

Fair Labor Association: Independent External Factory Assessment

Assessment Date :

09 Jul 2024



Factory Information

FLA Affiliates	Nike, Inc
Country	Indonesia
Number of Workers	5732

Understanding this Report

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.

FLA Code Element

Number of Violations

FLA Code Element	Number of Violations
Compensation (C)	8
Employment Relationship (ER)	9
Harassment Or Abuse (H/A)	1
Health, Safety And Environment (HSE)	10
Hours Of Work (HOW)	1

Assessment Information

Assessor	Donny Triwandhani
Assessment Date	09 Jul 2024

Assessment Purpose

Factory Assessment (In-Person)

ASSESSMENT RESULTS

Compensation (C)

Benchmark ID	C.12.1
Benchmark Details	All legally mandated deductions for taxes, social insurance, or other purposes shall be deposited each pay period in the legally defined account or transmitted to the legally defined agency. This includes any lawful garnishments for back taxes, etc.
Finding Details	There is an excessive deduction for contribution of BPJS social insurance and health insurance from wages of outsourced security and cleaning workers. Their wage is deducted 2.052 % instead of 2% for social insurance and 1.026% instead of 1% for health insurance. Both security guards and cleaning workers are hired from same agency.
Recommendation for Immediate Action	Ensure the amount of contribution for both social and health insurances deducted from security and cleaning workers' wage is following legal rate.
Compliance Classifications	Immediate Action Required
Local Law	Government Regulation No. 53 on 8th Amendment on Government Regulation No. 14 (1993) on Social Security (2012), Article 9
Benchmark ID	C.7
Benchmark Details	All payments to workers, including hourly wages, piecework, fringe benefits and other incentives shall be calculated, recorded, and paid accurately.

Finding Details	There are cases workers are not paid for their hours of work when they go home early for personal reason and the admin of relevant department delete the time in and time out on workers' attendance record and mark it as "permit", resulting in the workers being considered absent for a full day and without pay. Examples provided below: - Based on permit form signed by team leader, supervisor and HR of relevant building, a worker from PPIC export asked permission to go home at 9:50am on January 31, 2024 for personal reason but his time record of this date is marked as permit and worker's record of clocking in and out had been deleted. This worker is considered absent for a full day and without pay. - A worker from plant 3 lasting department received permission to go home at 9:00am on November 2, 2023 for personal reason and worker's clocking in and out is not deleted. There is no wage deduction on this worker.
Recommendation for Immediate Action	Compensate all the hours of work that have been done, and ensure there is no adjustment on workers' time record.
Compliance Classifications	Immediate Action Required
Local Law	Government Regulation No.78 Year 2015 Concerning Manpower Wage Article 20
Benchmark ID	C.1.1
Benchmark Details	Employers shall comply with all national laws, regulations and procedures concerning the payment of compensation to workers.
Finding Details	All 4 cooperative workers are not registered into social security and healthcare insurances (BPJS).
Recommendation for Immediate Action	Ensure all cooperative workers are registered into social security and healthcare insurances (BPJS).
Compliance Classifications	Immediate Action Required
Local Law	Law No. 24 Year 2011 Article 14 and 15
Benchmark ID	C.19.1

Benchmark Details	Employers shall make every reasonable effort to ensure workers understand their compensation, including: the calculation of wages, incentives systems, benefits, and bonuses they are entitled to at the workplace and under applicable laws.
Finding Details	Pay slips do not reflect the workers start date with the factory/years of service. As result, the workers cannot easily identify the expiration of their annual leave balance.
Recommendation for Immediate Action	Reflect the start date /years of service on pay slips.
Compliance Classifications	Immediate Action Required
Local Law	
Benchmark ID	C.2
Benchmark Details	Employers shall pay workers at least the legal minimum wage or the prevailing industry wage, whichever is higher, for regular working hours (not including overtime). Workers should also be informed about the legal minimum wage.
Finding Details	There is a cooperative store for workers in the factory. The cooperative is independently managed. As stated by head of cooperative, all 4 cooperative workers are paid IDR 2,000,000 / month, which is below legal minimum wage of IDR 4,670,791 /month.
Recommendation for Immediate Action	Ensure all cooperative workers are paid at least equal to local minimum wage for regular working hours and retroactive pay the wage deficiency.
Compliance Classifications	Immediate Action Required
Local Law	Government Regulation No. 51 Year 2023 Article 24
Benchmark ID	C.21.1

Benchmark Details	Employers shall provide all legally mandated benefits, including holidays, leave, bonuses, severance payments and 13th month payments to all eligible workers within legally defined time periods.
Finding Details	There is no compensation money provided for outsourced security and cleaning workers employed under term-limited contracts (PKWT) upon the expiration of the PKWT.
Recommendation for Immediate Action	Provide compensation money to outsourced security and cleaning workers whose employment relationship is based on PKWT, and retroactive pay.
Compliance Classifications	Immediate Action Required
Local Law	Government Regulation No. 35 Year 2021 Article 15
Benchmark ID	C.15.1.6
Benchmark Details	Employers shall provide workers a pay statement each pay period and not less frequently than once a month, which shall show all deductions.
Finding Details	The pay slip does not clearly indicate deductions for unpaid leave. Instead of entering the amount being deducted for unpaid leave in the pay slip's row for deductions, the factory reduces the basic wage shown on the slip. As result, workers cannot easily see the exact amount being deducted for unpaid leave.
Recommendation for Immediate Action	Clearly indicate the amount of being deducted for all deductions, including unpaid leave, in workers' pay slips.
Compliance Classifications	Immediate Action Required
Local Law	Regulation of the Minister of Manpower No. KEP-06/MEN (1990) Article 2
Benchmark ID	C.15.1

Benchmark Details	Employers shall provide workers a pay statement in languages understood by workers each pay period and not less frequently than once a month,
Finding Details	There is no payroll record maintained for cooperative workers. Cooperative pays their workers in cash without any records. As result, there is also no payslip provided for the cooperative workers.
Recommendation for Immediate Action	Ensure that all legally required payroll documents, journals and reports are available and provide cooperative workers a payslip when receiving the salary.
Compliance Classifications	Immediate Action Required
Local Law	Regulation of the Minister of Manpower No. KEP-06/MEN (1990)

Employment Relationship (ER)

Benchmark ID	ER.1.2
Benchmark Details	Employers shall assign responsibility for the administration of human resources to a clearly defined and adequately qualified staff member or staff members and ensure workers at all levels receive communication and training about existing policies and procedures or any revisions.
Finding Details	The ongoing training does not include recruitment, hiring and personnel development, termination and retrenchment.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	
Benchmark ID	ER.18.2

Benchmark Details	Employers shall ensure managers and supervisors are fully familiar with the workplace disciplinary system and in applying appropriate disciplinary practices.
Finding Details	(1) Some warning letters do not reflect the article of misconduct violated CBA (Collective Bargaining Agreement). Found at least two warning letters that do not specify the details of misconduct case, including reference to the violation or misconduct as listed in the CBA, and only mentioned other misconduct or repeated misconducts. (2) There is no specific training on disciplinary system and in applying appropriate disciplinary practices for relevant managers, supervisors and HR personnel.
Recommendation for Immediate Action	(1) Ensure all warning letters issued only for misconduct regulated in CBA and reflect the details of misconduct in warning letters. (2) Provide specific training to relevant managers, supervisors and HR personnel to ensure their understanding and knowledge of the workplace disciplinary system.
Compliance Classifications	Immediate Action Required
Local Law	
Benchmark ID	ER.17.1
Benchmark Details	Employers shall have a clear and transparent system of worker and management communication that enables workers to consult with and provide input to management. This might include suggestion boxes, worker committees, designated spaces for worker meetings, union representatives, and meetings between management and workers' representatives.

<p>Finding Details</p>	<p>Grievance procedures and mechanism are not adequately implemented since: - Most of suggestion boxes are not in location that is convenient and secure for workers to submit grievances. Assessment found that one out of two suggestion boxes in plant 1 and all two suggestion boxes in plant 3 are located outside the toilet facing busy production area, and one out of two boxes in plant 4 located near a security guard stationed. Two suggestion boxes in plant 2 are both inside the toilets, one in male toilet and one in female toilet, which is considered a private and secure area for workers submitting confidential grievance letter. - There is no record of grievance from WhatsApp channel available for review. According to the person in charge of grievance, WhatsApp account for grievance previously was Personal WhatsApp account and recently being changed to WhatsApp Business account, and the chat histories were not kept.</p>
<p>Recommendation for Immediate Action</p>	<p>Place all grievance boxes in location that more private and ensure all grievances through WhatsApp chats are kept and responded.</p>
<p>Compliance Classifications</p>	<p>Immediate Action Required</p>
<p>Local Law</p>	
<p>Benchmark ID</p>	<p>ER.7.1</p>
<p>Benchmark Details</p>	<p>Employers shall have written policies and procedures with regard to performance reviews that outline the review steps and process, demonstrate linkages to job grading, prohibit discrimination, are provided in writing and seek feedback and agreement/disagreement from employees in writing, and that follow all local legal requirements.</p>
<p>Finding Details</p>	<p>1) The performance review procedures do not include seeking feedback or agreement/disagreement from workers in writing. 2) While performance reviews are conducted for all workers at all levels (team members, leaders, team leaders, and staff), team members are not provided with feedback on the results of their performance reviews.</p>
<p>Recommendation for Immediate Action</p>	

Compliance Classifications	Sustainable Improvement Required
Local Law	
Benchmark ID	ER.8
Benchmark Details	Employers shall have written policies and procedures with regard to promotion, demotion, and job reassignment that outline the criteria, demonstrate linkages to job grading, and prohibit discrimination or use of demotion or job reassignment as a form of penalty or punishment, are provided in writing and seek feedback from employees in writing, and follow all local legal requirements.
Finding Details	Implementation of job rotation or reassignment does not follow the factory rotation procedures No: PAI-HRM-P-09 since: - There is no evidence that workers have been informed for their new position or department. - There is no orientation conducted for workers in their new department, and signed agreement to be transferred.
Recommendation for Immediate Action	Follow all processes for job rotation or reassignment as per procedures.
Compliance Classifications	Immediate Action Required
Local Law	
Benchmark ID	ER.19.1
Benchmark Details	Employers shall maintain on file all documentation needed to demonstrate compliance with the FLA Workplace Code and required laws.

Finding Details	There are incorrect terms and conditions in the employment agreements (SPK - Surat Perjanjian Kerja) for all team member workers hired over the past three years regarding overtime wages. Article 3, point 2, in the employment agreement states that workers who work on rest days or public holidays will have their overtime wages included in the monthly all-in wage. However, the wage system for team members is not an all-in wage system. The team member workers are paid the correct overtime wage at the legal rate, and the monthly all-in wage system applies only to staff-level employees.
Recommendation for Immediate Action	Ensure correct employment agreement (SPK - Surat Perjanjian Kerja) is used for team members that show overtime wage entitlement with description of overtime rates.
Compliance Classifications	Immediate Action Required
Local Law	Law No. 13 on Manpower (2003), Article 63
Benchmark ID	ER.3.1
Benchmark Details	Employers shall provide an orientation to new employees at the time of hiring, which includes explanations of the employers' rules, compensation package and policies for human resources, grievance systems, industrial relations, including respect of the right to freedom of association, workers' rights and responsibilities, FLA Code of Conduct, health and safety, and environmental protection.
Finding Details	The orientation training for new workers does not cover recruitment, hiring and personnel development, termination and retrenchment.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	
Benchmark ID	ER.18.3.4

Benchmark Details	Records of disciplinary action must be maintained in the worker's personnel file.
Finding Details	The records of disciplinary actions are maintained in a separate folder rather than in the personnel files for workers.
Recommendation for Immediate Action	Maintain all records of disciplinary actions in the personnel files for workers.
Compliance Classifications	Immediate Action Required
Local Law	

Benchmark ID	ER.18.4
Benchmark Details	The disciplinary system shall include a third party witness during imposition, and an appeal process.
Finding Details	(1) The disciplinary procedures do not clearly include workers' right to appeal the disciplinary action and workers' ability to have a third party witness during the imposition of disciplinary actions. (2) The disciplinary procedures only cover 3rd warning and termination, it does not include verbal warning, 1st and 2nd warning.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	

Harassment Or Abuse (H/A)

Benchmark ID	H/A.10.1.3
Benchmark Details	Body searches shall not be undertaken in public and the person who undertakes the search shall be of the same sex as the person who is being searched.

Finding Details	The written security procedures state body search is conducted randomly and bag check is conducted by someone of the same sex as the person who is being checked. However, assessment found body search is conducted at the building gate on every worker before leaving stock-fit and warehouse buildings. In addition, bag check by male security guard near the main gate on female workers' bag or personal belongings.
Recommendation for Immediate Action	Ensure physical pat-downs are not used as a general practice. As per FLA requirements, physical pat-downs shall only be undertaken when there is a legitimate reason to do so and upon the consent of workers and conduct privately.
Compliance Classifications	Immediate Action Required
Local Law	

Health, Safety And Environment (HSE)

Benchmark ID	HSE.5.3
Benchmark Details	Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually.
Finding Details	The emergency evacuation drills do not include all shifts for each section and workers. For example: emergency fire drills in the past one year were only conducted in day shift of plant #1 building when the number of workers participated was 948; night shift of cutting and laminating with the number of workers participated was 107. There is no emergency evacuation drills conducted for other workers, building and shift with total workers is 5,718 workers.
Recommendation for Immediate Action	Arrange emergency drills covering all shifts, all workers, all buildings and all emergency situation in the facility in regular basis at least yearly.
Compliance Classifications	Immediate Action Required
Local Law	Law No. 1 on Occupational Safety (1970): 9(3)

Benchmark ID	HSE.5.1
Benchmark Details	All applicable, legally required or recommended elements of safe evacuation shall be complied with, including all of the following elements: posting evacuation plans; the installation and maintenance of fire alarms; the installation and maintenance of emergency lighting; ensuring aisles/exits are not blocked and that workers are not blocked within their workstations; employee education and training; and evacuation procedures and fire drills.
Finding Details	The factory has on-site water fire hydrant with reservoir with the capacity is around 96,000 liters. However, there is no recording system or devices to check the availability of the water supply in the reservoir tank. The factory does not maintain the inventory records of the water reservoir supply or storage of water fire hydrant.
Recommendation for Immediate Action	Install the devices of measurement or monitoring of water reservoir in the water tank of fire hydrant installation and maintain the records.
Compliance Classifications	Immediate Action Required
Local Law	Law No. 1 on Occupational Safety (1970): 3(b)
Benchmark ID	HSE.5.1.2
Benchmark Details	All applicable, legally required or recommended elements of safe evacuation shall be complied with, including all the following elements: installation and maintenance of fire alarms;
Finding Details	Each facility building is equipped with an emergency alarm, but the system is not centralized. Additionally, not all emergency alarms are automatic, and not all are equipped with backup batteries. Instead, some alarms are connected to the general electricity source in buildings such as Plant #2, Plant #4, maintenance areas, and the canteen. In contrast, automatic alarms with backup batteries are installed in other buildings, including the chemical warehouse, hazardous waste warehouse, Plant #1, material warehouse, and RMCC warehouse.

Recommendation for Immediate Action	Ensure all buildings are installed with a centralized and battery powered fire alarm.
Compliance Classifications	Immediate Action Required
Local Law	Regulation of the Minister of Public Works No. 26/PRT/M/2008 (2008) Article: 5.7.1.4.9.6.1
Benchmark ID	HSE.9.1
Benchmark Details	All chemicals and hazardous substances shall be properly labeled and stored in secure and ventilated areas and disposed of in a safe and legal manner, in accordance with applicable laws and international standards.
Finding Details	1 The factory has installed proper firefighting and automatic alarm systems in the main chemical warehouse and other hazardous storage areas, including the hazardous waste storage area. However, the factory has not installed the required automatic fire extinguishers and emergency alarms in the chemical storage areas of three facility buildings. 2 The assessment found that flammable chemical storage is not kept away from ignition sources, such as electrical panels, in the maintenance and production buildings.
Recommendation for Immediate Action	(1) Install automatic fire extinguishers and emergency alarm in the 3 chemical storage of each facility building. (2) Keep away all chemical storage from any incompatible sources or condition.
Compliance Classifications	Immediate Action Required
Local Law	Regulation of the Minister of Manpower No. PER-02/MEN on Automatic Fire Alarm Installations (1983), Article 11; Decision of the Minister of Manpower No. KEP-187/Men on Control of Hazardous Chemicals at Workplace (1999), Article 2
Benchmark ID	HSE.13

Benchmark Details	All necessary ventilation, plumbing, electrical, noise and lighting services shall be installed and maintained to conform to applicable laws and to prevent or minimize hazardous conditions to workers in the facility.
Finding Details	The assessment found that not all electrical installations in certain areas meet safety standards, particularly in wet rooms/GFCI outlets, areas with high dust, dirt, fiber concentrations, and flammable atmospheres. For example, there is no GFCI (Ground Fault Circuit Interrupter) outlet or connection in the washing area.
Recommendation for Immediate Action	Comply with special requirements concerning electrical safety at certain areas (wet rooms/GFCI outlets, high dust, dirt, fiber concentrations, flammable atmospheres).
Compliance Classifications	Immediate Action Required
Local Law	Law No. 1 on Occupational Safety (1970): 3(Q)
Benchmark ID	HSE.14.1
Benchmark Details	All production machinery, equipment and tools shall be properly guarded and regularly maintained.
Finding Details	The factory has laser machines in the production processes. Written procedure of the laser safety has been established. However, there is no safety sign posted for the radiation hazard. In addition, the matrix of PPE is only identified dust hazard generated from the laser process instead of all potential hazards must be identified, controlled and provided with proper PPE of laser / radiation.
Recommendation for Immediate Action	Post hazard sign of radiation in the laser machines areas and provide PPE for workers.
Compliance Classifications	Immediate Action Required
Local Law	Government regulation regarding health & safety management No. 50/2012: 7(a)(1)
Benchmark ID	HSE.1

Benchmark Details	Employers shall comply with all national laws, regulations and procedures concerning health, safety, and the environment.
Finding Details	<p>1) The facility conducted an internal fire risk assessment on January 11, 2024, and an external general risk assessment by an insurance company on July 1, 2024. However, the fire risk assessment lacked sufficient detail, as no fire risk standard was utilized to determine the scope, type, method, or monitoring of the risk assessment in accordance with local regulations and best practices of international standards. 2) Based on the PPE matrix, it was noted that not all required PPE is selected based on the actual health and safety risks and hazards. For example, the dust exposure from the manual grinding process, which affects workers' clothing, was not identified. As a result, workers do not wear proper PPE (aprons) during the grinding/buffing process of rubber or EVA materials. 3) A mezzanine floor constructed from metal pillars and a wooden floor (a combustible material) is occupied by around 90 workers for final inspection and finished goods storage. A load test was conducted in 2022, indicating a maximum load limit of 150 kg per square meter. However, there are no safety signs or monitoring of the actual load capacity of the mezzanine floor. Visually, some wooden floor sections appear damaged.</p>
Recommendation for Immediate Action	<p>(1) Conduct fire risk assessment for each area, buildings and process in detail with complete information to determine the potential risk and hazard includes the scope, type, method, required equipment, monitoring of risk assessment associated to fire safety, etc. (2) Establish proper matrix and inventory control of PPE for workers. The workers must be provided and used the PPE according to the hazard presents in their work area. (3) Re-checks the structural safety of the mezzanine floor and determine the safety combustible floor used for the work areas for workers, and post the sign of maximum loads of goods based on the applicable test result and maintain the wooden floor in-good condition.</p>
Compliance Classifications	Immediate Action Required

Local Law	Regulation of the Minister of Public Works No. 26/PRT/M/2008 (2008) 9.3.4; Decision of Minister of Manpower No. KEP-186/MEN/1999 on Fire Prevention Units at Workplaces (1999): Article 8; Regulation No. PER-08/MEN/VII on Personal Protective Equipment (2010): 3(1)(2)(3): (1) PPE referred to in Article 2; Government Regulation No. 36 on Building (2005): 33(4)
Benchmark ID	HSE.29
Benchmark Details	Employers shall provide all necessary protection for workers when working at heights, confined spaces, and other high-risk areas.
Finding Details	Although the factory has a written confined space program and has marked confined spaces in various areas, the assessment found that the factory failed to identify 9 water tanks as confined spaces. Stairs for accessing these confined spaces are provided in the water tank tower.
Recommendation for Immediate Action	Mark all confined spaces with warning signs prohibiting unauthorized entry.
Compliance Classifications	Immediate Action Required
Local Law	
Benchmark ID	HSE.10.1
Benchmark Details	Material Safety Data Sheets (MSDS) for all chemicals and hazardous substances used in the workplace must be available at the usage and storage sites of the chemicals and hazardous substances, in the local language and the language spoken by workers, if different from the local language.

Finding Details	(1) EHS team makes a copy of SDS (Safety Data Sheet) by using their own format and posted on the chemical storage but the information of the chemical safety data sheet is not completely copied from original SDS from supplier, and lead to the misleading of information. For example: selected sample of original SDS mentioned that the chemical is flammable but it is mentioned as not applicable of flammability on the company safety data sheet. In addition, the copied of chemical composition is not completely recorded and missing of some chemical component and CAS (Chemical Abstracts Service) number information. (2) The factory attached FIFO inventory label on the chemical container but the label is over of the chemical name, therefore the actual chemical name could not be completely visible. (3) The factory implements the first in first out system of chemical inventory instead of first expired first out.
Recommendation for Immediate Action	(1) Manage the chemical safety data sheet accurately. (2) Maintain proper chemicals labeling. (3) Arrange the awareness training for workers who handling the hazardous chemicals.
Compliance Classifications	Immediate Action Required
Local Law	Decision of the Minister of Labor No.187 on Hazardous Chemicals Control at Work (1999), Article 3, 4 and 5
Benchmark ID	HSE.8
Benchmark Details	Workers shall be provided with training on the use and maintenance of personal protective equipment. Training shall be upon hire with periodic refresher training offered to all workers. Management will ensure use of PPE as necessary.
Finding Details	Assessment found workers do not wear proper apron during the grinding / buffing process of rubber or ethyl vinyl acetate materials. In addition, workers do not consistently wearing proper PPE in other area such as: the rubber operator does not wear rubber hand gloves while working with wet processing of rubber process and mixing.
Recommendation for Immediate Action	Ensure all workers wear the provided PPE.

Compliance Classifications	Immediate Action Required
Local Law	Regulation No. PER-08/MEN/VII on Personal Protective Equipment (2010), Article 6
Hours Of Work (HOW)	
Benchmark ID	HOW.22.2
Benchmark Details	Accurate time records shall be maintained by employers, including overtime, breaks, and leave.
Finding Details	<p>(1) The electronic time record system is not maintained with accuracy by the HR department. There have been instances of the HR staff of production manually delete worker's clocking in and out and mark the date with "permit" when workers go home early for personal reason. Examples provided below: - Based on permit form signed by team leader, group leader, supervisor and HR of relevant building, a worker from cutting asked permission to go home at 10.48am on June 3, 2024 and at 9:18am on June 5, 2024 for personal reason but her time record of those dates is marked as permit and worker's clocking in had been deleted. - A worker from PPIC export asked permission to go home at 9:50am on January 31, 2024 also for personal reason but his time record of this date is marked as permit and worker's clocking in had been deleted. HR Manager confirmed that HR staffs in production building have access to time record system to mark "permit" on workers' time record. (2) There is no time record maintained for cooperative workers.</p>
Recommendation for Immediate Action	<p>(1) Ensure the electronic time record system is authentic and accurate, and do not change or adjust the workers' actual hours of worked. (2) Ensure time worked by all cooperative workers are fully documented by time cards or other mechanical or electronic recording systems.</p>
Compliance Classifications	Immediate Action Required
Local Law	

