FLA Audit Profile		EV Audit Profile	
Country	Indonesia	Country	Indonesia
Factory name	1000333666E	Factory name	1000333666EV
IFM	Bureau Veritas	gcv	AndrewTeh
Date(s) in facility	August 23, 2006	Date(s) in facility	October 18, 2011
PC(s)	Phillips-Van Heusen Corp.	PC(s)	Phillips-Van Heusen Corp.
Number of workers	1,350	Number of workers	4204
Product(s)	Men's shirts, blouses, jackets	Product(s)	Men's shirts, blouses, jackets
Production processes	Cutting, fusing, sewing, trimming, pressing, finishing	Production processes	Cutting, fusing, sewing, trimming, pressing, finishing

FLA Comment: This report was submitted to the FLA and the FLA-affiliated company by the accredited independent external monitor. Despite deadline reminders and extensions for submission of a corrective action plan, the FLA has not received a plan to address the noncompliances raised in the report. Therefore, the report is posted in its current state and will be updated once a corrective action plan has been submitted to and reviewed by the FLA.

			IEM Findings						Remediation					[Status]	Updates (Cite Date of Follow up)		Third-Party Verification		Company Verification Follow up	
FLA Code/ Compliance Issue	Country Law/Legal Reference	FLA Benchmark	Noncompliance	Risk Of Noncompliance	Evidence Of Noncompliance (Uncorroborated)	If Not Corroborated, Explain Why	Sources/Documentation Used For Corroborating	Notable Features Implemented By Factory Management Or Company	PC Remediation plan	Target Completion Date	Factory Reopens (Optional)	Company Follow Up (May 2007)	Documentation	Completed; Pending; Ongoing	Company Follow Up	Documentation	External Verification (October 18 & 19, 2011)	Documentation	Company Follow Up (Cite Date Of Planned Or Follow Up Visit, If Appropriate)	Documentation
1. Code Awareness																				
Code posting/Information		**FLA Principle of Monitoring, Obligation of Companies:** Establish and articulate clear, written workplace standards. Formally convey those standards to Company factories as well as to licensees, contractors and suppliers.	The PVH Code of conduct was only posted at plant ***** nearby the workers' toilet room, whereas there was lack of PVH COC posted at the plant ***** and *****. All workers from plant ***** and ***** had no idea regarding PVH code of conduct and they were not aware of the Companies' Code of Conduct posted on the announcement boards. Based on management information, there were changes underway in production lay-out in plant ***** so the existing COC was not posted yet, however other buyers' COC were posted on the wall. In addition, PVH COC was written in English.				Management and worker interviews, factory observation		PVH will post COC posters in sections ********* and ******* in the local language.	Immediately		During the follow up in May 2007, this issue was corrected	Observation by auditor	Completed			**Ongoing :** According to the factory tour observation, it was noted that the original PVH Code of Conduct (COC) posters in English and translation photostat copies in Bahasa were both posted at factory building no. 2, 5 and 6. In addition, the COC translation photostat copies in Bahasa were also posted at factory building no. 1 and F. There was no original COC poster or translated copy at factory building 6. According to the factory management, building no. 6 is the new factory which has just been approved by PVH on Sept 2011.			
Worker/management awareness of Code		**FLA Principle of Monitoring, Obligation of Companies:** Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.	The factory communicated the COC orally during a one-hour orientation for newly hired workers only. The module of COC training was created from various COC of their customers. Nevertheless, there was no evidence indicating that there were other efforts undertaken by the Company to communicate code obligations to both management and the workforce.				Management and worker interviews, factory observation		As of September 2006, factory will conduct continuous COC training to workers and will organise group training in each factory. The first training started on 15th September (training attendance record submitted to PC). Factory will conduct training every 3 months for different group of workers consisting of 60 workers each time for duration of 2-3 hours. After all units have been trained, we will conduct re-socialization every 6 months.	Ongoing		During the follow up in May 2007, this issue was only partially corrected. COC training was only provided to a portion of the factory workers	Interview and documentation	Ongoing			**Ongoing :** According to the COC training participant list, there were total 826 workers attended the COC training. The training duration is about an hour per session. Although the factory has posted their COC on the notice board but according to the worker interviews, the COC awareness of workers is still low.			
Confidential non-compliance reporting channel		**FLA Principle of Monitoring, Obligation of Companies:** 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	The Company (PVH) did not develop a secure communication channel to enable factory employees and employees of contractors and suppliers to report noncompliances to the Company.				Management and worker interviews, factory observation		PVH will attach to posters our fax numbers and email addresses so that workers can confidentially report to PVH directly any code violations.	Immediately		During the follow up in May 2007, this issue was corrected.	Observation by auditor	Completed			**Ongoing :** According to the factory tour observation, it was noted that the PVH Hotline (mobile phone) number and explanation notes in Bahasa have been posted on the notice board of all factory buildings except building no. 6.			
2. Forced Labor																				
There will not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise.																				
Employment Records		Employers will maintain sufficient hiring and employment records to demonstrate and verify compliance with this Code provision.	Upon crosscheck of the personnel file of selected contract workers it was found that only current contract agreements and personnel file were maintained on-site.						We will keep the personnel files and contract agreements in the central personnel department. We will assign 1 personnel staff to maintain it.	Completed		During the follow up in May 2007, this issue was corrected.	Review of relevant documentation by auditor	Completed			**Completed :** According to the documentation review it was noted that the factory kept all the employment contracts and personnel files centrally in the Personnel Department since 2007.			
Other: Improper employment practice under specified period of time contract worker	Labor Act No. 13/2003, article: 59, stated that **(1)** A work agreement for a specified time can only be made for a certain job, which, because of the type and nature of the job, will finish in a specified time, that is: a. Work to be performed and completed at once or work which is temporary by nature; b. Work whose completion is estimated time which is not too long and no longer than 3 (three) years; c. Seasonal work; or d. Work that is related to a new product, a new activity or an additional product that is still in the experimental stage or try-out phase. **(2)** A work agreement for a specified time cannot be made for jobs that are permanent by nature. (7) Any work agreement for a specified time that does not fulfill the requirements mentioned under subsection (1), subsection (2), subsection (4), subsection (5) and subsection (6) shall, by law, become a work agreement for an unspecified time. Article: 62 stated: If either party in a work agreement for a specified time shall terminate the employment relations prior to the expiration of the agreement, or if their work agreement has to be ended for reasons other than what is given under subsection (1) of Article 61, the party that terminates the relation is obliged to pay compensation to the other party in the amount of the worker's/ labourer's wages until the expiration of the agreement. Labor Minister Decree No. KEP.100/MEN/VI/2004 regarding implementation of specified period of time contract (PKWT), chapter I, article 2 stated (2) Working condition agreed in PKWT must not be lowered than the stipulations in the prevailing laws. CHAPTER VI REGISTRATION OF PKWT Article 13 stated PKWT shall be registered by employer to the authorized labour institution in the local		From the control list of a contract worker in section *****, there was an improper employment practice applied under specified period of time for contract workers (PKWT). The improprieties were noted as follows: 64 out of 578 of total workers in section ***** were contract workers that stationed at the main process of the factory's business. At least 10 contract workers hired in 2002 were contracted 6 times until December 2006. The lengths of contracts varied from 6 to 12 months with no grace period in between. At least 10 contract workers hired in 2002 were contracted 6 times until May 2007. The length of these contracts ranged from 6 to 12 months with no grace period in between. Workers were required to undergo a probation period of 3 months prior to signing a contract agreement under specified period of time contract. During audit the probation period's terms and conditions could not be verified since it was not declared on the contract agreement.- None of contract agreements have been registered with local labor department.				Management and worker interviews, factory observation		Starting in September 2006 the management started registering all contract working agreements with the local labor department, the latest to be finished by December 31, 2006	Completed		During the follow up in May 2007, this issue was corrected.	Review of relevant documentation by auditor	Completed			**Completed :** It was noted that the factory registered the employment contracts of all workers with the local labor department. Out of 4,204 workers, 469 workers are contracted and 3,735 workers are permanent employees. Between 2007 and 2009, the 1st contract period of "Contract" workers was 3 months, the 2nd contract period was 6 months, the 3rd contract period is 9 months, and 4th contract is 2 years, total 42 months (three and a half years).The current factory policy states that the 1st contract period of "Contract" workers is 3 months, 2nd contract period is 9 months and 3rd contract period is 2 years, total 36 months (3 years). Should the "Contract" workers' job performance meet the factory requirements after working for 3 years, then the factory will "promote" them as "Permanent" workers. Should the workers' job performance not meet the factory requirements, then the worker will work until the contract's expiry date. In some cases, some workers will reapply for their job after a 30 day grace period, and then the factory may re-hire them as "Contract" workers again.	Personnel files		
	Article: 15 stated in the case the renewal of PKWT does not elapse 30 (thirty) days period after the expired date of PKWT renewal and is not changed to be a different agreement as meant in Article 3, therefore PKWT is changed into PKWT since it does not meet the																			
3. Child Labor																				
No person will be employed at an age younger than 15 (or 14 where the law of the country of manufacture allows) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15.																				
Legal Compliance (Apprenticeships)	Labor Act No. 13/2003, article: 22, stated that:(1) Apprenticeship shall be carried out based on an apprenticeship agreement made in writing between the apprenticeship participant and the entrepreneur. (2) The apprenticeship agreement as mentioned under subsection (1) shall at least have stipulations explaining the rights and obligations of both the participant and the entrepreneur as well as the period of apprenticeship. (3) Any apprenticeship administered without an apprenticeship agreement as mentioned under subsection (2) shall be declared illegal and as a consequence, the status of the apprenticeship's participants shall change to be the workers/ labourers of the enterprise. Labor Minister Decree No. PER-21/MEN/XI/2005 regarding Apprenticeship Program article: 8.2 stated apprenticeship program shall be carried out based on an apprenticeship agreement made in writing between the apprenticeship participant and the entrepreneur. Article:9 stated The apprenticeship agreement as mentioned under article: 8.2 shall be made in written between the apprenticeship participant and the entrepreneur. Article: 10 stated The apprenticeship agreement as mentioned under article: 9 shall be included at minimum a. right and obligation of entrepreneur, b. right and obligation of apprenticeship participant, c. vocational skill, d. time period of apprenticeship program.	Employers will comply with all regulations and requirements of apprentice of vocational education programs, and will be able to document to monitor that these are legally recognized programs. Informal arrangements, which result in students leaving school prior to attaining the compulsory age for schooling, are not acceptable.	It was found that 10 workers were identified as apprentices coming from the [institute] that was recommended by the Local Labor Department. The Local Labor Department has a program to scout the students of registered courses and training institutions and can place them in appointed factories. However, there was no agreement of apprenticeship that clearly defines student rights and obligations during their apprenticeships in the factory. The others condition noted regarding this apprentice as follow: - The apprentices performed overtime work until 20.00 for at least 2 workers on July 4 and 5, 2006. - The overtime compensation was calculated using a flat rate of as much as Rp. 2,675/hour.				Management and worker interviews, factory observation		As of October 1, 2006 we no longer accept trainees from colleges. If we need additional workers in the future, we will employ either contract or permanent workers.	10/1/2006		During the follow up in May 2007, this issue was corrected. No trainees are hired by the factory.	Review of relevant documentation by auditor	Completed			**Completed :** It was noted that the factory has not recruited any student apprentices since 2007.			
Legal Compliance (Apprenticeships)		Employers will comply with all regulations and requirements of apprentice of vocational education programs, and will be able to document to monitor that these are legally recognized programs. Informal arrangements, which result in students leaving school prior to attaining the compulsory age for schooling, are not acceptable.			There was an indication of misuse of apprentices as regular workers. During the audit we found unclear information about the worker status of worker who, according to the management, were apprentices. Based on observation and records reviewed, these workers do the same work, have the same target for production and working hours as other workers. Nevertheless, in production area these workers are called free daily workers, not apprentice participants, as indicated on their time cards and payroll.	Due to discrepancies information gathered during audit, this issue cannot be corroborated.			As of October 1, 2006 we no longer accept trainees from the colleges. If we need additional workers in the future, we will employ either contract or permanent workers.	10/1/2006		During the follow up in May 2007, this issue was corrected. No trainees are hired by the factory	Review of relevant documentation by auditor and interview of workers	Completed			**Completed :** It was noted that the factory has not recruited any student apprentices since 2007.			
Juvenile worker Identification System		Employers will have a system for identifying work stations and operations that are inappropriate for young workers according to applicable laws.		Despite the youngest worker that identified as apprentice found was 18 years old. However, there was no policy and procedure in place regarding juvenile workers or apprentices/vocational students in place.			Management and worker interviews, factory observation		As of October 1, 2006 we no longer hire apprentices and we do not hire minors.	10/1/2006		During the follow up in May 2007, this issue was corrected. No apprentices/minors are employed by the factory	Review of relevant documentation by auditor and interview of workers	Completed			**Completed :** According to the management and worker interviews, it was noted that the factory has not recruited any student apprentices since 2007.			
4. Harassment or Abuse																				
Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment of abuse.																				
H&A 12 Discipline/Freedom of Movement																	**New Finding :** Workers were not allowed to go out from the factory during break / lunch time. According to the factory management, they would like to minimize the possibility of food poisoning incident happening outside of the factory and that is why they have been supplying free lunch to all workers all these years.	Factory notices, management and worker interviews		
Progressive Discipline		Employers will utilize progressive discipline, e.g., escalating discipline using steps such as verbal warning, written warning, suspension, termination. Any exceptions to this rule, e.g., immediate termination for theft or assault, shall be in writing and clearly communicated to workers.		The factory has policy to not utilize verbal abuse, physical, sexual or psychological harassment for disciplinary practice. The policy is implemented by following procedure: verbal warning, written warning, written warning Level 1, Level 2, Level 3, suspension and termination. The criteria of violation of each type of warning are stipulated in the Collective Bargaining Agreement (CBA) article 35. However, there was no clear explanation regarding type of violation resulting in a suspension. The CBA article 36 regarding Sanction Determination have no details rules that workers were able to get suspensions, which could potentially lead to unfairly				Management and worker interviews, factory observation		In the CBA it is clearly written the penalty of each violation.	12/1/2006		This issue has not been corrected		Ongoing			**Completed :** According to the documentation review, the disciplinary practices including suspension policy have been specified on the CBA (validity period from August 8, 2011 to August 7, 2013).			
5. Nondiscrimination																				
No person will be subject to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic																				
Hiring Discrimination Practices		Employment decisions will be made solely on the basis of education, training, demonstrated skills or abilities. All employment decisions will be subject to this provision. They include: hiring, job assignment, wages, bonuses, allowances, and other forms of compensation, promotion, discipline, assignment of work, termination of employment, provision of retirement.		The factory has established a Non-Discrimination policy on site. However, there was no clear measurement that base decisions for work assignments, job-training, promotions and pay on skill and ability.			Management and worker interviews, factory observation		Factory will make a clear measurement of base decisions for work assignments, job training, promotions and pay on skill and ability. We will hold an annual performance appraisal each June. We will be using standard testing system to design the wages level, promotion, etc. The testing system will be arranged by the personnel department and factory manager in each unit.	6/7/2007		This issue has been improved partially. The factory has increased the basic wage of the workers who've been employed by the company for more than 1 year, but there is still no clear policy and explanation on the grading system for determining the amount of skill allowance of different workers.	Auditor verified this through review of relevant documentation and interview of workers	Ongoing			**Ongoing :** According to the management interview and documentation review, it was noted that the factory has established job performance evaluation for positions such as office staffs, supervisors level and above but not on the workers yet.			

				IEM Findings					Remediation					[Status]	Updates (Cite Date of Follow up)		Third-Party Verification			Company Verification Follow up	
FLA Code/ Compliance Issue	**Country Law/Legal Reference**	**FLA Benchmark**	**Noncompliance**	**Risk Of Noncompliance**	**Evidence Of Noncompliance (Uncorroborated)**	**If Not Corroborated, Explain Why**	**Source/Documentation Used For Corroborating**	**Notable Features Implemented By Factory Management Or Company**	**PC Remediation plan**	**Target Completion Date**	**Factory Response (Optional)**	**Company Follow Up (May 2007)**	**Documentation**	**Completed; Pending; Ongoing**	**Company Follow Up**	**Documentation**	**External Verification (October 18 & 19, 2011)**	**Documentation**	**Company Follow Up (Cite Date Of Planned Or Follow Up Visit, If Appropriate)**	**Documentation**
Other: Discriminated Employment Application		Questions from Audit Instrument: (5A.12) Does the factory maintain employment applications? (5A.12) If so, are there questions in the employment application that violate Code provisions?		During the audit, there was no discrimination issue noted. However, in the application form, there were gender – oriented questions regarding sex, marital status and religion of the applicant. However, from workers interviewed, no workers stated that they are discriminated either in the hiring process or in the daily work.			Management and worker interviews, factory observation		Gender questions are in relation to menstruation leave for female workers are allowed by the government and to let us know how many toilets should be provided. Religion question relates to capacity of praying room which the company must provide according to law. The question regarding marital status is in relation to the medical service/insurance to be provided. However, as suggested we shall collect this data only after we confirm employment.	1/1/2007		This issue was corrected. Workers are no longer requested to provide this information in the application form	Review of relevant documentation by auditor and interview of workers	Completed			Completed : According to the documentation review, it was noted that the information of gender, marital status and religion was no longer required on the new job application forms.			
1. Health and Safety																						
Employers will provide a safe and healthy working environment to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employer facilities.																						
Fire Safety Health and Safety legal compliance	Labor Ministry Circular No. SE-05/BW/1997, stated the factory shall maintain hazard assessment to determine the personal protective equipment is sufficient for the working condition.	Employer will comply with applicable health and safety laws and regulations. In any case where laws and code of conduct are contradictory, the higher standards will apply. The factory will possess all legally required permits.	There was no system on ESH hazards identification established in place.				Management and worker interviews, factory observation		We have a policy on ESH Hazard identification and a compliance commitment in place. It is factory's policy NOT to use hazardous substances that may hazard the workers and the environment as well. Therefore, there was no harmful release of industrial waste is disposed from the factory. Solid wastes such as fabric waste and used papers are sent for recycling process by third party.	Immediately		This issue was corrected.	Review of relevant documentation and interviews by auditor	Completed			Completed : The factory has established their own EMS (environmental management system), health and safety policies and procedures and conducted their internal audit on monthly basis.	Management interview, document review		
H&S.8 Permits and Certificates	Ministry instruction for labor NO. : INS.11/M/BW/1997 chapter IV in regards to checking of the fire extinguishers.	The employer shall at all times be in possession of all legally required and valid permits and certificates related to health and safety issues, such as those related to the purchase and storage of chemicals, fire safety inspections, inspection of machinery, and (chemical) waste disposal.															**New Finding :** According to the factory tour observation, it was noted that some monthly inspection sheets of fire extinguishers for 2009 were amended to 2011. Each monthly check box from August to December has been ticked.			
H&S.17 Ventilation/Electrical/Facility Installation and Maintenance	According to Ministerial decree no 51 year 1999 in regards to threshold limit of temperature in working area for continuous 8 hours working shall not exceed 30 decree Celsius for light work. < 26,7 degree Celsius for medium work And < 25 degree Celsius for hard work.	All necessary ventilation, plumbing, electrical, noise and lighting services shall be installed and maintained to conform to applicable laws and in such a manner as to prevent or minimize hazardous conditions to workers in the facility.															**New Finding :** According to the factory tour observation, it was noted that the temperature inside production sewing department ranged from 35 to 37 degree Celsius.			
H&S.10 Safety Equipment and First Aid Training		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.															**New Finding :** According to the factory tour observation, it was noted that two types of first aid items were expired. Povidone iodine expired in April 2011. Rubbing alcohol expired in September 2011.			
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.	Based on observation the stairwells lead toward the training line from the cuff section at ***** has one-sided handrail.				Factory observation, management interview		Management has improved by adding a second handrail. There is now handrail on left and right side in stairwells of *****.	Immediately		This issue was corrected.	Observation by auditor	Completed			**Ongoing :** According to the factory tour observation, it was noted that the aforementioned stairway was equipped with a 2 sided handrail. However, it was noted there were 2 more stairways with only 1 side handrail.			
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.	It was noted factory has not provide burn cream on all of first aid kit primarily on working environment which deal with hot equipment such steam, pressing machine. In addition eye wash chemical called boor water that has been prohibided by government has still being used in *****				Factory observation, management interview		Factory has stocked the first-aid kits with burn creams.	Immediately		This issue was corrected.	Observation by auditor	Completed			**Ongoing :** According to the factory tour observation, it was noted that all first-aid kits were equipped with burn creams. However, the eye wash chemical called, boor water, prohibited by government was still found inside all first aid kits.			
Ventilation/Electrical/facility maintenance	Labor Minister Regulation No.7 of 1964 regarding Condition of Health, Cleanness and lighting in workplace, article 2 stated Every establishment of an undertaking shall include the following measures: d. to provide sufficient lighting and suitable condition for carrying out the work. Article: 14.7 stated Lighting for work requiring small and fine articles to be differentiated, such as: a. the accurate handling of machines; b. precise examination; c. accurate tasting…, shall have a power of at least 3000 lux	All necessary ventilation, plumbing, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility.	It was noted lack of lighting caused by broken bulb lamp or no bulb lamp provided in all section primarily that required proper lighting such QC and trimming at *****. The factory has no method to regularly replace broken bulb lamp.				Factory observation, management interview		Added more lighting and replaced broken bulb lamps in work stations such as QC and trimming station in Unit *****.	Immediately		This issue was partially corrected.	Observation and measurement of lighting by auditor	Ongoing	Factory has installed additional lamp fixtures on machines for sewing operators. Factory has also changed all lighting on the QC table to comply with standards . This was completed by October 15, 2008.				
	Law no.1 year 1970 chapter 3 in regards to accident prevention.																**New Finding :** According to the factory tour observation, it was noted that most of the electrical panel board covers were not closed properly.			
Sanitation in Facilities	Labor Minister Regulation No.7 of 1964 regarding Condition of Health, Cleanness and lighting in workplace, article 2 stated Every establishment of an undertaking shall include the following measures: f. to prevent the spread of dust, gas steam, and unpleasant smells.	All facilities including factory buildings, canteens, kitchens, and toilets, shall be kept clean and safe and be in compliance with applicable laws.	It was noted factory has not maintained its water sewage at***** caused bad smell whereas the water sewage was nearby the location of drinking and dining facilities of ***** and also close to cuff-process section at *****.				Management and worker interviews, factory observation		We have a sewage system in a place. Immediately after audit we took action to clean the sewage. We are now continuously monitoring the cleanliness of the sewage system and have the scheduled to be clean every 3 hours. Policy sent to PC for verification	Immediate and ongoing		This issue was partially corrected. The sanitary condition of the sewage needs improvement	Observation and measurement of lighting by auditor	Ongoing			**Ongoing :** According to factory tour observation, it was noted that the bad smell of the sewage water was still there. According to the factory management, the smell was due to the wastes flowing through the water pipe from the nearby tofu factory. **New Finding :** According to the factory tour observation, it was noted that there was bad odor smell at male worker toilets.			
Sanitation in Dining Area		All food preparation shall be prepared, stored, and served in a sanitary manner in accordance with applicable laws. Safe drinking water should be available in each building.	It was noted during factory tour and interview with workers that there was lack of drinking water provided for workers. They admitted that together with their relatives in line, they contribute about Rp. 2,500 until Rp. 4,000 per month to buy potable drinking water. The one who assigned as coordinator collected the contribution fee every month. Some of them also bring their own drinking water from home/ Based on on-site observation, it was noted that drinking water provided by factory was kept in water tank in a warm area. Several water tanks found were empty. Many water jugs were found in dining room in where the workers spill out the water. The workers confirmed that the is practice was common and noticed by all workers and management. The security guard admitted that they give the water provider a permit to access the dining room in the factory.				Management and worker interviews, factory observation		Since 1980, the factory provided free drinking water to all workers. However in the future we will assign kitchen staff and cleaning staff in each unit to monitor the drinking water twice a day. Checking will be conducted every morning at 07.00 am and 11.00 am before lunch break. They should check the jug water and the mineral water to make sure that there's enough clean water for everyone.	2/07 and ongoing		This issue was corrected.	Auditor also reviewed the report stating the water was in good drinking condition.	Completed			**Pending :** According to management and worker interviews, it was noted that the factory still has not provided free drinking water which is safe and clean at reasonable temperature to all workers. With the drinking water supplier's documents as evidence obtained from the worker, it was confirmed that each worker is still paying for their own portable drinking water supply every month. **New Finding :** According to the factory tour observation, it was noted that some lunch boxes were put on the floor of staircases outside the production exit door. In addition, there were some stain / dirty mark on lunch boxes.			
Sanitation in Dining Area	Labor Minister Regulation PER-07/1964, regarding Condition of Health, Cleanness and lighting in workplace, article: 8, stated (7) Workers who prepare and serve food and drink must be free from infectious disease and must take care of their physical condition (must undergo physical examination and be cleared by doctor's certificate at least once a year). (10) Before being employed workers as meant in paragraph 7 must undergo a physical examination and be cleared by doctor's certificate. (11) Physical examination as meant in paragraph 10 must be followed by as X-Ray examination of the lungs. (12)	All food preparation shall be prepared, stored, and served in a sanitary manner in accordance with applicable laws. Safe drinking water should be available in each building.	Food Handling training for the canteen provider crew was conducted in May 2006. However, there was no medical examination conducted for the food preparation crew and food handlers to ensure that they did not suffer from infectious diseases.				Management and worker interviews, factory observation		Factory was conducting medical examination for food preparation crew and food handler every 6 months. As of November 2006, we will narrow to 3 months.	11/06 and ongoing		This issue was corrected.	Observation by auditor	Completed			**Pending :** According to the factory management, the food preparation crew and food handler have valid food handling certificates issued by Government Health Office. However, in view that the factory could not present the certificate during the audit period, this issue could not be verified.			
Other: No Back Rest for seating facility	Labor Minister Regulation No. PER-07/1964 regarding Condition of Health, Cleanness and lighting in workplace article 9(2.d): seating facilities shall have a backrest for support.		On 12/5/2006 Local Labor Department conducted on-site observation to the factory and issued the recommendation to complete backrest of chairs at sewing lines in plant *****. However, during monitoring it was observed that the chairs in those areas were not provided with backrests.				Factory observation, management interview		We will work to improve by gradually adding more chairs with back rests.	12/30/2007		This issue was partially corrected.	Observation by auditor	Ongoing	The factory has provided chairs with backs to all workers with standing jobs. This was completed in mid-July 2008.		**Completed :** According to the factory tour observation, it was noted that the factory has provided chairs with back-rests to all sewing workers.			
2. Freedom of Association and Collective Bargaining																						
Employers will recognize and respect the right of employees to freedom of association and collective bargaining.																						
Other: Severance Payment Notification		Questions from Audit Instrument: (5A.17c) Describe the notification process to employees and ensure that severance and final settlements are made according to local laws?		From the records reviewed, the termination process was handled according to regulations applied. However there is no severance payment and the final settlements regulation clearly defined on the CBA.			Management and worker interviews, document review		Our severance payment follows the labor law regulation # no.13, 2003 article 154 point B.	Completed		During the follow up in May 2007, this issue was not yet corrected	Auditor reviewed the CBA	Ongoing			**Completed :** According to the documentation review, the severance payment and final settlement regulations have been clearly defined on the latest CBA (validity period from August 8, 2010 to August 7, 2013).			
Other: Policy and Procedure for termination/retrenchment for operational purposes		Questions from Audit Instrument: (5A.17a) Does the factory have a policy for termination/retrenchment for operational purposes?		There was no policy and procedure for termination or retrenchment for operational purposes established in place.			Management and worker interviews, document review		Policy and procedure for termination and retrenchment is available in collective working agreement.	Completed		During the follow up in May 2007, this issue was corrected	Auditor reviewed the CBA	Completed			**Completed :** According to the documentation review, the termination/retrenchment policy and procedures have been specified on the latest CBA (validity period from August 8, 2010 to August 7, 2013).			
Other: Distributing Collective Bargaining Agreement (PKB)	Labor Act UU No: 13/2003, regarding the Industrial Relationship, chapter XI paragraph 7 article 128.2 stated that the entrepreneur and the trade/labour union are under an obligation to inform the contents of the collective labour agreement or any changes made to it to all workers/ labourers. Article 126.3 stated that the entrepreneur must print and distribute the text of collective labour agreement		The factory only posted Collective Bargaining Agreement (PKB) in some prominent places (e.g. dining facility, entry gate, etc.) instead of distributing the text of collective labour agreement to each worker/ labourer as required.				Management and worker interviews, document review		Management has distributed copies of the CBA to all workers (and kept a receipt) and has displayed it on notice boards.	Immediately		During the follow up in May 2007, this issue was corrected	This was verified through observation and workers' interviews	Completed			**Pending :** According to the factory tour observation and management and worker interviews, it was noted that latest CBA (valid from August 8, 2011 to August 7,2013) has been posted on notice boards but the factory has yet to distribute the copy of CBA to workers.			
3. Wages and Benefits																						
Employers recognize that wages are essential to meeting employees' basic needs. Employers will pay employees, as a base, at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and will provide legally mandated																						
Wage Benefits Awareness		Employers will communicate orally and in writing to all employees in the language of the worker the wages, incentive system, benefits and bonuses to which all workers are entitled in that company and under the applicable law.		No policy and procedure about communication of wage, incentive, benefits and deduction systems established to educate the workers about wage, incentive, benefits and deduction systems applied. Furthermore, the factory provided attendance allowance to all workers that would be given fully if the worker had full attendance in one month without absence. In case of the worker being absent once, the allowance would be deducted by half. It was found that there were different amount of attendance allowance given between QC workers (Rp. 7,000/month) and other workers (Rp. 2,750/month). There was no clear guidance that acknowledged by all workers regarding the policy of differentiation. Nevertheless, there was no clear base				Management and worker interviews, document review		The factory posts wage calculation sheets on announcement boards. Incentive system, benefits, and deduction system are also posted where all workers and workers union can read. All workers receive salary slips every month with detailed wage and OT calculation. We will also set up a program to educate the workers so that they can understand the incentive system, benefits and deduction system. We will also provide periodic group training about the system.	12/1/2006 and ongoing		During the follow up visit in May 2007, auditor found this issue to be partially improved. Announcements have been posted however only partial workforce has been trained	Partial improvement was verified through review of relevant documentation and workers' interviews	Ongoing			**Ongoing :** It was noted that the factory has established guidence on benefits and deduction system and posted the salary calculation explanation on the notice boards. In addition, the factory has instructed all supervisors to verbally inform workers about their employment benefits. The current practice of attendance allowance is based on per every ten days basis. Should workers be late or absent for work once within the ten days period, the attendance allowance would be forfeited.	Factory tour, management and worker interviews		
Voluntary Use of Benefits		All workers have a right to use or not to use employer provided services, such as housing or meals.						The factory provided free lunch meal and free uniform for their workers.														
WBOT.5 Holidays, Leave, Legal Benefits and Bonuses		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.															**New Finding :** According to the documentation review, the factory has presented one case that the factory has agreed to pay severance pay to one worker for amount about IDR 13 million and the payment has not been made yet. According to the worker interview, the factory has paid severance pay IDR 3 million only to one worker who had been working for 15 years. However, the factory could not provide the personnel files for both cases on time during the audit period, so both cases were unable to be verified.			
Legal benefits	Labor Minister Decree No. PER-21/MEN/X/2005 regarding Apprenticeship Program article 12 (1.a) stated that the apprentice participant has right to get the Accident Security from JAMSOSTEK as regulated by law.	Employers will provide all legally mandated benefits to all eligible workers.	The factory run apprenticeship program for 10 students from [institute] recommended by Local Labor Department for three months started from June 23, 2006.However, they were not covered for JAMSOSTEK (Accident				Management and worker interviews, document review		As of October 1, 2006 we no longer accept trainees (apprentices) from the colleges.	Completed		This issue has been improved.	Auditor verified this through review of relevant documentation and interview of workers	Completed			**Completed :** According to the management and worker interview, it was noted that the factory has not recruited any student apprentice since 2007.			

			IEM Findings						Remediation					[Status]	Updates (Cite Date of Follow up)		Third-Party Verification		Company Verification Follow up	
FLA Code/ Compliance issue	**Country Law/Legal Reference**	**FLA Benchmark**	**Noncompliance**	**Risk Of Noncompliance**	**Evidence Of Noncompliance (Uncorroborated)**	**If Not Corroborated, Explain Why**	**Sources/Documentation Used For Corroborating**	**Notable Features Implemented By Factory Management Or Company**	**PC Remediation plan**	**Target Completion Date**	**Factory Response (Optional)**	**Company Follow Up (May 2007)**	**Documentation**	**Completed; Pending; Ongoing**	**Company Follow Up**	**Documentation**	**External Verification (October 18 & 19, 2011)**	**Documentation**	**Company Follow Up (Cite Date Of Planned Or Follow Up Visit, If Appropriate)**	**Documentation**
Legal benefits	Act No.3/1992 regarding social security scheme (JAMSOSTEK), article 3 (2) stated that every worker has the right to participate in Social Security Scheme (JAMSOSTEK). Article 6 stated that Social security scheme consist 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.	Employers will provide all legally mandated benefits to all eligible workers.	The factory managed its own Health Security Program instead of JAMSOSTEK by appointing [Hospital] to provide medical treatment for all workers. The factory also has established the procedure of taking medical treatment stipulated that worker and her/his spouse and three children allowed taking free medical treatment. However, the procedure was not implemented as well; the spouses and children of workers were not covered by free medical treatment.				Managements and worker interviews, document review		The factory provides medical services for workers and their families (wife/husband and 3 children). They can come to factory's polyclinic and if they need hospital care, i.e. for further treatment, in cases of emergency and during holidays, they can go directly to a hospital by showing their worker's ID card. The hospital will then bill the factory directly. This benefit has been provided for the past 2 years, but apparently there is a lack of socialization. As of July 2006, we have re-socialized this benefit to all workers and posted on notice boards. Policy has been sent	4/1/2007		This issue has been improved.	Auditor verified this through review of relevant documentation and interview of workers	Completed			**Pending :** According to the documentation review, the factory presented 2 sets of hospital bills paid for workers but the factory could not present the said worker personnel files as well as any evidence which the factory has paid for the medical bills of workers' spouse and children on time during the audit period for verification. According to worker interviews workers need to get the referral letter from the in-house doctor who only comes to factory for 1 hour, 3 times per week first in order to access to the appointed hospital facilities. If the factory would have enrolled all workers in JAMSOSTEK healthcare scheme, workers and their spouse/children would be able to access to any of the JAMSOSTEK appointed hospitals and clinics for medical attention anytime without waiting for the in-house doctor's referral letter.			
Legal Compliance for holiday/leave	Labor Act UU No.13/2003 regarding wages, paragraph 2 article 93.2 (a), stated that Wage still have to be paid if the employee/labor is sick. article: 93 (3) stated the amount of wages payable to workers who are taken ill as mentioned under point a of subsection (2) shall be determined as follows: a. For the first four months, they shall be entitled to receive 100 % (one hundred percent) of their wages; b. For the second four months, they shall be entitled to receive 75 % (seventy five percent) of their wages; c. For the third four months, they shall be entitled to receive 50 % (fifty percent) of their wages; and d. For subsequent months, they shall be entitled to receive 25 % (twenty five percent) of their wages prior to the	Workers will be paid for holidays and leave as required by law.	Sick leave was not paid if a doctor's letter submitted was not issued by appointed government hospital and clinic.				Managements and worker interviews, document review		In accordance with the CBA, the factory has provided compensation for sick leaves for all medical certificates issued by government hospital, private hospital, clinic and doctors. This means paid sick leave is provided to all workers if they can show supporting document from any medical representative or have a doctor's letter.	Immediate		This issue has been improved.	Auditor verified this through review of relevant documentation and interview of workers	Completed			**Pending :** According to the factory management, the factory provides paid sick leave with supporting doctor's letter from any private or government hospital, clinic and private/specialist doctor. Upon receipt of the letter, the factory's in-house doctor would endorse the doctor's letter. However, according to worker interviews, the factory would compensate a maximum 3 days of paid sick leave, even if the total sick leave period is more than 3 days. The factory management was not able to provide the documentation on sick leave.			
Accurate benefit compensation	Act (UU) No. 3/1992 regarding social security scheme (JAMSOSTEK), article: 18 stated (1) Employer is obliged to have a list of workers and their family, list of wages and its changes and list of work injury in the company or part of the company; (2) In addition to obligation as mentioned in article (1), employer is obliged to inform the workforce and company data related with social security scheme program to the relevant bureau; (4) If employer inform the incorrect data as mentioned in article (2), lead to lack of social security scheme payment for workers, employer is obliged to pay for the lack amount. Government Regulation (PP) No.14/1993 regarding implementation of social security scheme (JAMSOSTEK), article: 9, stated:	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.	It was found that the deduction for JAMSOSTEK (Pension Fund) contribution was 2% from legal minimum wage (UMR) for this region in 2003 instead of the current actual salary.				Managements and worker interviews, document review		Since workers do not want to have their salary deducted too much for the service provided by SSI, they have asked management to pay SSI based on minimum wages of 2003. In return, both workers union and the company have made agreement (this renewed agreement is dated 14 December 2006) that the company will take full responsibility to pay for the balance/difference of medical expenses/claims should they meet with any accident. This agreement is	12/1/2006		During the follow up in May 2007, it was found that this issue has been improved partially. Factory has made the agreement with labor union about paying the SSI based on old minimum wages and it is registered with local labor office. The agreement had specified the basis of SSI contribution of different units. Company will also be responsible to pay for the difference if necessary. The latest agreement was made in 2007 and with the signature from the labor union representative. However, the agreement is posted on the notice board but had not been socialize within the company and workers do not have idea about it.	Auditor verified this through review of relevant documentation and interview of workers	Ongoing			**Completed :** According to the documentation review, the factory has paid the JAMSOSTEK (Pension Fund) based on current minimum wage rate of IDR 880,000.			
Other: Above minimum wage to workers with more than one year of service	Labor Minister Regulation PER-01/MEN/1999, regarding the legal minimum wage, article 13 (2) stated that minimum wage shall be applied to workers with less than one service year. Article: 14 (3) stated that the review for the amount of wage that shall be received by workers who work more than one year is based on the written agreement between employee/union and employer. Labor Act (UU) No. 13/2003, article: 92, stated (1) Entrepreneurs shall formulate the structure and scales of wages by taking into account the level, position, years of work, education and competence of the worker/ labourer.(2) Entrepreneurs shall review their workers/labourers' wages periodically by taking into account their enterprise's financial ability and productivity. Labor Minister Decree No. KEP-49/MEN/IV/2004 regarding Determination structure and scales of wages, article 2 stated Entrepreneurs shall formulate the structure and scales of wages in the company. Article: 3 stated In formulating the structure and scales of wage as mentioned		All workers whose service year periods were more than a year received basic wage that equal with legal minimum wage (Rp. 515.000) for this region of 2006 only. In other hand, the factory has applied grading system (grade A to F) for determining the amount of skill allowances received every month. This was based on skill of doing particular process. The grade F was given to new workers. It was found that at least two workers that hired in 1999 and 2000 were still listed as grade F. Two (2) QC workers hired in January and March 2006 were also listed as grade F. There was no clear explanation regarding the term of new worker and its length of service period that entitled as grade F. Moreover, there was no record of evaluation of workers as stipulated in non-discrimination policy.				Managements and worker interviews, document review		We will ensure that starting January 2007, all workers who work with the company continuously for more than one year are paid above the minimum wage.			During the follow up in May 2007, this issue has been improved partially. Factory has increased the basic wage of the workers who employed in company for more than 1 year, but there is still no clear policy and explanation on the grading system for determining the amount of skill allowance of different workers.	Auditor verified this through review of relevant documentation and interview of workers	Ongoing			**Completed :** According to the documentation review, the factory has paid IDR 100 extra i.e. IDR 880,100 for workers who have been working for more than one year. According to the factory management, they have yet to establish any worker job performance evaluation system due to the fact that the minimum wage in increased every year.			
Other: Improper Deduction for KOPERASI	Government Regulation (PP) No.8/1981regarding wage protection article 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; Advanced payment of wages and loan repayment (if employee agree in writing and if don't exceed 50% of wages.		The factory has a cooperation thrift organization called KOPERASI for workers. Workers are able to borrow some money or consumer goods if necessary. To refund the loan, workers' monthly salary is deducted. The factory has established the policy that the percentage of deduction is not more than 25% from monthly wage of workers. However, it was noted that at least 5 workers whose payment were randomly selected had deduction as much as 30-35%and about 70% for at least 2 workers for loan payment installment to KOPERASI.				Managements and worker interviews, document review		Only one worker was deducted by worker union cooperative in excess of 50%. Company management actually does not get involved with worker union cooperative, but when we found that the deduction was over than 50% the company instructed the cooperative to pay back the overage. Evidence of this repayment (dated 10th August was submitted) and shown to auditor. The record in the union cooperative however was not corrected to show this repayment and we had instructed the cooperative to immediately to do so.	Completed		During the follow up in May 2007, this issue has been improved	Auditor verified this through review of relevant documentation and interview of workers	Completed			**Pending :** According to the documentation review, it was noted that the maximum deduction of workers' salary is up to 45% of their gross income. According to the factory management, the deduction policy is for cash loan, the maximum limit is 15% deduction on workers' salary. For purchase of consumer goods at KOPERASI the maximum limit is 35% deduction on workers' salary, so total maximum deduction on workers' salary should not be more than 50%. According to worker interviews, workers are in favor of the KOPERASI loan and purchase credit facility. However, the maximum deduction permitted by law is 20%. According to Government Regulation No.8, year 1981, chapter 26, in case salary is used as collateral in loans			
Other: Separation pay (Uang Pisah) of termination payment	Labor Act No. 13/2003, regarding Termination of Employment, chapter XII article: 158.4 stated Workers/ labourers as mentioned under subsection (1) whose duties and functions do not directly represent the interest of the entrepreneur shall be given detachment money whose amount and the procedures or methods associated with its payment shall be determined and stipulated in the work agreements, company regulations, or collective labour agreements. Article: 162.2 stated Workers/labourers who resign of their own will, whose duties and functions do not directly represent the interest of the entrepreneur shall, in addition to the compensation pay payable to them according to subsection (4) of Article 156, be given detachment money whose amount and the procedures/methods associated with its payment shall be regulated in the work agreements, company regulations or		The factory has not regulated yet separation pay (uang pisah) on the company regulation. This benefit actually is paid to the worker as part of termination package that should be given to the eligible worker when resign from the company.				Managements and worker interviews, document review		As per labor law No. 13 Year 2003 article 154 point B, the company is not required to provide separation pay hence we don't have any separation money system for workers who resigns from the company. However in case "the company employs workers whose job (duties) and function "do not " directly represent company's interest and in case the company terminates the employment (as per Labor Law 13/2003 art 162 point 2), the company will provide separation pay and the calculation will be put in the next renewal of our collective working agreement which will also be based on	Completed		During the follow up in May 2007, this issue has not been improved		Ongoing			**Pending :** According to the factory management, the factory has established severance pay policy for in the case of workers being terminated but they did not establish any "separation" pay policy in the case of workers resign by themselves.			
9. Hours of Work																				
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 one day off in every seven day period.																				
Overtime Limitations		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 one day off in every seven 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 records review, it was noted some workers from Cutting-*****, Sewing Line *****, QC ******, Sewing Line *****, QC-*****, Line *****, Line *****, Line ***** worked up to 73,5 hours per week (33.5 hours per week of overtime) in period of June 19 to 24, 2006 and 66.5 hour (26.5 hours per week of overtime) in period of June 12 to 17, 2006 and July 3 to 8, 2006. Additionally, in June 2006, workers worked an average of 11.5 hours per day of total working hours (4.5 hours per day of overtime). In July 2006, the workers worked in average 9.5 to 11.5 hours per day (2.5 to 4.5 hours per day of overtime) and 56.5 hours per week (16.5 hours per week of overtime).				Management and worker interviews, document records review		We have approval letter from Labor Dept. allowing work hours up to 72 hours/week. However, since September 30, 2006 we have created a system to monitor excessive overtime. The system includes checking standard average minute of every style when accepting new orders so that we can allocate the style accordingly, and requiring factory managers to continuously monitor weekly schedules to ensure they are 60 hours or below. If we find that we will need additional hours in any section, we will arrange to hire contract workers accordingly for that particular section (as 2nd shift) in order to avoid excessive working hours of the regular workers.	10/1/2006		During the follow up in May 2007, this issue needs improvement. The weekly overtime exceeded the legal requirement of 14 hours per week without the OT permission from government in Dec 2006, Jan to Apr 2007, ranged from 15.5 – 23.75 hours per week and daily overtime exceeded 3 hour/day up to 4.5 hours/day. (Remark: Factory had an agreement with the labor union about voluntarily extending the weekly working hours to 70 hours per week, with the chop from local labor office too.)	Auditor reviewed relevant documentation and interviewed workers	Ongoing	Factory has succeeded in maintaining below 60 hours per week this year. They are continually trying to meet government standards of 54 hours per week by increasing production output. They have employed additional Industrial Engineers to achieve this objective and have bought new machinery. On the occasion that there is a need to work for more than 54 hours/week, the factory has been recording the root cause analysis of this as of June 2008. Their plan to continually reduce work hours is: 1. Calculate the SMV of each style based on the machines ability and calculate the required man hours to produce the style. 2. Work out the most effective machine lay-out to achieve the target labour hours. (Example: For Style "X"= SMV/SAM is 1.9 pcs./hour/machine- total order= 3000 pcs. The total working hours required for 3,000 pcs.: 1.9= 1,579 hours. Previously the machine lay-out could only produce 1.7 pcs./hour/machine. Total man hours used= 3000 pcs.: 1.7= 1,765 hours. The		**Pending :** According to the punch card working hour records review for period March 2011 to September 2011, there were only few overtime incidents (4 in 100 records reviewed) that some workers worked until 8pm (4.5 overtime hours) which exceed the daily overtime limit – 3 hours/day. According to the factory management, they have reduced the weekly total working hours to averagely between 54-56 hours/week. **New Finding :** Interviews with the workers revealed that the factory "swap" the weekday overtime with Sunday overtime work. E.g. the working hour records showed workers worked overtime during weekdays (Monday to Friday) which the workers actually did not work overtime on those days, and the factory asked the workers to work on Sunday without record.			
HOW.6 Time Recording System		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					Managements and worker interviews, document review										**New Finding :** In addition to the existing working hour punch card system, it was noted that the factory has implemented finger print scanning working hour recording system which is only for office staffs, workers in finishing and cutting department. However, the factory could not provide the finger print scanning working hour records on time during the audit period, so the working hours of finishing and cutting department workers could not be verified.			
Overtime Explanation		Employers shall be able to provide explanation for all periods when the extraordinary business circumstances exception has been used. Employers shall take reasonable steps to inform workers about the nature and expected duration of the circumstances.		There was no policy and procedure regarding overtime explanation to workers.			Management and worker interviews, Documents review (No related documentation found), factory observation		In guideline training sheet factory has provided procedure and clear explanation regarding OT calculation to workers.	10/1/2006		During the follow up in May 2007, issue has been partially improved. Training provided to workers only covered a portion of the workers. Factory will arrange for the rest of the workforce	The partial training was verified through interviews and review of relevant documentation	Ongoing			**Pending :** According to the management interview and factory tour observation, the factory has established the overtime policy and explanation and it was posted on the notice boards. However, interviews with the workers revealed that the overtime work is not compensated with the overtime premiums. In view that the factory could not present the randomly selected payroll records during the			
Miscellaneous																				
Illegal subcontracting		Questions from Audit Instrument: (3I.1) Does the factory have someone overseeing the subcontractors to ensure their contracts are implemented in compliance with the code? (3I.2) Please explain any discrepancies, non-compliances, risks or uncorroborated evidence of non-compliance. (5E.1b) Do contracts between the factory and any subcontractors and/or recruitment agencies comply with the FLA Code of Conduct, including one rest day, maximum hours of work, minimum wage and OT payments, minimum age and health and safety requirements?. (5E.2) Please explain any discrepancies, non-	The factory does not have someone overseeing the subcontractors used (embroidery, washing and canteen provider). There is no evidence the factory conducts monitoring visits to ensure that their contracts are implemented in compliance with the code.				Managements interview, document record review (no document evidence found)		Our company is not allowed to subcontract PC orders and we do not wash any PVH garments. Hence there is no such procedure for PCs orders. However, for garments wash of other buyer's we will socialize the code of conduct to follow the compliance requirements.	11/1/2006		During the follow up in may 2007, auditor confirmed that there is no subcontracting of PC's product	This was verified through review of relevant document and interview of appropriate management	Completed			**Pending :** According to the factory management, they have been monitoring their subcontractors of embroidery, washing and food catering provider in term of COC compliance. The factory has given their COC guidelines to all subcontractors and they have signed and sent it back to the factory. However, according to documentation review, the factory was unable to present the supporting documents on time to monitor during the audit period for verification.			