



FAIR LABOR
ASSOCIATION[®]

INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: New Balance

COUNTRY: Indonesia

ASSESSMENT DATE: 9/2/2020

ASSESSOR: Openview

PRODUCTS: Apparel

NUMBER OF WORKERS: 3925

Summary of Code Violations

Companies that join the FLA agree to uphold the FLA Workplace Code of Conduct throughout their entire supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and defines labor standards that aim to achieve decent and humane working conditions.

While it is important to note when violations of the FLA Workplace Code of Conduct occur, the purpose of these assessments is not simply to test compliance against a particular benchmark, but rather to develop an understanding of where and how improvements can be made to achieve sustainable compliance. Code of Conduct violations can be found throughout the course of an assessment of the employment and management functions, and are addressed in companies' action plans.

Findings and Action Plans

FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The manpower requisition form contains gender and physical (height) requirement. [ND.2.1]
2. Assessors identified discrepancies in dates of birth between workers' personnel files and the social security insurance system for three out of 30 selected sample workers. For example, the date of birth of one production operator was February 11, 1982 according to the official national ID card in their personnel file. However, the date of birth for this operator was June 8, 2002 in the social security insurance system. The discrepancy is caused by entering inaccurate date of birth information during the social security insurance registration process. Workers may not be eligible to claim pension funds when they reach retirement age because of the inaccurate date of birth information in the social security insurance system. [ER.1, ER.4]

Local Law or Code Requirement

Law No. 13 on Manpower (2003), Article 5, Article 6 and Article 54(1) - (3); Constitution of Indonesia (1945), Article 28L(2). FLA Workplace Code ((Non-discrimination Benchmark ND.2; Employment Relationship Benchmarks ER.1 and ER.4)

Recommendations for Immediate Action

1. Remove gender and physical (height) requirement from the manpower requisition form. Employment decisions are to be made solely on the basis of a person's qualifications and abilities.
2. Maintain accurate date of birth information in social security insurance system to ensure workers are eligible to claim pension fund when reaching retirement age.

FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The factory substitutes work on weekly rest days with a day off on the regular workday. Thus, work on weekly rest days is considered as a normal workday. When work is done on the weekly rest day, workers are able to take a day off during the normal working days. Consequently, the factory does not pay the overtime for any work conducted on weekly rest days. This frequently occurs in almost every month in the year 2020 for

most of the production sections and office staff. [C.7.2]

2. The factory does not contribute to social security insurances (BPJS), including work accident insurance, pension fund, old age benefit and life insurance, based on the actual monthly wage of each worker as per the legal requirement. From September 2019 to April 2020, the factory contributed to social security insurances based on the local minimum wage of IDR 4,039,100 (USD 272) per month. The legal minimum wage is IDR 4,039,067 (USD 272) per month and the factory rounds up the last three digits from 067 to 100. From May to July 2020, the factory contributed to social security insurances based on IDR 2,000,000 (USD 135) per month. Workers monthly wages range from IDR 4,039,100 (USD 272) to IDR 4,069,100 (USD 274). This practice is implemented for all workers including office staff. [C.10.1, ER.22]

Local Law or Code Requirement

Decision of the Minister of Manpower and Transmigration No. KEP 102/MEN/VI on Overtime work and Overtime pay (2004) 11(a)(b)c); Law No. 13 on Manpower (2003), Article 93(1) - (2); President Regulation on Social Insurance No. 109 (2013) 8(1); Presidential Regulation on health care insurance No.19/2016 (11). FLA Workplace Code (Compensation Benchmarks C.7 and C.10; Employment Relationship Benchmark ER.22)

Recommendations for Immediate Action

1. Ensure no substitute work on rest day due to the requirement of production process. Ensure that workers receive overtime premium in instances when workers have to work on rest days.
2. Contribute to social security insurances (BPJS) based on the actual monthly wage of each worker as per legal requirement.

FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health and Safety

Finding Explanation

1. The factory has not installed lighting in the chemical mixing area that has a total area of 12 square meters in Building #D2. [HSE.1]
2. The factory does not centralize the emergency alarms in Building #B3 and the expatriate dormitory. [HSE.5.1]
3. The factory is using one out of the two emergency exits in the finished goods warehouse in Building #A3-#A4-#A5 (one-unit building) for loading activity. The finished goods warehouse has a total area of 792 square meters and approximately 30 workers inside. [HSE.5.1]
4. The factory only arranged 158 out of 3,886 workers to participate in the latest evacuation drill in the production area on February 25, 2020. In addition, the factory does not conduct an evacuation drill in the expatriate dormitory, where 25 expatriates and 13 department heads stay. The total area of the dormitory is 340 square meters. [HSE.5.3]
5. The factory does not fully stock the first aid kits in the production area. One first aid kit in the chemical mixing area in Building #D2 is only stocked with wound medicine and eye drops, while the one in the laminating area in Building #D1 is only stocked with wound medicine. In addition, there is no first aid kit in the expatriate dormitory. In addition, there are no first aiders in the factory [HSE.6.1, HSE.6.2]
6. The factory does not provide earthquake preparedness training to workers. [HSE.6.2]

Local Law or Code Requirement

Manpower Law KEP.186/MEN/1999 Article 2.2b; Act No.1 of 1970, Chapter III, and Article 3.d; Labor Minister Regulation No.15 year 2008 Article 2.1; National Act: No. 1/1970, Article 3.e; Manpower Minister Regulation No 15 year 2008, Article 3 (1); Decision of Labor Minister KEP-186/MEN/1999, Article 1; Labor Minister Regulation PER-03/MEN/1982, Article 2.h. FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.5 and HSE.6)

Recommendations for Immediate Action

1. Install sufficient lighting in the chemical mixing area in Building #D2.
2. Install a centralized emergency alarm system in the factory.
3. Keep all emergency exits clear at all times to ensure the safe evacuation in the event of a fire or other emergency.
4. Arrange all workers to participate in the evacuation drill. Conduct evacuation drill in expatriate dormitory at least on an annual basis.
5. Fully stock the first aid kits with medical supplies in the production area. Provide first aid kits in the dormitory area. Obtain first aider license from local manpower department.
6. Provide workers with earthquake preparedness training.

FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Workplace Conduct and Discipline

Finding Explanation

1. Workers do not receive a copy of the workplace rules during orientation or written documentation that substantiates all the issues covered in orientation.
2. The disciplinary procedures do not include the workers' right to have a third-party witness present during imposition of the disciplinary action.
3. The records of disciplinary actions are maintained in a centralized file but not in workers' personnel files.
4. Factory publicly post the names of workers subject to disciplinary measures as means of maintaining labor discipline.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.15 and ER.27; Harassment or Abuse Benchmark H/A.6)

Recommendations for Immediate Action

1. Stop posting disciplinary actions with employees' names.

FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. The factory submits the environmental management report to the local environmental bureau every six months. However, the factory has not included the lab test results of a hazardous liquid waste in the environmental management report for report from January to June 2020. [HSE.1]

Local Law or Code Requirement

Government Regulation No. 74 of 2001. FLA Workplace Code (Health, Safety and Environment Benchmark HSE.1)

Recommendations for Immediate Action

1. Include the lab test result of the hazardous liquid waste in the environmental management report and submit to local environmental bureau every six months.