factory has never been provided occupational medical examination (pre-medical, periodic medical, and specific medical examinations) for workers.				document review, worker and management interviews			Factory to provide medical check-up (MCU) based on health risk assessment.			Factory has conduct MCU to workers who request to chemical based on HBM current regular monitoring process.								

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				Risk of Noncompliance	Evidence of Noncompliance (Uncoordinated)	If Not Coordinated, Explain Why	Source/Documentation	Notable Features	PC Internal Audit Findings (Optional)	PC Remediation Plan	Target Completion Date	Factory Response (Optional)	Company Follow Up (Cite Date)	Documentation	Completed/Pending/Ongoing	Company Follow Up	Documentation	External Verification (Date)	Documentation	Company Follow Up (Cite Date)	Documentation
<b>2. Evidence of Association and Collective Bargaining:</b>																					
Employers will recognize and respect the right of employees to freedom of association and collective bargaining.																					
<b>Other: Bipartite Cooperation Institution</b>	Labor Act LU No. 13/2003, regarding the Industrial Relationship, Chapter VI Article 106(1): Every enterprise employing 20 workers/ laborers or more is under obligation to establish a bipartite cooperation institution.		No bipartite cooperation institution established on site.				document review (no related document found), worker and management interviews			Factory to develop bipartite cooperation as accordance to local law.									Factory has a bipartite cooperation (based on H&M current regular monitoring process)		
<b>3. Wages and Benefits:</b>																					
Employers recognize that wages are essential to meeting employees' basic needs. Employers will pay employees, as a base, at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and will provide legally mandated benefits.																					
<b>Legal Benefits</b>	Act No. 31/1992 regarding Social Security Scheme (JAMSOSTEK), article 122: Every worker has the right to participate in Social Security Scheme (JAMSOSTEK), Article 8: Social security scheme consists of working accident security, death security, pension fund, and healthcare security. Article 16(1): Workers, husband or wife, and children have right to get healthcare security. Government Regulation (PP) No. 14/1993 regarding implementation of Social Security Scheme (JAMSOSTEK), Article 2(3): Employer who employs minimum of 10 workers or pays wage minimum Rp. 1.000.000 a month must participate employees into Social Security Scheme. Article 2: Employer is obligated to register their employees to Social Security Fund Scheme (JAMSOSTEK).	Employees will provide all legally mandated benefits to all eligible workers	Based on last payment receipt for JAMSOSTEK and workmen information data of June 2020, only 4 out of 4 workers have enrolled in JAMSOSTEK. From the figure, all specified periods of time contract workers and some old commitment workers were not enrolled in social security scheme (JAMSOSTEK). Moreover, factory only enrolled their workers in social security scheme (JAMSOSTEK) for Paket A only covering death insurance, workmen insurance, and pension fund without healthcare insurance coverage. Factory used to factory clinic only for medical treatment and applies reimbursement system for hospitalization case. For getting reimbursement, worker has to get approval in advance from personnel and company's doctor. From worker interviews, in case a worker is sick, they go to the on-site clinic to have appropriate treatment and/or medicine from doctor or nurse. If clinic could not be visited by on-site clinic, factory's doctor would send patient to (City) named General Hospital with reference letter. Medical service cost was on-patient worker and would be reimbursed to factory. Amount of reimbursement was not always equal to medical expense. Workers also stated that their spouse and children were not covered by health care security program. However, they were	document review: worker and management interviews																	
<b>Legal Compliance for Holiday/Leave</b>	Labor Act LU No. 13/2003 regarding Working Hours, Subsection 4, Article 73: 1. Entrepreneurs are under an obligation to allow their workers to take a rest and leave. Article 73.2: The period of rest and leave as mentioned under subsection 4. 2. workers after the worker works for 12 months consecutively.	Workers will be paid for holidays and leave as required by law	Factory applies 2 different practices in providing annual leave to their workers, which actually is not in accordance with general Collective Bargaining Agreement (CBA). Annual paid leave was compensated by money paid by cash annually on Laboran Festival. This practice was applied only for all production workers, including specified period of time workers. Practice of actual annual leave only provided for permanent monthly payment workers (staff) only.	document review: worker and management interviews						Factory to provide granted annual leave in accordance to CBA and local law.											
<b>Accurate Benefit Compensation</b>	Act LU No. 31/1992 regarding Social Security Scheme (JAMSOSTEK), Article 18: 1. Employer is obliged to have a list of workers and their family. 68 of wage and his/her and his of work injury in company or part of company. 2) In addition to obligation as mentioned in Article 18, employer is obliged to inform workmen and company data related with social security scheme program to relevant parties. 4) If employer informs incorrect data as mentioned in Article 2) that lead to lack of social security scheme payment for workers, employer is obliged to pay for lack amount. Government Regulation (PP) No. 14/1993 regarding implementation of Social Security Scheme (JAMSOSTEK), Article 9: Contribution is 6.7% of monthly wage for each worker: part-entiretime, 4.2% for monthly wage for full-time.	All employees will be credited with all time worked for an employer for purposes of calculating length of service to determine the benefits to which workers are entitled.	From recent review, JAMSOSTEK contribution (employee 3.7% and worker 2%) made based on basic wage only, regardless of worker's service year. Although factory provided some fixed allowances (specially JAB, etc.), these were excluded from calculation. In practice, basic calculation that included fixed allowances applies in calculating 1 day absent and overtime payment only.	document review: worker and management interviews						1) Factory must review contribution payment for JAMSOSTEK which must be based on basic wage which includes to advance (specially 2). Factory to do retroactive payment for balance payment of JAMSOSTEK (person fund 3.7%) since 2020 to all workers.											
<b>Other: Involuntary Deduction for KOPERAS</b>	Government Regulation (PP) No. 10/1981 regarding Wage Protection Articles 20 to 22, stated permitted deductions are: Deductions because of personal obligation to the country and contribution to Social Security Fund are automatically charged; government tax and advanced payment of wages and loan repayment (if employee agrees in writing and if amount exceed 50% of wages).		Factory has a cooperation with organization called KOPERAS for workers. Financial source of KOPERAS comes from the workers' contribution each month. Worker can use KOPERAS to borrow some money as necessary and payment will be deducted from worker's salary. This is 1 of the recognized legally deductions. However, deduction applied was in excess of 50% of total salary received. Some saved workers being deducted as much as Rp. 363.360 and Rp. 404.150 from gross salary of Rp. 452.753 and Rp. 447.033 from July 1-30, 2020. This resulted in salaries from Rp. 82.403 and Rp. 200 that payday. Workers were acknowledged by KOPERAS in advance for this kind of deduction. However, there was no written concern from workers regarding deduction mentioned.	document review: worker and management interviews						Factory to cease practice to deduct payment of more than 50% from workers' salary. Government regulation allows factory to deduct workers' salary up to 50% from their income.									loan installment deducted directly by KOPERAS (based on H&M current regular monitoring process)		
<b>Other: Separation Pay (Lump Sum) of Termination Payment</b>	Labor Act No. 13/2003, regarding Termination of Employment, Chapter 20, Article 154.4: Workers/laborers as mentioned under subsection 1) whose duties and functions do not directly represent the interest of enterprise shall be given detachment money whose amount and procedures or methods associated with its payment shall be determined and stipulated in work agreements, company regulations, or collective labor agreements. Article 162.2: Workers/laborers who resign of their own will, whose duties and functions do not directly represent the interest of enterprise shall, in addition to compensation pay payable to them according to subsection 1) of Article 155, be given detachment money whose amount and procedures/methods associated with its payment shall be regulated in work agreement, company		Factory has not yet regulated separation pay (lump sum) on company regulation. This benefit actually is paid to worker as part of termination package that should be given to eligible workers when they resign from the company.	document review: worker and management interviews						Factory to discuss with union to determine detachment money in accordance to law and communicate to all workers in regard to the result.											

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				Risk of Noncompliance	Evidence of Noncompliance (Uncomorbate #)	If Not Comorbated, Explain Why	Source/ Documentation	Notable Features	PC Internal Audit Findings (Optional)	PC Remediation Plan	Target Completion Date	Factory Response (Optional)	Company Follow Up (Cite Date)	Documentation	Completed/Pending/Ongoing	Company Follow Up	Documentation	External Verification (Date)	Documentation	Company Follow Up (Cite Date)	Documentation
<b>9. Hours of Work</b>																					
Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime; or (b) the limits on regular and overtime hours allowed by the laws of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least 1 day off in every 7 day period.																					
<b>Overtime Limitations</b>	Labor Act (L) No.13/2003, regarding Working Time, Chapter 6, Paragraph 4, Article 78.1(c). Overtime can only be contracted a maximum of 3 hours in 1 day and 14 hours in 1 week.	Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime; or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least 1 day off in every 7 day period. An extraordinary business circumstance is a temporary period of extra work that could not have been anticipated or alleviated by other reasonable efforts.	From randomly selected attendance record review, some selected sewing workers worked 60-70 hours per week (30-30 hours per week OT) some weeks of June 2006. (For example) maximum total work hours (least were) 72.3 hours a week or 35.5 hours per week of OT and 14 hours a week or 34 hours per week OT reported from May 8-14, 2006. In addition since January 2008, attendance records have used electronic tempo cards. In practice, factory never contacted a best copy of the attendance record. In order to get information regarding attendance record, auditor must get information directly from computer. However, due to program system reason, attendance records only could be sorted and viewed per each period of each month. Hence, it was unable to get a clear picture of general overall working hours condition in factory. During audit, it only can be verified working hours from limited attendance records.				document review: worker and management interviews														
<b>Overtime Limitations</b>	Labor Act (L) No.13/2003, Chapter 6, Paragraph 4, regarding Working Time, Article 79.2(b). There must be, at least, 1 day off a week (for factory supplied 5 working days system) or 2 days off a week (for factory supplied 5 working days system).	Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime; or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least 1 day off in every 7 day period. An extraordinary business circumstance is a temporary period of extra work that could not have been anticipated or alleviated by other reasonable efforts.	From randomly selected attendance record review, workers worked consecutively without 1 day off in 7 at least in last periods later: Sewing 20, May 20-26, 2006 (07 consecutive days); Sewing 06, June 6-16, 2006 (12 consecutive days); Packing May 2-24, 2006 (11 consecutive days); May 2-14, 2006 (13 consecutive days); Sewing 02/06 and OC, May 2-20, 2006 (19 consecutive days); May 2-24, 2006 (03 consecutive days); May 8-20, 2006 (13 consecutive days); Warehouse, July 3-29, 2006 (27 consecutive days); July 5-17, 2006 (13 consecutive days). According to management, consecutive working days were to meet shipment date.				document review: worker and management interviews														
<b>36. Overtime Compensation</b>																					
In addition to their compensation for regular hours of work, employees will be compensated for overtime hours at such premium rate as is legally required in the country of manufacture or, if those countries where such laws will not exist, at a rate at least equal to their regular hourly compensation.																					
<b>Accurate Recording of OT hours/Week?</b>	Labor Minister Decree No. KEP-102/MEN/V/2004, regarding Calculation of Basic Overtime Wage, Article 6.1. Overtime wage calculation is based on monthly employment. Article 6.2. The calculation method of 1-hour wage is 1/12 times a month wage. Article 11. Calculation method of overtime pay as an follows: If overtime work is executed on working day, for first overtime hour, must be paid a pay amounting to 1.5 times of 1-hour pay; for each next overtime hour, must be paid a pay amounting to 2 times of 1-hour pay. If overtime work is executed on weekly rest day and/or official holiday for working time of 8 working days 40 hours a week, therefore calculation of overtime pay for first 7 hours is 2 times of 1-hour pay, and 8th hour is 3 times of 1-hour pay and 9th and 10th hour are 4 times of 1-hour pay; if official holiday falls on normal working day, calculation of overtime pay for first 7 hours is 2 times of 1-hour pay, the 8th hour is 3 times of 1-hour pay and 9th and 10th hours is 4 times of 1-hour pay; if official holiday or working time of 8 working days and 40 hours a week, calculation of overtime pay for first 8 hours is 2 times of 1-hour pay, 9th hour is 3 times of 1-hour pay and 10th and 11th hours is 4 times of 1-hour pay.	Employees will be paid for all hours worked in a work week. Calculation of hours worked must include all time that the employer allows or requires the worker to work.	Overtime compensation practice was not in accordance with granted Collective Bargaining Agreement (CBA). Although CBA has regulated OT compensation according to negotiation, practically there is 1.5 times of 1-hour pay for OT wage only or about target payment only and/or combination of both (OT wage and about target payment). Actually there was unclear system to determine actual compensation system. Even accounting/ payroll manager cannot give clear explanation on this stage. It only stated that determination of the payment would be based on people in charge of production. However, when further verified with in-charge persons near different responses and explanations. These in-charge persons have different responses in this regard. In practice, workers will clock their attendance in and out separately by themselves. Then, in-charge person (CBA KARTU) in production will sort and total worker's attendance report records. This record was used to determine OT work compensation whether worker will be compensated based on output target payment, actual OT payment or both. Furthermore, there were discrepancies found between total of worker's attendance report records and actual worker's attendance records. For example, with clock out information missing on total of worker's attendance report record, OT work compensation determined as output target payment. In total, this led to question. Although total of worker's attendance report and actual worker's attendance records showed OT work 40.18 hours on June 5, 2006 for at least some selected workers of Sewing 20, OT work compensation determined as output target payment of Rp. 6,500, while if it is compensated for actual OT payment, it				document review: worker and management interviews														
<b>36. Overseer/Supervising</b>																					
Overseer/Supervising		Overseer from Audit Instrument (36.1) Does factory have someone overseeing subcontractors to ensure their contracts are implemented in compliance with code? (36.2) Please explain any discrepancies, noncompliance, risks or uncomorbated evidence of noncompliance. (36.3) Do contracts between factory and any subcontractors and/or recruitment agencies comply with FLA COC, including 1 rest day, maximum hours of work, minimum wage and OT payments, minimum age, and health and safety requirements? (36.4) Please explain any discrepancies, noncompliance, risks or uncomorbated evidence of noncompliance.					document review (no document evidence found), management interview														