

FLA Audit Profile	
Country	Indonesia
Factory name	10003366E
IEA	Bureau Veritas
Date(s) in facility	August 23 & 24, 2006
PC(s)	Phillips-Van Heusen Corp.
Number of workers	Total of 5,066 (PVH Production Units: approximately 1,350)
Product(s)	Men's shirts, blouses, jackets
Production processes	Cutting, fusing, sewing, trimming, pressing, finishing

FLA Code/ Compliance Issue	Country/Law/Legal Reference	Non-compliance	Risk of Non-compliance	EIM Findings	Evidence of Non-compliance (unsubstantiated)	If not corroborated, explain why	Sources/Documents used for corroborating	Notable Features Implemented by Factory	PC Remediation plan	Target Completion Date	Remediation		Documentation	(Status)	Updates (Case Date of Follow up)		Third-Party Verification	Company Verification Follow up	
											Factory Responses (Optional)	Company follow up (May 2007)			Documentation	Documentation			External Verification (Date)
1. Code Awareness																			
Code posting/information		The PVH Code of conduct was only posted at plant "****" nearby the workers' table 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 Company 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 & Workers interview, Factory Observation	PVH will post COC posters in sections "****" and "****" in local language.	Immediately		During the follow up in May 2007, this issue was corrected.	Observation by auditor	Completed						
Workermanagement awareness of Code		The factory has communicated COC orally during the hour Orientation for new 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 & Workers interview, Factory Observation	As of September 2006, factory will conduct continuous COC training to workers and will make 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.	On-going		During the follow up in May 2007, this issue was only partially corrected. COC training was only provided a portion of the factory workers.	Interview and documentation	Ongoing						
Confidential non compliance reporting channel		The Company (PVH) did not develop a secure communication channel to enable factory employees and employees of contractors and suppliers to report to the Company on noncompliance with the workplace standards.					Management & Workers interview, Factory Observation	PVH will attach to posters our fax numbers and email addresses so that workers can confidentially report to PVH directly any code violation.	Immediately		During the follow up in May 2007, this issue was corrected.	Observation by auditor	Completed						
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		Upon crosscheck with the personnel file of selected contract workers it was found that only current contract agreement and personnel file were maintained on-site.						We will keep the personnel file and contract agreement in central personnel dept and we 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						
Other Improper employment practices 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.	From control list of contract worker at section "****" there was improper employment practice applied under specified period of time for contract workers (PKWT). The irregularities were noted as follows: 64 out of 978 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 6 times contracted until December 2006. The lengths of contract were varying from 6 to 12 months with no grace period in between. At least 10 contract workers hired in 2002 were 8 times contracted until May 2007. The length of contract were varying from 6 to 12 months with no grace period in between. Worker was required to undergo probation period for 3 months prior to signing 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 included on the contract agreement. None of contract agreement has been registered with local labor department.					Management & Workers interview, Document Records review	Starting from September 2006, Management has started registering all contract working agreement to local labor dept. the latest to be finished by 31-Dec-06.	Completed		During the follow up in May 2007, this issue was corrected.	Review of relevant documentation by auditor	Completed						
	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/2004 regarding implementation of specified period of time contract (PKWT), chapter 1, article 2 stated (2) Working condition agreed in PKWT must not be lower 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 district/ city in 7 (seven) days at the latest since it was signed.																		
	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 requirements for this PKWT.																		
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 agreement 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 employer. Labor Minister Decree No. PER-21/MEN/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.	It was found that 10 workers were identified as apprentice coming from (instran) that recommended by Local Labor Department since Local Labor Department has program to empower the status of registered course and training institutions by placing them to appointed factories. However, there was no agreement of apprenticeship that clearly defines their rights and obligation during apprentice program 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 were using flat rate as much as Rp. 2.875hour.					Management & Workers interview, Document Records review	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	Completed						

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										Target Completion Date	Factory Response (Optional)	Company follow up (May 2007)				Documentation	Completed/Pending/Ongoing	Company Follow up	Documentation	External Verification (Date)	Documentation	Company Follow up (Cite date of previous or follow up visit, if any)
	Article 8 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.																					
Legal Compliance (Apprenticeships)					There was indication of misuse of apprentices as regular workers. During audit it was found unclear information of worker status regarding workers that claimed by the management as apprentices participants. Based on observation and records reviewed, these workers have same work target for production and working hours as other workers. Nevertheless, in production area these workers called 'Harian Legas' or free daily workers not apprentice participants, as indicated in their time card and payroll. They also performed overtime work at 17.30	Due to discrepancy in 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								
Juvenile worker Identification System			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 & Workers Interview, Document Records review		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								
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 or abuse.																						
Progressive Discipline				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, suspension and termination. The criteria of violation of each type of warning are stipulated in 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 unfair suspension.			Management & Workers Interview, Document Records review		In the CBA it is clearly written the penalty of each violation.	12/1/2006		This issue has not been corrected	Ongoing									
5. Non-discrimination																						
No person will be subject to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.																						
Hiring Discrimination Practices				The factory has established 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 & Workers Interview, Document Records review	Factory will make clear measurement of base decisions for work assignments, job-training, promotions and pay on skill and ability. We will set up performance appraisal annually in June and we using standard testing system to design the wages level, promotion, etc. Testing system will arrange by the personnel dept and factory manager in each unit.	6/7/2007		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									
Other: Discriminated Employment Application				During 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 & Workers Interview, Document Records review	Gender questions are in relation to menstruation leave for female workers as allowed by 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 services/insurance to be provided. However, as suggested we shall collect this data only after we confirm employment.	1/1/2007		During the follow up in May 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									
6. 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	Labour Ministry Circular No. SE-05/BB/1997, stated the factory shall maintain hazard assessment to determine the personal protective equipment is sufficient for the working condition.		There was no system on ESH hazards identification established in place.				Management Interview & Document Records review	We have a policy on ESH Hazard identification and a compliance commitment in place. It is factory's policy NOT use hazardous substances that may hazard the workers and the environment as well. Therefore, 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. Supporting documentation has been sent to PC for verification	Immediately		During the follow up in May 2007, this issue was corrected.	Review of relevant documentation and interviews by auditor	Completed									
Safety Equipment			Based on observation the stairwells lead toward the training line from the cuff section at **** has one-sided handrail.				Management Interview and Factory Observation	Management has improved by adding a second handrail. There is now handrail on left and right side in stairwells of ****.	Immediately		During the follow up in May 2007, this issue was corrected.	Observation by auditor	Completed									
Safety Equipment			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 borax water that has been prohibited by government has still being used by factory.				Factory Observation, Management Interview	Factory has stocked first aid kits with burn creams.	Immediately		During the follow up in May 2007, this issue was corrected.	Observation by auditor	Completed									

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Verdiation/Electrical/facility maintenance	Labor Minister Regulation No. 7 of 1964 regarding Condition of Health, Cleanliness and lighting in workplaces, 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 testing ... shall have a power of at least 3000 lux (30 ft. candles).	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 as QC and forming etc. The factory has no measures 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 1....	Immediately		During the follow up in May 2007, this issue was partially corrected.	Observation and measurement of lighting by auditor	Ongoing	Factory has installed additional ring luminaires 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.							
Sanitation in Facilities	Labor Minister Regulation No.7 of 1964 regarding Condition of Health, Cleanliness and lighting in workplaces, 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.	It was noted factory has not maintained its water sewage etc. caused bad smell whereas the water sewage was nearby the location of drinking and dining facilities of etc. and also close to cuff-process section at etc.					Factory Observation, Management Interview	We have 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 & on-going		During the follow up in May 2007, this issue was partially corrected. The sanitary condition of the sewage needs improvement	Observation and measurement of lighting by auditor	Ongoing								
Sanitation in Dining Area		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 in factory was contained at water tank in hot condition. Several water tanks found were empty. Beside, many water jugs were found in dining room in where the workers spill out the water. Confirmed to the worker, the practice was common and noticeable by all workers and management. The security guard also admitted that they give the water provider a permit to access the dining room in the factory.					Factory Observation, Management Interview	Since 1980, factory has 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 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 the water is enough for all workers and the jug water is clean.	February 2007 and on-going		During the follow up in May 2007, this issue was corrected.	Auditor also reviewed the report stating the water was in good drinking condition.	Completed								
Sanitation in Dining Area	Labor Minister Regulation PER-07/1964 regarding Condition of Health, Cleanliness and lighting in workplaces, 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 an X-Ray examination of the lungs. (12) Physical examination must be repeated at least once year.	Food Handling training has been conducted during May period of 2006 for canteen provider crew. However, there was no medical examination conducted for food preparation crew and food handler to ensure that they do not suffer infectious disease.					Management & Workers Interview, Document Review	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.	November 2006 and on-going		During the follow up in May 2007, this issue was corrected.	Observation by auditor	Completed								
Other: No Back Rest for seating facility	Labor Minister Regulation No. PER-07/1964 regarding Condition of Health, Cleanliness and lighting in workplace article 8(c) seating facilities that 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 etc. However, during monitoring it was observed that the chairs in those areas were not provided with backrest yet.					Factory Observation, Management Interview	We will work to improve by gradually adding more chairs with back rests.	12/30/2007		During the follow up in May 2007, this issue was partially corrected.	Observation by auditor	Ongoing	Factory has provided chairs with backs to all workers with standing jobs. This was completed in mid-July 2008.							
7. Freedom of Association and Collective Bargaining																					
Employers will recognize and respect the right of employees to freedom of association.																					
Other: Severance Payment Notification					From the records reviewed the termination process was according to regulation applied. However there is no severance payment and final settlements regulation clearly defined on the CBA.		Management Interview, Document records review	Our severance payment follows the labor law regulation no.13, 2003 article 154 part B.	Completed		During the follow up in May 2007, this issue was not yet corrected.	Auditor reviewed the CBA.	Ongoing								
Other: Policy and Procedure for termination/re-employment for operational purposes					There was no policy and procedure for termination/re-employment for operational purposes established in place.		Management & Workers Interview, Document Review	Policy and procedure for termination/re-employment available in collective working agreement.	Completed		During the follow up in May 2007, this issue was corrected.	Auditor reviewed the CBA.	Completed								
Other: Distributing Collective Bargaining Agreement (PKB)	Labor Act/ UU No. 13/2003, regarding the Industrial Relationship, chapter XI paragraph 7 article 126.2 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 to each worker/ labourer on the enterprise's expense.	The factory only posted Collective Bargaining Agreement (PKB) on 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 & Workers Interview, Factory Observation	Management has distributed 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								
8. 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 benefits.																					
Wage Benefits Awareness					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 a month without absence. In case of the worker being absent once, the allowance would be deducted a half. It was found that there was different amount of attendance allowance given between QC workers (Rp. 7,000/month) and other workers (Rp. 2,700/month). There was no clear guidance that acknowledged by all workers regarding the policy of differentiation. Nevertheless, there was no clear base decision in determining incentive/allowance given to workers.		Management & Workers Interview, Document Records review	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 slip every month with detailed wage & OT calculation. However, we will also set up a program to educate the workers so that they can understand the incentive system, benefits and deduction system, and as an on-going basis will provide periodic group training about the system.	12/1/2006 and on-going		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								
Voluntary Use of Benefits							Factory provided free lunch meal and free uniform for their workers.														
Legal benefits	Labor Minister Decree No. PER-21/MEN/V/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.	The factory run apprenticeship program for 10 workers from (initial) recommendation by Local Labor Department for three months started from 9/22/2006. However, they were not covered for JAMSOSTEK (Accident and Death Security) as required.					Management & Workers Interview, Document Records review	As of October 1, 2006 we no longer accept trainees (apprentices) from the colleges.	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								

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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 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.	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 his/her spouse and three children allowed taking free medical treatment. However, the procedure was not implemented as sick, the spouse and children of workers were not covered by free medical treatment.					Management & Workers interview, Document Records review	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 to PC for verification. When we review the workers' handbook, this policy will be added as well	April 07		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											
Legal Compliance for holiday leave	Labour Act (UU) No. 13/2003 regarding wages, paragraph 2 article 33.2 (a), stated that Wages still have to be paid if the employee/labour is sick, article 33 (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 termination of employment by the entrepreneur.	The sick leave was not paid if the doctor's letter submitted was not issued by appointed government hospital and clinic.					Management & Workers interview, Document Records review	In accordance with the CBA, factory has provided compensation for sick leaves for all medical certificates issued by government hospital, private hospital, clinic, and doctors. It 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		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											
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, Contribution is 5.7% of monthly wage for each worker, paid by employer (3.7%) and by employee (2%).	It was found that the deduction for JAMSOSTEK (Pension Fund) contribution was 2% from legal minimum wage (UMR) for Semarang region of 2003 instead of the current actual salary.					Management & Workers interview, Document Records 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 renewable annually.	12/12/2006		During the follow up in May 2007, this issue has been improved partially. Factory has made the agreement with labor union about paying the SSI based on minimum wages and it is registered with local labor office. The agreement has 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 socialized within the company and workers do not have idea about it.	Auditor verified this through review of relevant documentation and interview of workers	Ongoing											
Other: Above minimum wage to workers with more than one year of service	Labour 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 (2) stated that the review for the amount of wage shall be received by workers who work more than one year is based on the written agreement between employee/union and employer. Labour 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. Labour Minister Decree No. KEP-48/MEN/VI/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 under subsection (2) are based on job analysis, job description and job evaluation.	All workers whose service year periods were more than a year received basic wage that equal with legal minimum wage (Rp. 515,000) for Semarang 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 entitled to new workers. However, it was found that at least two workers that hired in 1999 and 2000 were still entitled as grade F. Two (2) CC workers that hired in January and March 2006 were also entitled as grade F. There was no clear explanation regarding the term of new workers 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.					Management & Workers interview, Document Records 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. Factory has increased the basic wage of the workers who employed in company 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											
Other: Improper Deduction for KOPERASI	Government Regulation (PP) No. 8/1981 regarding 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 don't exceed 50% of wages).	The factory has a cooperation (trift) organization called KOPERASI for workers. Workers are able to borrow some money or consumer goods if necessary. To refund the loan, workers' registry 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.					Documents review, Management & Workers interview	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											
Other: Separation pay (uang Pisah) of termination payment	Labour Act No. 13/2003, regarding Termination of Employment, chapter XIII article 158.4 stated (1) 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 procedure 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 procedure/method associated with its payment shall be regulated in the work agreements, company regulations or collective labour agreements.	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.					Documents review, Management & Workers interview	As per labor law No. 13 Year 2003 article 154 point B, the company is not required to provide separation pay (uang pisah) if workers do not have any separation package that should be given to the eligible worker when resign from the company. However in case "the company employs workers whose job (duties) and function "do not" directly represent company's interest and in cases 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 the prevailing labor law. At present the company does not employ any workers whose job (duties) and function do not directly represent company interest.	Completed		During the follow up in May 2007, this issue has not been improved	Auditor verified this through review of relevant documentation and interview of workers	Ongoing											

