



## INDEPENDENT EXTERNAL ASSESSMENT REPORT

### Verification

AA0000001890V

COMPANY: Columbia Sportswear Company  
COUNTRY: Indonesia  
PRODUCT: Apparel

PROCESSES: Cut, Sew  
NUMBER OF WORKERS: 976  
NUMBER OF WORKERS INTERVIEWED: 30  
ORIGINAL ASSESSMENT DATE: 10/7/2015  
ORIGINAL ASSESSMENT MONITOR: Donny Triwandhani  
VERIFICATION ASSESSMENT DATE: 11/15/2018 – 11/16/2018  
VERIFICATION ASSESSMENT MONITOR: Donny Triwandhani

FLA Comment:



# Understanding this Assessment Report

This report is to verify the remediation status of findings from a previous workplace assessment based on the Fair Labor Association's Sustainable Compliance methodology (SCI). This report also includes new findings utilizing the SCI methodology. The SCI assessments evaluate a facility's performance in upholding fair labor standards through effective management practices throughout the entire employment life cycle. SCI assessments are conducted by FLA accredited assessors.

This report identifies the status of remediation of violations and risks of noncompliance with the Fair Labor Association Workplace Code of Conduct in its assessment of the employment functions. It also includes a description of the root causes of violations, recommendations for sustainable and immediate improvement, and the corrective action plan for each finding as submitted by the company. This document is not a static report; rather, it reflects the most recent progress updates on remediation in the "Progress Update" section of each finding.

## Glossary

**Code violation:** failure to meet standards outlined in the [FLA Workplace Code of Conduct](#) in the workplace implementation of employment or management functions.

**Employment Functions:** The different components of the relationship between management and employees in a factory. An employment function is a process regulating an aspect of the employment relationship, such as the recruitment of workers. All employment functions together constitute the employment relationship between an employer and an employee.

1. Recruitment, Hiring & Personnel Development (e.g., performance reviews)
2. Compensation (e.g., wages, health care)
3. Hours of Work (e.g., overtime, documentation of working hours)
4. Industrial Relations (e.g., collective bargaining agreements)
5. Grievance System (e.g., worker communication with management)
6. Workplace Conduct & Discipline (e.g., discrimination, harassment)
7. Termination & Worker Retrenchment (e.g., downsizing, resignation)
8. Health & Safety (e.g., exposure to chemicals)
9. Environmental Protection (e.g., energy saving)

**Management functions:** violations or risks related to an employment function could be caused by the absence – or a problem in the operation – of any one of the management functions or in more than one.

1. Policy
2. Procedure
3. Responsibility & Accountability
4. Review Process
5. Training
6. Implementation
7. Communication & Worker Involvement
8. Support & Resources (only for the in-depth level)

**Finding:** indicators of potential gaps between desired and actual performance of the workplace on different employment functions.

### Finding type

- . *Immediate action required:* discoveries or findings at the workplace that need immediate action because they not only constitute an imminent danger, risk the workers' basic rights, threaten their safety and well-being or pose a clear hazard to the environment, but also are clear non-compliances with the FLA Workplace Code of Conduct and local laws. Examples include a finding by the assessor that crucial fire safety elements are not in place or that there is underpayment of wages and/or worker entitlements or that there is direct discharge of waste water, etc.

- . *Sustainable improvement required*: findings that require sustainable and systematic actions. The factory will be asked to tackle the underlying root causes and to do so in a long-term and systematic manner to bridge the gap between actual and desired performance. Examples include a finding by the assessor that there is lack of termination policies and procedures in the workplace, lack of grievance system, etc.
- . *Notable feature*: indicates a remarkable feature or best practice at a workplace. Examples might include workers' wages and benefits that are significantly above the industry average, or community benefits such as free daycare.

**Local law or Code Requirement**: applicable regulations and standards in a workplace, which serve as the basis for an assessment, as per local law or FLA Workplace Code of Conduct. When these two do not concur, the stricter of the two standards applies.

**Root causes**: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that the worker did not use the hearing protection equipment because such equipment was not provided by management. However, upon a more thorough evaluation of available information, the assessor might find that the worker was indeed supplied with hearing protection equipment and with written information about the importance of wearing hearing protection but was not trained on how to use the equipment and that use of the equipment was not enforced in a consistent manner by management.

**Verification status**: The status of the remediation plan for each finding as determined by the assessor. The findings are labeled either Not Remediated, Partially Remediated, or Remediated.

**Company action plan**: a detailed set of activities outlined by the sourcing company and/or direct employer to address FLA findings.

# Findings and Action Plans

## FINDING NO.1

### ENVIRONMENTAL PROTECTION

**FINDING TYPE:** Immediate Action Required

#### Finding Explanation

1. The factory does not have a written policy in Environmental Protection and procedures to manage environmental impacts within the factory and its surroundings.
2. Based on documents review, the factory does not provide training on Environmental Protection to all workers and supervisors. Moreover, the factory does not provide ongoing training on Environmental Protection.
3. A review of documents, observations and interviews with factory management showed that the factory does not make any effort in reducing environmental impacts although the factory produces negative impact to its surrounding area, such as waste water, air emission, hazardous waste and noise.
4. The factory has not developed an environmental policy and therefore does not communicate its environmental policy to the general workforce.
5. The factory dumps wastewater from the boiler located at the rear of the building to a public sewer impacting the quality of water.
6. Hazardous waste is stored in an open space. The factory does not have a designated area for hazardous waste, as legally required. In addition, the factory has not arranged for an authorized waste facility to dispose its hazardous waste, as legally required.
7. The boiler does not have a filter to reduce air emission.
8. The factory does not have an underground water exploration permit (SIPA) to extract underground water, as legally required.
9. The last Environmental Protection report was conducted in May 2014 instead of June 2015. The factory has not arranged for an update of the environmental report which the factory has to submit every six months according to legal requirements. Moreover, the factory does not have a system to respond to unexpected environmental emergency situations.

#### Local Law or Code Requirement

Indonesia Government Regulation, No. 18 on Management on Hazardous and Toxic Waste (1999), Articles 9 (1), (2), (1) and 40 (1), (3); Ministerial Decree of Energy and Mining, No. 1451 K/10/MEM (2000), Article 11, 1; Indonesia Government Regulation, No. 74 on Management of Hazardous and Toxic Materials (2001), Articles 18 and 19; Indonesia Government Regulation, No. 27 on Environmental Permit (2012), Article 53, 1; FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.1.2, and ER.17.1; Health, Safety & Environment Benchmarks HSE.1, HSE.2, and HSE.4)

|                            |   |
|----------------------------|---|
| <b>Action Plan Status:</b> | Planned   |
| <b>Planned Completion:</b> | 1/31/2017   |
| <b>Progress Update:</b>    | <ol style="list-style-type: none"> <li>1. The factory has developed a written policy in Environmental Protection and procedures to manage environmental impacts within the factory and its surroundings.</li> <li>2. The factory management has started to conduct a monthly training on Environmental Protection to supervisors and chiefs, who communicate the training material to the workers.</li> <li>3. Management is dedicated to reducing environment impact by:               <ol style="list-style-type: none"> <li>a. Changing the fluorescent bulbs to LED;</li> <li>b. added 'cyclone' to reduce boiler air emission;</li> <li>c. Already made hazardous material storage;</li> <li>d. Already contracted an authorized hazardous waste disposal;</li> <li>e. weekly chief and supervisor training on environment protection.</li> </ol> </li> <li>4. The factory has now created an environmental policy and has communicated it to the</li> </ol> |

|                         |  |
|-------------------------|--|
|                         | <p>general workforce in the monthly training.</p> <p>5. Management is in the process of obtaining consultation on how to adjust the authorized waste facility for disposal of hazardous waste by a 3rd party, and the government on how to properly dispose of the boiler water. Will use BPLHDs (Local Environmental Management Agency), Kota Tangerang.</p> <p>6. We prepared separate space for hazardous waste and labeled it for waste sorting. We will equip closed space and have plan to change all fluorescent lights to LED in the sewing dept, which is one of the major items containing hazardous substance.</p> <p>7. Factory has installed the 'Cyclone' filter on the boiler which reduces air emission.</p> <p>8. Factory has applied for SIPA on May 25, 2016 and expects to get the permit in January 2017.</p> <p>9. The factory is conducting environmental protection test from 3rd party which is aligned with Sustainable Apparel Coalition's Higg index requirement. They have had another environmental report and are expecting the result in January 2017. The factory will work on developing a system to respond to unexpected environmental emergency situations.</p> |
| <b>Completion Date:</b> | N/A  |

**Verification Result:**

1. **Finding Status** Partially Remediated

**Explanation:** According to a document review, the factory has an Environmental Protection policy and procedures. However, the procedures do not include:

- a. Steps to mitigate environmental risks;
- b. Preventive measures;
- c. Steps to isolate any accidental discharge of pollutants into the air, soil, or water;
- d. Details on how to report the accidental discharge of pollutants to the appropriate authorities, such as which bureau the factory should report environmental emergencies to and coordinate with;
- e. How to inform workers and residents of the surrounding neighborhoods of environmental emergencies;
- f. Steps on how to recover from environmental emergencies. [ER.1, ER.31, HSE.5]

**Root Causes:**

- 1. Factory management has the misconception that managing the factory's impact on its surroundings only requires monitoring environmental factors.
- 2. The compliance officer who created the Environmental Protection procedures does not understand how to differentiate between the management of environment impacts within and outside the factory premises.

2. **Finding Status** Not Remediated

**Explanation:** According to a document review and interviews with management (HR Manager, Compliance Manager, OHS Secretary, and Industrial Engineering Manager), the factory still does not provide Environmental Protection training to all workers and supervisors. Therefore, workers do not receive ongoing training on Environmental Protection either. [ER.1, ER.15, ER.17]

**Root Causes:** Management is not aware that Environment Protection is a separate Management Function. Instead, management considers Environmental Protection to be part of the Health & Safety Management Function. As a result, they think that providing workers and supervisors with Health & Safety training is sufficient.

3. **Finding Status** Not Remediated

**Explanation:** According to a document review, factory tour, and interviews with management, the factory is not making an effort to reduce its environmental impacts within the factory and on its surroundings. Not all of the lights in the factory are LEDs which use less energy, there is no rain water management system to reduce water consumption, and no steps are taken to reduce the factory's air emissions and waste production.

For noise reduction, factory has not established clear steps for noise reduction. However, auditor has tested the noise level for 2 days verification audit and found that the noise level is below threshold of 85dBA. [HSE.1]

**Root Causes:** Management is not aware of how to conserve energy by planning, establishing, implementing, and monitoring targets.

4. **Finding Status** Not Remediated

**Explanation:** According to the factory tour and interviews with management, the factory's Environmental Protection policy is not posted on the announcement board. [ER.1, ER.16, HSE.2]

**Root Causes:** Policy communication is the Compliance Manager's responsibility, but there is no one to monitor the Compliance Manager's job performance.

5. **Finding Status** Not Remediated

**Explanation:** During a factory tour, assessors found that the wastewater generated by the boiler located at the rear of the building is still being discharged directly into the public sewer. [ER.31, HSE.1]

**Root Causes:** According to management, the water discharged into the sewer is just a leak, not wastewater generated by the boiler.

6. **Finding Status** Partially Remediated

**Explanation:** Based on factory tour, it was found that hazardous waste is stored inside a designated temporary waste storage area as per permit issued by local environmental bureau. However, the factory has not commissioned a third-party company to handle and transport its toxic and hazardous waste. [ER.2, HSE.1]

**Root Causes:** The Compliance Manager and Occupational Health & Safety Secretary did not read one of the requirements listed on the factory's permit to temporarily store toxic and hazardous waste that they need to dispose the waste to government authorized 3<sup>rd</sup> party company.

7. **Finding Status:** Remediated

**Explanation:** According to a factory tour and an interview with the boiler operator, there is no need to install an air emissions filter for the boiler because the boiler did not have a filter when it was initially installed. In addition, the water used in the boiler is filtered before it is entering the boiler. The air emissions tests conducted over the last six months show that the air discharged by the boiler falls below the Threshold Value Limit (TLV).

8. **Finding Status** Remediated

**Explanation:** According to a document review, the factory obtained an underground water exploration permit (SIPA) to extract underground water on April 5<sup>th</sup>, 2017.

**Root Causes:** N/A

**Finding Status** Partially Remediated

**Explanation:** According to a document review, the factory conducted an Environmental Protection report during for the first semester of 2018 (January to July 2018) and submitted the report on July 31, 2018. However, the Wet Bulb Globe Test (WBGT) did not include the work climate in the boiler room. [HSE.1]

**Root Causes:**

1. The factory's OHS team overlooked this issue.
2. No one was designated to review the Environmental Protection report results to ensure that all high-risk processes were tested according to regulations.

**Local Law or Code Requirement**

PP No 50 Year 2012 Section C. Article 7. A-b; Act No 32 Year 2009 Article 65 (2); PP No 70 Year 2009 Article 10. 2. a-c; Government Regulation No 81 Year 2012 Article 10 (1) a-b, Article 10 (2); Tangerang city mayor decree no. 660.3/Kep.248-Environment Management/2017. 3<sup>rd</sup> Decree 2.c., 5<sup>th</sup> Decree 1-4; Banten Province One Day Integrated Service & Capital Investment Bureau Decision Decree No. 570/8/SIPA-DPMPTSP/IV/2017, Section Determine 1, Section 2.3., Section 2.7., Section 3.10.; Attachment I of Permenkes No 70 Year 2016. Chapter II. a.1.; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2, ER.15, ER.16, ER.17, and ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.2, and HSE.5)

**Recommendations for Immediate Action**

1. Ensure that boiler wastewater is not discharged directly into the sewer. Repair any leaking pipes and test the quality of the water discharged from the boiler into the sewer.

|                      |  |
|----------------------|--|
| Company Action Plan: | 1. The factory has a written policy in Environmental Protection and procedures to manage environmental impacts within the factory and its surroundings, including:<br>a. Steps to mitigate environmental risks;<br>b. Preventive measures;<br>c. Steps to isolate any accidental discharge of pollutants into the air, soil, or water;<br>d. Details on how to report the accidental discharge of pollutants to the appropriate authorities<br>e. How to inform workers and residents of the surrounding neighborhoods of environmental emergencies;<br>f. Steps on how to recover from environmental emergencies. [ER.1, ER.31, HSE.5]  |
|                      | 2. The factory will provide training on Environmental Protection to all workers and supervisors.<br>moreover, the factory will provide ongoing training on Environmental Protection.   |
|                      | 3 The factory is making an effort to reduce its environmental impacts by taking action on the following:<br>1. The use of neon lights has been replaced by 70% with LED lights.<br>2. The use of dynamo sewing machine is replaced with a servo motor so that it is more stable up to 50%.<br>3. Rain water management: the factory is using bio-pore on rain water management systems can reduce consumption of water use.<br>4. Noise reduction: The factory will ensure that noise levels are still acceptable by testing using a test / lab test. Made bulkhead at the source of noise (noise level based on UKL / UPL for 2 years). |
|                      | 4. The factory will develop an environmental policy and will communicate its environmental policy to the general workforce through posting it on the announcement board.   |

|                     |   |
|---------------------|---|
|                     | 5. The factory will do with the wastewater from Boiler as below: <ol style="list-style-type: none"> <li>1. Perform waste water testing at the point where the boiler waste water is mixed with domestic wastewater</li> <li>2. If the standard test is above the limit, waste water treatment must be carried out before disposal</li> <li>3. By reconstructing the drain pipe</li> </ol> |
|                     | 6. Hazardous waste is stored in an open space. The factory has a designated area for hazardous waste, as legally required. In addition, the factory has arranged for an authorized waste facility to dispose its hazardous waste, as legally required.  |
|                     | 9. The last Environmental Protection report was conducted in May 2014 instead of June 2015. The factory has arranged for an update of the environmental report which the factory has to submit every six months according to legal requirements. Wet Bulb Globe Test (WBGT) will include the work climate in the boiler room.   |
| Action Plan Status: | Planned   |
| Planned Completion: | May, 2019   |

## FINDING NO.2

### HEALTH & SAFETY

**FINDING TYPE:** Immediate Action Required

#### Finding Explanation

1. The procedures on Health & Safety do not include Standard Operating Procedures for each job that focus on job safety. There are no procedures to protect workers against retaliation who raise Health & Safety concerns. Document reviews showed that the factory just developed its Health & Safety policy in August 2015. The factory does not communicate its Health & Safety policy to the general workforce. Additionally, the factory's Health & Safety policy does not include the FLA Workplace Code and Benchmarks. Since the factory just developed its Health & Safety policy in August 2015, the factory does not have a system in place to review and update its policy and procedures according to local law or FLA benchmarks.
2. The factory does not have any written guidance document on Health & Safety for external contractors, such as technicians that install new machines in the production area.
3. Evacuation aisles in the cutting and sewing department at the second floor were obstructed by production goods. Reviews of documents and observations showed that the factory's emergency procedure does not have steps to ensure that walkways, aisles and emergency exits are free from obstruction.
4. All 14 first aid boxes throughout the production floor are not equipped with the legally required scissors and gloves.
5. The factory's procedures do not have a list of responsible staff to coordinate the evacuation process. The factory has no emergency assembly areas and there are no steps to ensure that all personnel, visitors, contractors, service providers are safely evacuated.
6. The factory does not have a list of the firefighting equipment in the factory to track the use and resupply needs of fire equipment.
7. The factory's Health & Safety procedures do not include the firefighters' specific duties on fire response, fire risk assessment, a response plan in the event of fire, the rules and duties for the responsible emergency personnel, procedures in the event of injuries, and steps for reporting death, injury and illness.
8. The factory's documents on fire safety and evacuation training were dated from September and October 2015 with no records of previous training. Thus, the factory lacks ongoing training on fire safety and evacuation.
9. The factory does not post any contact information for medical response near each phone. In addition, the factory does not track illnesses of workers.

#### Local Law or Code Requirement

Indonesia Regulation No. PER-01/MEN (1980), Article 6; Decision of Minister of Manpower No. KEP-186/MEN on Fire



Prevention Units at Workplaces (1999), Article 5; Labor Minister Regulation No: PER.04/MEN/1987 on Workplace Health and Safety Committee and Appointment of Occupational Safety Expert (1987), Art. 2; Manpower Minister's Regulation No. PER-15/MEN/VIII on First Aid in the Workplace (2008), Annex II; FLA Workplace Code (Employment Relationship Benchmark ER.1.2, ER.1.3, ER.3.1, ER.15.2, and ER.31.1; Health, Safety & Environment Benchmarks HSE.1, HSE.3.2, HSE.5.1, HSE.5.4, HSE.6.1, and HSE.14.2)

|                            |   |
|----------------------------|---|
| <b>Action Plan Status:</b> | Planned   |
| <b>Planned Completion:</b> | 1/31/2018   |
| <b>Progress Update:</b>    | <ol style="list-style-type: none"> <li>1. Factory management has made SOPs for job safety for all jobs; they have communicated it to supervisors and chiefs who will communicate it to the general workforce; they will also incorporate it into new employee orientation. The factory is working on developing procedures to protect workers against retaliation who raise H&amp;S concerns. They will implement a system to review and update Health and Safety policies and procedures according to local law and/or customer's requirements.</li> <li>2. A written guidance document on Health and Safety for external contractors has been created.</li> <li>3. Factory has started to do regular training for supervisors and general workforce to ensure all walkways, evacuation aisles and emergency exits are free of obstacles.</li> <li>4. In-house clinic has been equipped with legally required items, and in-house nurse has been assigned to set up and control the procedure to track usage of first aid boxes for resupply.</li> <li>5. The factory has created the fire-brigade for safe evacuation situation, has posted the assembly area, developed the evacuation plan and procedure, and has conducted evacuation training on August 2, 2016.</li> <li>6. Factory has developed a list of firefighting equipment to track usage and resupply firefighting equipment.</li> <li>7. The factory will work on incorporating the listed fire safety issues into their procedures documents.</li> <li>8. The factory does not post any contact information for medical response near each phone. In addition, the factory does not track illnesses of workers.</li> <li>9. The factory does not post any contact information for medical response near each phone. In addition, the factory does not track illnesses of workers.</li> <li>10. Factory has already posted emergency contact information, and has assigned the in-house clinic nurse to track and record illnesses.</li> </ol> |
| <b>Completion Date:</b>    | N/A   |

**Verification Result:**

1. **Finding Status** **Not Remediated**

**Explanation:** According to a document review and interviews with management, the factory's Health & Safety procedures still do not include Standard Operating Procedures (SOP) for each job that focus on job safety or protection against retaliation for workers who raise Health & Safety concerns. Furthermore, there is no Health & Safety policy, so the factory cannot communicate the policy to the general workforce. There is no system in place to periodically review and update the Health & Safety policy and procedures according to local law and FLA Benchmarks. [ER.1, ER.16, ER.31, HSE.1]

**Root Causes:** The Compliance Manager is responsible for creating, reviewing, and updating the factory's policies and procedures and communicating them with all employees. No one has been designated to monitor the Compliance Manager's job performance.

2. **Finding Status** **Not Remediated**

**Explanation:** According to a document review, the factory still does not have any written guidance documents for external contractors regarding Health & Safety. [ER.1, ER.31, HSE.1]

**Root Causes:** The Compliance Manager is responsible for creating, reviewing, and updating the factory's policies and procedures and communicating them with all employees. No one has been designated to monitor the Compliance Manager's job performance.

3. **Finding Status** Partially Remediated

**Explanation:** The sewing and cutting departments were no longer obstructed, however, according to a factory tour and document review, the evacuation aisles in the fabric warehouse on the second floor were obstructed with racks steel frame placed horizontally on the floor, which could cause workers to fall and be trampled during an emergency evacuation. In addition, the factory's Health & Safety procedures still do not include steps to ensure that walkways, aisles and emergency exits are free from obstruction. [ER.1, ER.31, HSE.1, HSE.5]

**Root Causes:** Management is not aware that evacuation aisles must be smooth and clear, without any bumps or installations on the floor surface.

4. **Finding Status** Remediated

**Explanation:** According to a factory tour, the first aid kits throughout the production are stocked with scissors and gloves.

5. **Finding Status** Partially Remediated

**Explanation:** According to a factory tour and document review, there is a designated emergency assembly area but the Health & Safety procedures still do not include a list of staff responsible for coordinating the emergency evacuation process or steps to ensure that all personnel, visitors, contractors, service providers are safely evacuated. [ER.1, ER.31]

**Root Causes:** The Compliance Manager is responsible for creating, reviewing, and updating the factory's policies and procedures and communicating them with all employees. No one has been designated to monitor the Compliance Manager's job performance.

6. **Finding Status** Not Remediated

**Explanation:** According to a document review, the factory still does not have a list of the firefighting equipment in the factory in order to track fire equipment usage and replacement needs. [ER.2]

**Root Causes:** The Compliance Manager thinks that the factory's general equipment list (which does not include information such as location, expiration dates, and refill dates) is sufficient. Common practice is to have separate lists for fire extinguisher equipment and general equipment.

7. **Finding Status** Partially Remediated

**Explanation:** According to a document review, the factory's Health & Safety procedures include what to do in the case of injury. However, the procedures still do not include the following components:

- a. The firefighters' specific duties regarding fire response;
- b. Internal fire risk assessment details;
- c. A response plan in the event of a fire;
- d. Rules and duties for the responsible emergency personnel;

- e. Steps for reporting death, injury, and illness. [ER.1, ER.31]

**Root Causes:** The Compliance Manager is responsible for creating, reviewing, and updating the factory's policies and procedures and communicating them with all employees. No one has been designated to monitor the Compliance Manager's job performance.

**8. Finding Status Partially Remediated**

**Explanation:** According to a document review, only 52 out of 994 employees have undergone fire- fighting training in the last 12 months (training occurred on September 20, 2018 and March 28, 2018). In addition, the records of the evacuation drills conducted on November 7, 2018 and April 4, 2018 do not include the signatures of the attendees as evidence that they were accounted for in the emergency assembly area. Furthermore, there are no records of any visitors, contractors, disabled employees, or pregnant employees taking part in the evacuation drills. [ER.2, HSE.1, HSE.5, HSE.6]

**Root Causes:** These matters have not become consideration of compliance manager and OHS team.

**9. Finding Status Partially Remediated;**

**Explanation:** According to a factory tour and document review, the contact information for medical response is posted near each phone but the factory still does not track workers' illnesses. [HSE.1, HSE.3]

**Root Causes:** The nurse who is responsible for tracking illnesses has not done her job. No one has been designated to monitor her work and ensure that all her duties are completed properly.

**Local Law or Code Requirement**

Manpower Minister Regulation No 8 Year 2010 Article 6 (2); PP No 50 Year 2012 Article 15.1; Attachment I of PP No 50 Year 2012 Section A.1.d., Article 3.3.5; SNI 03 – 1746 - 2000 Article 4.1.9.1; Safety Act No 1 Year 1970 Article 9 (3) and Article 12.d-e.; Manpower Minister Regulation No 186 Year 1999. Article 2.2.e; INS/11/MEN/BW/1997 Attachment I; Health Minister Regulation No 56 Year 2016 Article 3.a-b; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2, ER.16, and ER.31; Health, Safety & Environment Benchmarks HSE.3, HSE.5, and HSE.6)

**Recommendations for Immediate Action**

1. Ensure that emergency evacuation aisles are smooth and clear of obstructions.
2. Train all workers on fire safety (including fire-fighting techniques) each year. Ensure that all workers participate in evacuation drills and sign the attendance list.

|                             |   |
|-----------------------------|---|
| <b>Company Action Plan:</b> | 1. The procedures on Health & Safety will include Standard Operating Procedures for each job that focus on job safety. There are procedures to protect workers against retaliation who raise Health & Safety concerns. Document reviews showed that the factory just developed its Health & Safety policy in August 2015. The factory communicated its Health & Safety policy to the general workforce at every Monday morning, 15 minutes before begin working. The factory has a system in place to review and update its policy and procedures according to local law or FLA benchmarks. |
|                             | 2. The factory will create a written guidance document on Health & Safety for external contractors, such as for technicians that install new machines in the production area.   |

|                     |   |
|---------------------|---|
|                     | 3. The evacuation aisles in the fabric warehouse on the second floor were obstructed with a steel frame rack that was placed horizontally on the floor. These will be covered with wooden pads as high as the racks to make the surface is even, and we will update the factory's Health and Safety procedures to include steps to ensure that walkways, aisles, and emergency exits are free from obstruction. |
|                     | 5. The Health & Safety procedures include a list of staff responsible for coordinating the emergency evacuation process or steps to ensure that all personnel, visitors, contractors, service providers are safely evacuated.   |
|                     | 6. The factory has a list of the firefighting equipment in the factory to track the use and re-supply fire equipment.   |
|                     | 7. The factory's Health & Safety procedures included the firefighters' specific duties on fire response, fire risk assessment, a response plan in the event of fire, the rules and duties for the responsible emergency personnel, procedures in the event of injuries, and steps for reporting death, injury and illness.  |
|                     | 8. The factory's documents on fire safety and evacuation training include the signatures of the attendees as evidence that they were accounted for in the emergency assembly area, including any visitors, contractors, disabled employees, or pregnant employees taking part in the evacuation drills.   |
|                     | 9. The factory's nurse is tracking workers' illnesses.  |
| Action Plan Status: | Planned   |
| Planned Completion: | June, 2019  |

### FINDING NO.3

#### HEALTH & SAFETY

**FINDING TYPE:** Immediate Action Required

#### Finding Explanation

1. The factory does not have a list of confined spaces and Health & Safety procedures for confined spaces, including precautions people must take prior to entering and staying in each confined space. The confined spaces, such as the water tank and the diesel fuel tank do not have an identifying sign and do not have any Standard Operating Procedures SOPs. The factory does not provide workers with protection for confined spaces. Additionally, there is no training for maintenance staff in charge of confined spaces and no rescue equipment for confined spaces, such as gloves, boots and respirator/breathing apparatus for the diesel fuel tank and water tank. In addition, the factory does not conduct an air testing for respective confined spaces.
2. There is no list of machines and equipment that require lockout/tagout (LOTO).
3. The factory does not provide workers with ongoing/refreshment training for the usage of Personal Protective Equipment PPE. The last training on PPE usage was held on October 24, 2013. The factory does not have training for proper lifting techniques for loading and unloading workers. In addition, the factory does not provide eligible workers with lifting belts as proper PPE. The factory's PPE training materials does not cover how employees properly use PPE, the proper storage of PPE, and replacement of malfunctioning PPE.
4. The factory's safety training material does not include topics of the impact of handling chemicals, restricted access to chemical storage room, and potential impacts of chemicals in tanks. Additionally, the factory does not have any maintenance safety training for maintenance workers.
5. Three cargo lifts on the second floor do not have a safety door to close the cargo lift in order to protect workers from falling.
6. One out of three elevators located at the second floor in the packing area do not have a maximum weight load sign.
7. Bartek sewing machines in the sewing department do not have any eye guards.

8. The boiler operator in the boiler room does not use any Personal Protective Equipment, such as gloves and apron. Moreover, provided gloves are torn apart and therefore non-functioning.
9. The factory does not have any fall protection for workers who work in elevated areas at the water tank.
10. The factory has small chemical containers at the production floor which did not have any Material Safety Data Sheets.
11. The factory has a malfunctioning improper eyewash station in the spot cleaning room; the eyewash station only has one faucet instead of two.

**Local Law or Code Requirement**

Indonesia Regulation No. PER-08/MEN/VII on Personal Protective Equipment (2010), Article 4, (1); Government Regulation No.74 on Management of Hazardous and Toxic Materials (2001), Art. 15; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.5.1, HSE.7, HSE.8, HSE.9.2, HSE.13, HSE.14.1, HSE.14.2, HSE.17.1, and HSE.17.2)

|                            |  |
|----------------------------|--|
| <b>Action Plan Status:</b> | Planned  |
| <b>Planned Completion:</b> | 1/31/2017  |
| <b>Progress Update:</b>    | <ol style="list-style-type: none"> <li>1. Factory has already installed signs in the confined spaces and have conducted air quality tests. They have prepared some PPE such as helmets, goggles, safety boots the mechanics and boiler operator. They will work on creating a list of confined spaces and develop a training for maintenance staff on the requirement to use PPE in confined spaces.</li> <li>2. Factory has equipped safety lock device on electronic panels, generator room, fuel tank, and compressor room based on SOP. They will do a full review of the machines in the factory and will keep updated LOTO Machine List for proper maintenance.</li> <li>3. Training sessions are given to supervisors every month, who then train the workers. Training includes how to handle the material efficiently, how to lift and of conveyance the correct materials. We have a freight elevator in the lifting and lowering of goods. We did not use the operator to lift the material but use a lift. Training was given to anticipate when the lift is not working or damage, and operators are equipped with lifting belts. PPE training manual has been created to include proper PPE usage for: sewing operator, cutter, lift operator, loading and unloading, and warehouse. They will prepare procedures for tracking usage of PPE.</li> <li>4. Factory has begun to conduct training sessions and prepare procedures of tracking usage of PPE for chemical handling. Factory will add chemical management topics to safety training manual.</li> <li>5. Safety doors to close cargo lifts for the three cargo lifts on the second floor have been installed.</li> <li>6. Maximum weight load signs for one elevator located at the second floor in the packing area have been installed.</li> <li>7. Factory has installed eye guards on all Bartek sewing machines in the sewing department and ensure that workers use them. They will develop regular training and communicate to workers on the requirement to use eye guards on the sewing machines.</li> <li>8. Boiler Operator has been equipped with protective equipment such as gloves, apron, safety shoes and helmet with front cover</li> <li>9. Proper fall protection for workers who work in elevated areas at the water tank has been provided to workers in August.</li> <li>10. Chemical storage with MSDS labeled &amp; secondary contamination control has been installed.</li> <li>11. Factory has added 1 more faucet at the eyewash station in the cleaning room, so now there are 2 faucets.</li> </ol> |
| <b>Completion Date:</b>    |  |

**Verification Result:**

## 1. Finding Status Partially Remediated

**Explanation:** According to a document review and factory tour, the factory has created Health & Safety procedures for confined spaces. However, these procedures do not include a list of confined spaces in the factory or the precautions that must be taken prior to and upon workers' entry into each confined space, such as:

- a. Performing atmospheric tests;
- b. Wearing the appropriate PPE;
- c. Providing and inspecting rescue equipment;
- d. Obtaining a work permit;
- e. Undergoing training or certification to work in confined spaces.

In addition, there are no identification signs posted near the confined spaces, such as the water tank and the diesel fuel tank. The factory does not provide workers with the appropriate PPE and rescue equipment for work in confined spaces, such as gloves, boots, respirators, body harnesses, and extraction pulleys. The maintenance staff in charge of the confined spaces have not received the appropriate training or certification. There is no atmospheric test equipment available to test the air in confined spaces either. [ER.1, ER.31, HSE.7, HSE.14]

**Root Causes:** The hazards posed by confined spaces have not been identified in a HIRA, so the OHS Secretary and compliance manager cannot determine what PPE and rescue equipment are necessary. There is no designated person who has adequate knowledge of confined spaces.

## 2. Finding Status Not Remediated

**Explanation:** According to a document review, the factory's Health & Safety procedures do not include a list of machines and equipment that require lockout-tagout (LOTO) and there is no evidence that the factory has implemented a LOTO system. [ER.1, ER.31, HSE.14]

**Root Causes:** Compliance manager who's in charge to prepare LOTO list forgot to make it despite IE manager has identified it and inform it to compliance manager.

## 3. Finding Status Partially Remediated

**Explanation:** During a document review, assessors noted the following issues.

- a. PPE training took place on August 20, 2018 and July 12, 2018; however one boiler operator did not attend the training;
- b. Training on proper lifting techniques was provided to the fabric warehouse workers on October 3, 2018, but nine packing workers who lift heavy objects did not receive this training;
- c. Lifting belts were provided to two fabric warehouse workers but not one packing worker who is responsible for loading and unloading;
- d. The factory's PPE training materials do not cover how to properly use and store PPE, how to record PPE usage, and how to replace missing or malfunctioning PPE. [ER.1, HSE.7, HSE.8, HSE.17]

**Root Causes:** The OHS team was recently established and is still learning how to manage health and safety in the factory.

## 4. Finding Status Not Remediated

**Explanation:** According to a document review, the factory's safety training materials do not cover the impact of

handling chemicals, restricted access to chemical storage room, or the potential impacts of the chemicals in the tanks. Additionally, the factory does not provide maintenance safety training to the maintenance workers. [ER.1, HSE.9, HSE.14]

**Root Causes:** The Compliance Manager who is in charge of creating the chemical handling training materials does not have the necessary knowledge to do so.

5. **Finding Status:** Partially Remediated

**Explanation:** According to a factory tour, safety doors were installed for three cargo lifts in the factory. However, the safety doors that were installed do not fully enclose the opening (they are only waist-high) and therefore do not fully protect workers against the risk of accidentally falling into the cargo tunnel. [HSE.14]

**Root Causes:**

1. Factory management assumed that the safety doors they installed were adequate.
2. The cargo lift operators' SIO has only recently been submitted to a third-party certification company.

6. **Finding Status:** Remediated

**Explanation:** During a factory tour, assessors found that there were maximum weight load signs posted next to all three cargo elevators.

7. **Finding Status:** Not Remediated

**Explanation:** During a factory tour, assessors found that eye guards were installed on four bar tack machines, however, the guards were turned up or to the left on two of the machines which were being used during the assessment. This minimizes their effectiveness. In addition, the needle guards on most of the sewing machines (80%) were turned up or installed too high therefore not usable. [HSE.14]

**Root Causes:** The workers operating the machines were not aware of how to use the machines safely.

8. **Finding Status:** Remediated

**Explanation:** During a factory tour, assessors found that the appropriate PPE has been provided to the boiler operator.

9. **Finding Status:** Not Remediated

**Explanation:** According to an interview with management, the factory has not purchased a fall protection apparatus to provide to workers who work at heights. [HSE.7]

**Root Causes:** Management is not aware of the risks of working at heights, so no PPE was provided to the workers who perform this task.

10. **Finding Status:** Remediated

**Explanation:** According to a factory tour, MSDS are available wherever chemicals are used and stored in the factory.

11. **Finding Status:** Partially Remediated

**Explanation:** During a factory tour, assessors found that the eye wash station in the toxic and hazardous waste storage area had two faucets but the faucets were not adequate since both water faucets were unable to produce adequate water pressure. [HSE.6]

**Root Causes:** There is no inspection conducted for eye wash function in periodic manner.

**Local Law or Code Requirement**

SNI – 0229 1987 E, Safety. Work in confined space; Attachment I of Manpower Supervisory and Management General Director Decree No Kep. /DJPPK/IX/2006 Article 2.1.2.; Attachment of Kepmenaker No 326 Year 2011, Chapter I Section C.10.; Attachment II of PP No 50 Year 2012 Section. A.6.5.7; Government Regulation No 50 Year 2012 Section C.2.1.b 2nd paragraph, Article 6.5.7; Permenkes No 70 Year 2016 Section C.; Industrial Minister Decree No. 148 year 1985 Article 4.c; Manpower Minister Regulation No.4 Year 1948 Article 4; Safety Act No 1 Year 1970 Article 3.1.r: Regulation of the Minister of Labor No.4 / MEN / 1985. Article 4; Permenaker No 9 Year 2016. Article 3.d; Manpower Minister Regulation No 15 Year 2008 Article 8.3 The specific apparatus as mentioned on point (1.d) is apparatus for prompt body shower and eye wash station; FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.31; Health, Safety & Environment Benchmarks HSE.6, HSE.7, HSE.8, HSE.9, HSE.14, and HSE.17)

**Recommendations for Immediate Action**

1. Post identification signs near all confined spaces. Provide workers who work in confined spaces with the appropriate PPE and rescue equipment. Train maintenance staff on how to work safely in confined spaces. Purchase atmospheric test equipment and test the air in confined spaces before workers enter.
2. Establish and implement a LOTO system.
3. Provide a lifting belt to the packing worker who is responsible for loading and unloading heavy objects.
4. Install safety doors for the cargo elevators that fully cover the opening to prevent workers from accidentally falling into the cargo tunnel. Follow up on the SIO for the three cargo lift operators with the government bureau or third party who was organizing the certification.
5. Conduct daily walk-throughs to ensure that machine guards are in place. Ensure that the eye guards are clean so that the machine operators have full visibility.
6. Provide fall protection for workers who work at heights.
7. Install an eye wash station in the toxic and hazardous waste storage area that has adequate water pressure.

|                             |  |
|-----------------------------|--|
| <b>Company Action Plan:</b> | 1. The factory has a list of confined spaces and Health & Safety procedures for confined spaces, including precautions people must take prior to entering and staying in each confined space. The confined spaces, such as the water tank and the diesel fuel tank have an identifying sign. The factory provide workers with protection for confined spaces and conduct training PPE  |
|                             | 2. There is a list of machines and equipment that require lockout/ tag out (LOTO).   |
|                             | 3. The factory will provide workers with ongoing/refresher training for the usage of Personal Protective Equipment/ PPE. The factory has training for proper lifting techniques for loading and unloading workers. In addition, the factory will provide eligible workers with lifting belts as proper PPE. The factory’s PPE training materials covers how employees properly use PPE, the proper storage of PPE and replacement of malfunctioning PPE. |
|                             | 4. The factory’s safety training material included topics of the impact of handling chemicals, restricted access to chemical storage room, and potential impacts of chemicals ink tanks. Additionally, the factory conducts maintenance safety training for maintenance workers.   |
|                             | 5. Three cargo lifts on the second floor have a safety door manual to close the cargo lift in order to protect workers from falling.   |
|                             | 7. The factory conducts daily walk-throughs to ensure that machine guards are in place and clean   |
|                             | 9. The factory will provide fall protection for workers who work in elevated areas at the water  |



|                     |  |
|---------------------|--|
|                     | tank.  |
|                     | 11. The factory has updated its policies to conduct periodic inspection of the eye wash. |
| Action Plan Status: | Planned  |
| Planned Completion: | June, 2019   |

## FINDING NO.4

### HEALTH & SAFETY

**FINDING TYPE:** Immediate Action Required

#### Finding Explanation

1. The factory has not arranged for a third-party to conduct a fire risk assessment.
2. The factory does not have emergency lights posted at the stairs in the fabric warehouse on the second floor and on one out of three main exits on the first floor. All exit signs throughout the factory are not illuminated and there is no backup power for exit signs.
3. Evacuation routs (yellow lines and arrow signs) are faded in the ironing and packing department and the warehouse.
4. The factory has three hydrant pumps. However, all hydrants do not have any hoses and are therefore malfunctioning in case of a fire. In addition, there are no maintenance records for the hydrants.
5. Three fire extinguishers are blocked by goods in the production floor.
6. Although the factory has a fire safety team, the factory does not have a specific fire warden in charge to evacuate people, as per legal requirements.
7. The factory does not have any alarm maintenance records to verify that alarms are inspected on a regular basis. Moreover, there is no back-up battery for the emergency alarm.
8. The factory does not regularly clean its production waste (solid waste) throughout the factory due to high production targets and a lack of proper cleaning management, posing a potential sanitary risk. In addition, there were broken ceramic tiles in the ironing department which were not removed, posing a potential risk for injury for workers.

#### Local Law or Code Requirement

Indonesia Ministerial Decree of Public Works No.10/KPTS on Technical Security Provisions of Fire Hazard in Buildings and Environment (2000), Annex Chapter V, Articles 3 (3) and 7(4); Regulation of the Minister of Manpower and Transmigration No. PER-04/MEN (1980), Article 4(1); Decision of Minister of Manpower No. KEP-186/MEN/1999 on Fire Prevention Units at Workplaces (1999), Article 5 and Article 6; Ministerial Decree of Public Works No. 10/KPTS on Technical Security Provisions of Fire Hazard in Buildings and Environment (2000), Annex Chapter V, Article 7 (9), 1; Regulation No. PER-01/MEN (1980), Article 6; Decision of the Minister of Labor No.187 on Hazardous Chemicals Control at Work (1999), Article 6; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.51.1, HSE.5.3, and HSE.6.1)

|                            |   |
|----------------------------|---|
| <b>Action Plan Status:</b> | Planned   |
| <b>Planned Completion:</b> | 1/31/2017   |
| <b>Progress Update:</b>    | <ol style="list-style-type: none"> <li>1. A fire risk assessment from Meritz fire insurance company was conducted in May 2016.</li> <li>2. Factory has replaced all exit signs with illuminated exit signs.</li> <li>3. The evacuation routes have been replaced with enlarged scale map in the ironing dept., packing dept. and warehouse. The evacuation lines in the ironing and packing department will be repainted immediately.</li> <li>4. Factory will buy hoses for hydrant pump and check it regularly. They will keep records of maintenance for fire hydrants on file. Fire Safety Team will do the job of keeping records and regular checks.</li> </ol> |

|                         |   |
|-------------------------|---|
|                         | <p>5. Factory has conducted training to workers and now fire extinguishers are free of any obstacles.</p> <p>6. A fire brigade has been organized, and Mr. Mawardi as Compliance Manager is designated as fire warden and will conduct further training.</p> <p>7. A back-up system has been installed for the emergency alarm system. The alarm will be checked regularly, with records kept.</p> <p>8. Factory has installed wastebaskets at cutting dept. and a vacuum machine at the sewing line to remove solid waste from the production floor. They have replaced the broken tiles in the ironing department. A report system and regular repair schedule will be established.</p> |
| <b>Completion Date:</b> | N/A   |

**Verification Result:**

**1. Finding Status** **Not Remediated**

**Explanation:** According to a document review and interviews with management, the factory has not arranged for a third-party to conduct a fire risk assessment. [HSE.1, HSE.5]

**Root Causes:** The factory has not conducted an internal fire risk assessment yet, which they plan to do before engaging a third-party assessment.

**2. Finding Status** **Remediated**

**Explanation:** During a factory tour, assessors found that there were illuminated exit signs with backup battery power installed above every emergency exit.

**3. Finding Status** **Remediated**

**Explanation:** During a factory tour, assessors found that the yellow lines and arrow signs have been repainted throughout the factory.

**4. Finding Status** **Remediated**

**Explanation:** During a factory tour, assessors found that fire hoses have been installed and maintained, with maintenance records for all fire hydrants.

**5. Finding Status** **Remediated**

**Explanation:** During a factory tour, assessors found that none of the fire extinguishers were blocked.

**6. Finding Status** **Partially Remediated**

**Explanation:** According to a document review and interviews with management the factory has appointed fire wardens, however only one fire warden was government certified as a Fire Expert, while Fire Coordinators and Fire Action Officers have not been certified. [HSE.1, HSE.4, HSE.5]

**Root Causes:** It is an ongoing progress as the fire warden had just finished their certification as fire expert.

**7. Finding Status** **Partially Remediated**

**Explanation:** According to a document review, the factory conducts alarm inspections weekly, monthly, and annually and backup batteries have been installed for the two main panels. However, the alarm inspections were not conducted properly:

- a. The weekly inspections do not include a function test;
- b. The monthly inspections do not cover the indicator lights or emergency power source;
- c. The annual inspections do not cover the battery installation voltage. [HSE.5]

**Root Causes:**

- 1. The security personnel who are responsible for the alarm inspections have not been trained on how to inspect alarm.
- 2. Neither the Compliance Manager nor the OHS secretary have detailed knowledge regarding alarm inspections and test parameters.

**8. Finding Status Remediated**

**Explanation:** According to a factory tour, the production area is adequately clean and organized without any debris or cracked tiles.

**Local Law or Code Requirement**

Public Work Minister Regulation No 26 Year 2008 Article 11; Manpower Minister Decree No 186 Year 1999 Article 5.d; d. Fire expert as technical responsible person; Manpower Minister Regulation No 2 Year 1983 Article 58 – 60; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, and HSE.5]

**Recommendations for Immediate Action**

- 1. Commission a third-party expert to perform a fire risk assessment
- 2. Enroll the Fire Coordinator and Fire Action Officer in a government certification program.
- 3. Test the alarm function weekly, the indicator lights and emergency power source monthly, and the battery installation voltage annually.

|                      |  |
|----------------------|--|
| Company Action Plan: | 1. The factory has conducted an internal fire risk assessment before engaging a third-party assessment.  |
|                      | 6. Although the factory has a fire safety team, the factory has a specific fire warden in charge to evacuate people, as per legal requirements   |
|                      | 7. The factory updated its policies to test the alarm function, indicator lights and emergency power source, and the battery installation voltage monthly. The factory keeps records of this alarm maintenance work. |
| Action Plan Status:  | Planned  |
| Planned Completion:  | Done   |

**FINDING NO.5**

**RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT**

**FINDING TYPE:** Immediate Action Required

**Finding Explanation**

1. The factory does not provide an orientation training to new employees.
2. The factory does not clearly define the responsible person for almost all Employment Functions except Health & Safety, such as Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Workplace Conduct & Discipline, Grievance System, Environmental Protection.
3. The factory does not have a policy and procedures on performance reviews including steps and processes, linkages to job grading, nondiscrimination, written feedback and compliance with legal requirements.
4. The factory does not provide ongoing training to workers on all Employment Functions. Additionally, the factory does not provide specific training for relevant supervisors on all Employment Functions.
5. 471 out of 1002 (47%) production workers were employed under a specified period of time contract (PKWT) although they are working permanent jobs in the cutting, sewing, finishing and packing departments, violating legal requirements that state that workers can only be hired under unlimited permanent contracts if they perform jobs of permanent nature. Workers under the limited short-term contracts (PKWT) sign multiple PKWT contracts. As a result, workers under the PKWT contracts do not receive the legally entitled benefits for permanent jobs, such as seniority benefits, annual leave, religious holiday allowance, termination payouts and severance pay. Factory management stated that the factory hires workers on multiple renewed PKWT contracts to avoid paying these benefits to workers, specifically the severance payment when the factory has to terminate workers.
6. The factory only maintains the latest employment contracts on file although contract workers signed repeated contracts several times. Therefore, the actual length of employment of contractual workers could not fully be verified. Based on one personal file, the available contract showed that the worker from the packing section signed an employment contract valid from April 9, 2015 to October 8, 2015. However, the payroll records of August 2014 show that the worker has already been employed at the factory. In addition, three out of 40 sampled workers' personnel files were missing their work agreement. There was no employment contract or appointment letter maintained in their files.
7. Article 3 of the employment contract states that the employer as the first party may unilaterally terminate the employment relationship if: the employee as the second party is unable to do the job, meet the production target, and achieve the working goals as set by the employer. However, this practice violates local legal requirements stating that an employment agreement cannot be revoked without the consent of all parties. Information in personnel files of workers that have already left the factory does not include the reason for termination of the contract. Thus, the assessors were unable to verify if the respective Article 3 in the employment contract is implemented.

**Local Law or Code Requirement**

Law No. 13 on Manpower (2003), Art. 59 (2) and Art. 55; FLA Workplace Code (Employment Relationship Benchmarks ER.1.1, ER.2.1, ER.7.1, ER.9.1, ER.11.5, and ER.15)

|                            |  |
|----------------------------|--|
| <b>Action Plan Status:</b> | Planned  |
| <b>Planned Completion:</b> | 1/31/2017  |
| <b>Progress Update:</b>    | <ol style="list-style-type: none"> <li>1. Factory will start doing new employee orientation.</li> <li>2. HR Manager is responsible for employment functions, who then prepares and reports to President for decisions.</li> <li>3. Policy and procedures on performance reviews has been created.</li> <li>4. Training has been provided to all supervisors, who pass the details to the general workforce. Supervisors will be advised when any changes occur.</li> <li>5. Top management is deeply considering to change the employment system from contract worker system to probation system to avoid this problem. Large seasonal workload peaks and valleys do not allow the factory to hire all workers as permanent</li> </ol> |

|                         |   |
|-------------------------|---|
|                         | <p>status but they will continue to reduce the ratio of total workforce from short-term contracts to permanent.</p> <ol style="list-style-type: none"> <li>6. Factory will keep properly organized personnel files as requested.</li> <li>7. Article 3 will be changed: it will be crossed out in existing contracts and will not be included in all new contracts. Ensure all employment contracts including previous signed employment contracts and appointment letters are maintained on file of each contract worker so that actual years of service of workers can be transparently verified.</li> <li>8.</li> </ol> <p>In response to FLA recommendations for Immediate Action:</p> <ol style="list-style-type: none"> <li>1. (PGI) Top managements deeply considers to change employment system from contract worker system to probation system to avoid this problem.</li> <li>2. (PGI) Top managements deeply considers to change employment system from contract worker system to probation system to avoid this problem.</li> <li>3. (PGI) Top managements deeply consider to change employment system from contract worker system to probation system to avoid this problem.</li> <li>4. (PGI) We will change the article 3. after lebaran holiday.</li> <li>5. (PGI) We will keep personnel files of workers who leave the factory with the reason of termination.</li> </ol> |
| <b>Completion Date:</b> | N/A   |

**Verification Result:**

1. **Finding Status** Partially Remediated

**Explanation:** Based on a document review and interviews with workers, the orientation training provided to new workers covers Recruitment & Hiring, Resignation, Compensation, Hours of Work, and Workplace Conduct & Discipline. However, it does not cover Personnel Development, Termination & Retrenchment, Industrial Relations, Grievance System, Environmental Protection, or Health & Safety. In addition, the workers do not receive written documentation that substantiates all the issues covered in orientation [ER.1, ER.15]

**Root Causes:** The factory's HR management feels that having procedures on the Employment Functions listed above is sufficient and that they do not need to be included in the orientation training materials.

2. **Finding Status** Remediated

**Explanation:** The factory defines the person responsible for each Employment Function.

3. **Finding Status:** Not Remediated

**Explanation:** The factory has not established a policy or procedures on performance reviews. [ER.29]

**Root Causes:** The HR Manager does not consider performance reviews to be necessary since there are not many opportunities for career advancement within the factory.

4. **Finding Status:** Partially Remediated

**Explanation:** On May 9, 2018, the factory conducted training on the factory Code of Conduct and the following Employment Functions: Compensation; Hours of Work; Termination & Retrenchment; Workplace Conduct & Discipline; and Grievance System. However, the training was insufficient:

- a. The training did not cover Recruitment, Hiring & Personnel Development or Industrial Relations;
- b. Only 18 workers attended the training;
- c. The training was only conducted one time. There is still no ongoing training on any of the Employment Functions;
- d. The factory does not provide specific training for relevant supervisors on all Employment Functions; and
- e. Managers, HR personnel, and administrative staff have not received training on Workplace Conduct & Discipline. [ER.1, ER.17, ER.15, ER.25, ER.27, ER.28]

**Root Causes:** No one has been designated to monitor the adequacy of the training materials or review the assessment findings to identify which findings have not been remediated.

5. **Finding Status** **Not Remediated**

**Explanation:** Around 317 out of 933 (31.92%) production workers are employed under PKWT contracts although they are working permanent jobs in the cutting, sewing, finishing and packing departments. This violates the legal requirements that state that workers must be hired under unlimited permanent contracts if they perform jobs of a permanent nature. Workers employed under PKWT contracts signed one to two eleven-month PKWT contracts. As a result, workers under the PKWT contracts do not receive the legally entitled benefits for permanent jobs, such as seniority benefits, annual leave, termination payouts and severance pay. [ER.8, ER.9, ER.11]

**Root Causes:** Factory management is worried that they would have to provide severance payments to permanent employees if the factory is closed at some point. Contract worker are hired because they are not entitled to severance payments.

6. **Finding Status** **Not Remediated**

**Explanation:** The factory does not keep workers' previous employment contracts on file when their status is changed from contract to permanent. As a result, the length of the workers' employment cannot be verified. [ER.2]

**Root Causes:** The factory does this in order to prevent third parties from determining how long the workers have been working at the factory, since this would lead to the factory to calculate the seniority from first join date.

7. **Finding Status** **Remediated**

**Explanation:** The factory has revised the workers' employment contracts to remove the clause giving the factory the right to unilaterally terminate the employment relationship if the worker is unable to perform their job, meet their production targets, and achieve the working goals set by the factory.

**Local Law or Code Requirement**

Law No. 13 on Manpower (2003), Art. 59 (2) and Art. 55; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.2, ER.8, ER.9, ER.11, ER.15, ER.17, ER.25, ER.27, ER.28, and ER.29)

## Recommendations for Immediate Action

1. Convert temporary workers that perform jobs of permanent nature to permanent employee status, as per legal requirements. Provide them with all seniority and other fringe benefits dated back to the date they were hired as a temporary worker, as per FLA Benchmarks.

|                             |   |
|-----------------------------|---|
| <b>Company Action Plan:</b> | 1. The factory provided an orientation training to new employees and the workers receive written documentation that substantiates all the issues covered in orientation                             |
|                             | 3. The factory has a policy and procedures on performance reviews including steps and processes, linkages to job grading, nondiscrimination, written feedback and compliance                        |
|                             | 4. The factory will provide ongoing training to workers on all Employment Functions. Additionally, the factory will provide specific training for relevant supervisors on all Employment Functions. |
|                             | 5. The factory hires contract workers to adjust production volume at peak season.   |
|                             | 6. The factory will keep workers' previous employment contracts on file when their status is changed from contract to permanent.  |
|                             | <b>Action Plan Status:</b>  |
| <b>Planned Completion:</b>  | June, 2019  |

## **FINDING NO.6**

### **WORKER INTEGRATION & COMMUNICATION (MACRO)**

**FINDING TYPE:** Sustainable Improvement Required

#### **Finding Explanation**

1. The factory does not communicate its policies and procedures on all Employment Functions to the general workforce.
2. The worker integration component is missing for all Employment Functions. The factory has not established procedures for receiving worker input/feedback on the creation, implementation, and revision of its policies and procedures. Workers are neither systematically integrated nor consulted in the decision-making processes.

#### **Local Law or Code Requirement**

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.29, and ER.30)

|                            |   |
|----------------------------|---|
| <b>Action Plan Status:</b> | Planned   |
| <b>Planned Completion:</b> | 1/31/2017   |
| <b>Progress Update:</b>    | <ol style="list-style-type: none"><li>1. Production director will communicate with supervisor and chiefs about all employment functions. They will then share the information with all workers. Additionally, factory will post the information on billboard to announce.</li><li>2. Factory will do Bipartite once a month for systematic worker integration in the decision-making processes.</li></ol> |
| <b>Completion Date:</b>    | N/A   |

#### **Verification Result:**

1. Finding Status **Not Remediated**

**Explanation:** According to assessors' observations, a document review, and management and worker interviews, the factory has not communicated its policies and procedures on any of the Employment Functions with the general workforce. [ER.1, ER.16, ER.25, ER.27, ER.29, ER.30, C.17]

**Root Causes:** Neither HR nor the Compliance Officer are aware that worker communication is important and required by the FLA.

**2. Finding Status Not Remediated**

**Explanation:** According to a document review as well as management and worker interviews, the worker integration component is still missing across all Employment Functions. The factory has not established procedures for receiving worker input/feedback on the creation, implementation, and revision of its policies and procedures. Workers are neither systematically integrated nor consulted in the decision-making processes. [ER.1, ER.25]

**Root Causes:** Neither HR nor the Compliance Officer are aware that worker involvement is important and required by the FLA.

**Local Law or Code Requirement**

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, ER.25, ER.27, ER.29, and ER.30; Compensation Benchmark C.17)

|                             |  |
|-----------------------------|--|
| <b>Company Action Plan:</b> | <p>1. The factory has communicated its policies and procedures on all Employment Functions to the general workforce on Monday morning, 15 minutes before work begins. Communication to the employees has been delivered by the Supervisor or Chief Supervisor, and also posted on the bulletin board.</p> <p>2. The factory will establish procedures for receiving worker input/feedback on the creation implementation, and revision of its policies and procedures.</p> |
| <b>Action Plan Status:</b>  | Planned  |
| <b>Planned Completion:</b>  | May, 2019  |

**FINDING NO.7**

**REVIEW PROCESS (MACRO)**

**FINDING TYPE:** Sustainable Improvement Required

**Finding Explanation**

1. The factory has not developed policies and procedures on review process to ensure updates are made according to local law and FLA Workplace Code requirements. As a result, the factory management does not periodically review its policies and procedures for all Employment Functions.

**Local Law or Code Requirement**

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.30.2, and ER 31.2)

|                            |         |
|----------------------------|---------|
| <b>Action Plan Status:</b> | Planned |
|----------------------------|---------|



|                            |   |
|----------------------------|---|
| <b>Planned Completion:</b> | 6/27/2016   |
| <b>Progress Update:</b>    | 1. (PGI) Factory will have review process under the chairmanship of president Mr. Cheon every 3 months. Whenever there are changes, they will consult local labor office to ensure updates are made according to local law. |
| <b>Completion Date:</b>    | N/A   |

**Verification Result:**

**1. Finding Status:** **Not Remediated**

**Explanation:** The factory has not developed policies and procedures on the review process to ensure updates are made according to local law and FLA Workplace Code requirements. As a result, the factory management does not periodically review and update its policies and procedures for any of the Employment Functions. [ER.1, ER.29, ER.30, ER.31]

**Root Causes:** No one has been appointed to develop policies and procedures on the review process to ensure that updates are made according to local law and FLA Workplace Code requirements.

**Local Law or Code Requirement**

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.29, ER.30, and ER.31)

|                             |  |
|-----------------------------|--|
| <b>Company Action Plan:</b> | 1. The factory will develop policies and procedures on the review process to ensure updates are made according to local law and FLA Workplace Code requirements. As a result the factory management will periodically review its policies and procedures for all Employment Functions. |
| <b>Action Plan Status:</b>  | Planned  |
| <b>Planned Completion:</b>  | May, 2019  |

**FINDING NO.8**

**INDUSTRIAL RELATIONS**

**FINDING TYPE:** Immediate Action Required

**Finding Explanation**

1. The factory deducts a union fee of IDR 5,000 (USD 0.38) per month from employees' paycheck without their written consent. Workers are member of the union named SPTSK at the factory but do not voluntarily agree to these deductions.

**Local Law or Code Requirement**

FLA Workplace Code (Compensation Benchmark C.11)

|                            |   |
|----------------------------|---|
| <b>Action Plan Status:</b> | Planned   |
| <b>Planned Completion:</b> | 6/27/2016   |
| <b>Progress Update:</b>    | 1. We already collected written consent which ensures that workers voluntarily agree for deduction. |
| <b>Completion Date:</b>    | N/A   |

**Verification Result:**

## 1. Finding Status **Remediated**

**Explanation:** The factory maintains written consent for the union fee deductions signed by each union member. All 576 workers are members of the SPTSK union, and they all signed the written consent.

|                      |  |
|----------------------|--|
| Company Action Plan: |  |
| Action Plan Status:  |  |
| Planned Completion:  |  |

## FINDING NO.9

### COMPENSATION

**FINDING TYPE:** Immediate Action Required

#### Finding Explanation

1. According to local law, the factory is allowed to compensate workers that are overtime exempt under an "All-In"-system. Overtime exempt workers are managerial staff or hold so-called structural positions within the company and not production workers. Workers that are compensated under the "All-In"-system are overtime exempt workers and have a basic wage ranging from IDR 2,750,000 to IDR 2,800,000 per month (USD 207 – USD 210), which is slightly higher than the minimum wage of IDR 2,730,000 per month (USD 205). In addition, workers under the "All-In"-system receive the position allowance ranging from IDR 50,000 to IDR 110,000 per month (USD 3.75 – USD 8.27), a fixed overtime allowance of IDR 230,000 to IDR 400,000 per month (USD 17.28 – USD 30.06), an attendance allowance of IDR 50,000 per month (USD 3.75), and a food allowance of IDR 2,600 to IDR 2,760 per month (USD 0.20). However, the factory uses this practice for regular production workers to avoid overtime compensation.
2. 3 out of 40 selected sampled workers are compensated based on an "All-In"-system. These three employees worked in the quality control, sample and mechanic departments and do not receive the proper overtime wage if they work beyond regular hours. Although the three workers received a fixed overtime and position allowances, the amount did not equal the legally entitled overtime amount as per legal rate stipulating that the first hour of overtime shall be compensated at 150% of the hourly rate and the second and all consecutive hours at 200% of the hourly rate. The wage deficiency between the received compensation and the actual legally entitled overtime wage ranged from IDR 61,328 to IDR 895,201 (USD 4.61 – USD 67.27) per month during peak season in June 2015 for the three workers.
3. Contract workers are hired from six to eleven months for each employment contract although they perform tasks and job duties that are jobs of permanent nature according to local law. Their contracts were renewed after one to two weeks of pause between the first and second contract. The length of employment and other fringe benefits such as annual leave without pay were not calculated from the first day hired in their first contract and workers were considered new workers with new ID numbers once they signed new employment contracts. Based on interviews with managerial staff, this practice was to avoid paying legally entitled annual leave to workers that would be entitled to annual leave with permanent contacts.
4. If the workers have to leave early before the Hours of Work have reached four hours per day or half day work due to personal reasons or sickness without a doctor's reference letter, the worker is not paid and the day is considered as absent. For example, a worker from the sewing section received a signed approval by the supervisor, chief of production or HR department to leave the factory at 9:45 AM on September 2, 2015 due to sickness. The worker

was absent the next day and went to the outside medical clinic and received a doctor's reference letter on September 3, 2015. However, the sick leave for September 3, 2015 was paid but September 2, 2015 was considered unpaid absent leave.

5. There is no mechanism in place to accurately link payroll with Hours of Work records. The provided prints of barcode time records of workers did not show any working hours earlier than 10 minutes before the start of regular working hours. According to local law, all working hours beyond the regular working hours shall be compensated as overtime. The time records ranged from 6:50 AM to 7:00 AM, which is therefore inaccurate. Worker interviews revealed that workers scan their barcode time records and start working around 6:00 am to 6:50 am. Workers try to meet the assigned daily quota by working overtime without compensation based on the following observations:
  - a. The security monitoring logs showed that the production doors open at 6:00 am while regular working hours start at 7:00 am.
  - b. The paper punch card for new workers showed an early time at 6:00 am to 6:18 am while regular working hours start at 7:00 am.
  - c. The provided printed barcode time records do not show any earlier times than 10 minutes before the regular working hours, reflecting a range from 6:50 am to 7:00 am.

### **Local Law or Code Requirement**

Law No. 13 on Manpower (2003), Art. 59 (1, 2, 4 and 6); Law No. 13 on Manpower (2003), Art. 79(2c); Decision of the Minister of Manpower and Transmigration No. KEP 102/MEN/VI on Overtime Work and Overtime Compensation (2004), Article 4(1); FLA Workplace Code (Employment Relationship Benchmarks ER.12 and ER.22; Compensation Benchmark C.5, C.6, and C.7; Hours of Work Benchmarks HOW.11 and HOW.14)

|                            |  |
|----------------------------|--|
| <b>Action Plan Status:</b> | Planned  |
| <b>Planned Completion:</b> | 1/31/2017  |
| <b>Progress Update:</b>    | <ol style="list-style-type: none"> <li>1. Factory will change 'all-in workers' wage level to comply with local law to include accurate O/T compensation in times of wage increase period.</li> <li>2. Factory will change 'all-in workers' wage level to comply with local law to include accurate O/T compensation in times of wage increase period.</li> <li>3. Top factory management is strongly considering changing the employment system from contract worker system to probation system.</li> <li>4. Factory has committed to paying all working hours per local law as outlined in the finding.</li> <li>5. Factory has revised their monitoring wage calculation system to comply with local labor law. There are no punch cards for new workers, all workers will use barcode time card. Production doors only open 15 minutes before working hours start.</li> </ol> |
| <b>Completion Date:</b>    | N/A  |

### **Verification Result:**

#### **1. Finding Status Partially Remediated**

**Explanation:** Since January 2017, the factory has paid one Quality Control (QC) inspector and 12 workers from the sample section a daily wage with overtime compensation rather than compensating them under the "All-In"-system. However, five mechanics are still compensated under the "All-In"-system without proper overtime compensation. [C.1, C.5, C.7]

**Root Causes:** The practice of compensating mechanics under the "All-In" system was established a long time ago and management does not consider it a problem.

#### **2. Finding Status Partially Remediated**

**Explanation:** Since January 2017, the factory has paid one Quality Control (QC) inspector and 12 workers from the sample section a daily wage with overtime compensation rather than compensating them under the “All-In”-system. However, five mechanics are still compensated under the “All-In”-system without proper overtime compensation. Although mechanics receive fixed overtime and position allowances, the amount does not equal the amount they are legally entitled to. According to local law, the first hour of overtime shall be compensated at 150% of the worker’s hourly rate and the second hour and all consecutive hours of overtime shall be compensated at 200% of the worker’s hourly rate. [C.1, C.5, C.7]

**Root Causes:** The practice of compensating mechanics under the “All-In” system was established a long time ago and management does not consider it a problem.

**3. Finding Status:** **Not Remediated**

**Explanation:** Contract workers are hired for eleven months at a time even though they perform jobs of a permanent nature. According to the HR staff in charge, the workers’ contracts were renewed four weeks after the end of their first contract; however, no evidence was provided that there was a four week pause between a worker’s contracts since the factory does not maintain copies of all past contracts. Fringe benefits such as seniority benefits and annual leave are not calculated correctly since the day the workers first started working at the factory is unknown. Workers are assigned a new ID number for each contract they sign. [ER.2, C.1, C.5, C.6]

**Root Causes:** This practice was established a long time ago and management does not consider it a problem.

**4. Finding Status** **Not Remediated**

**Explanation:** If a sick worker goes home before completing a half day of work, the factory only compensates the worker for a half day of the sick leave, rather than a full day. If a worker has to leave early for personal reasons before they have completed three hours of work, the worker is not paid for those hours and they are marked absent for the day. For example:

- a. A QC worker received written approval from the Chief of Production and HR Department to leave the factory at 10:00 AM on April 3, 2018 to take care of a sick parent in her home town. She was not paid for the hours she worked from 7:30 AM to 10:00 AM;
- b. A sick cutting worker received written approval from the Production Manager, Supervisor, and HR Department to leave the factory at 10:00am on April 10, 2018. She was only compensated for a half day instead a full day. [C.1, C.5, HOW.11, HOW.16]

**Root Causes:** This practice was established a long time ago and management does not consider it a problem.

**5. Finding Status** **Remediated**

**Explanation:** The factory has implemented a policy on opening the production building door. The workers can only enter the production building 15 minutes before the start of their shift. According to assessors’ observations, no workers started working before the start of their shift. There is now a mechanism in place to accurately link payroll with Hours of Work records.

**Local Law or Code Requirement**

Law No. 13 on Manpower (2003), Art. 59 (1, 2, 4 and 6); Law No. 13 on Manpower (2003), Art. 79(2c); Decision of the Minister of Manpower and Transmigration No. KEP 102/MEN/VI on Overtime Work and Overtime Compensation (2004), Article 4(1); FLA Workplace Code (Employment Relationship Benchmark ER.2; Compensation Benchmarks C.1, C.5, C.6, and C.7; Hours of Work Benchmarks HOW.11 and HOW.16)

**Recommendations for Immediate Action**

1. Cease the practice of compensating the mechanics under the “All-In” system.
2. Compensate mechanics for overtime at the legal overtime rate.
3. Change the contract workers’ employment status from contract to permanent. Keep all of the workers’ previous employment contracts. Provide the contract workers with all of the seniority and other fringe benefits that they are entitled to; calculate these benefits based on the day they were first hired as temporary workers, as required by the FLA Workplace Code and Benchmarks.
4. Compensate sick workers who leave before completing a half day of work for a full day of sick leave. Compensate workers for all hours worked; cease the practice of not compensating workers who leave for personal reasons before completing a half day of work.

|                      |   |
|----------------------|---|
| Company Action Plan: | 1. Based on the annual calculation and tracking of overtime mechanical fix in 2018, actual Overtime does not exceed the fix overtime and workers received comparatively more compensation. See attached calculation.  |
|                      | 2. Based on the annual calculation and tracking in 2018 (including fix low production fix) the salary of "all in" is greater than not "all in". The factory will continue to use the system with overtime compensation adjusted for actual overtime exceeding the fix overtime.   |
|                      | 3. The factory will not renew workers’ employment contracts in the future with 11 month contracts.  |
|                      | 4. The factory will compensate sick workers for a half day of their early leave if they work less than 4 hours and full day if work more than 4 hours for early leave for personnel permit, and the factory will compensate the workers for a full day if the worker work from 1-8 hours and can provide a doctor's letter or sick certificate from the clinic. |
| Action Plan Status:  | Planned   |
| Planned Completion:  | July, 2019  |

**FINDING NO.10**

**HOURS OF WORK**

**FINDING TYPE:** Immediate Action Required

**Finding Explanation**

1. The factory does not have a system in place to identify pregnant women or nursing women.
2. The factory include overtime as a general practice to meet production targets. Although the workers do not exceed the overtime limit of 60 hours per week, workers work overtime on a regular basis to meet production targets.
3. There is no mechanism in place to accurately link payroll with Hours of Work records. The provided prints of barcode time records of workers did not show any time earlier than 10 minutes before the start of regular working hours. The time records ranged from 6:50 Am to 7:00 Am, which is therefore inaccurate. Worker interviews revealed that workers scan their barcode time records and start working around 6:00 am to 6:50 am. Workers try to meet the assigned daily quota by working overtime without compensation based on the following observations:
  - a. The security monitoring logs showed that the production doors open at 6:00 am while regular working hours start at 7:00 am.
  - b. The paper punch card for new workers showed an early time at 6:00 am to 6:18 am while regular working hours start at 7:00 am.
  - c. The provided printed barcode time records do not show any earlier times than 10 minutes before the regular working hours, reflecting a range from 6:50 am to 7:00 am.

### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2 and ER.23; Hours of Work Benchmarks HOW.5, HOW.11, and HOW.14)

|                            |  |
|----------------------------|--|
| <b>Action Plan Status:</b> | Planned  |
| <b>Planned Completion:</b> | 6/27/2016  |
| <b>Progress Update:</b>    | 1. Factory will create a system to provide Hours of Work protection to pregnant and nursing women.<br>2. Factory has already set up target amount based only on regular working hours.<br>3. All workers are now only using barcode time cards. Production doors now only open 15 minutes before working start time. |
| <b>Completion Date:</b>    | N/A  |

### Verification Result:

1. **Finding Status:** **Not Remediated**

**Explanation:** The factory has not established a system to identify pregnant women or nursing women in the working hours record. [HOW.5]

**Root Causes:** Management is not aware that such identification is required.

2. **Finding Status** **Remediated**

**Explanation:** According to a document review as well as management and worker interviews, the factory has stopped including overtime in production planning as a general practice. Workers are not required to work overtime if production targets are not met in the normal working hours. Overtime is only conducted when needed, such as late delivery of raw materials.

3. **Finding Status** **Remediated**

**Explanation:** According to a document review as well as management and worker interviews, the times listed in workers' time records are consistent with the actual hours worked. The door opening policy states that the security guards open the door to the production building 15 minutes before the shift starts. According to assessors' observations, no workers started working before the start of their shift and no workers worked during their break.

### Local Law or Code Requirement

FLA Workplace Code (Hours of Work Benchmark HOW.5)

|                             |  |
|-----------------------------|--|
| <b>Company Action Plan:</b> | 1. The factory will establish a system to identify pregnant women or nursing women with a note on the working hours sign and records to flag this. |
| <b>Action Plan Status:</b>  | Planned  |
| <b>Planned Completion:</b>  | May, 2019  |

## **FINDING NO.11**

## WORKPLACE CONDUCT & DISCIPLINE

**FINDING TYPE:** Sustainable Improvement Required

### Finding Explanation

1. The factory does not provide workers with a copy of the workplace rules during orientation.
2. Disciplinary actions are not witnessed by a third-party during imposition.

### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.15. and ER.27)

|                            |   |
|----------------------------|---|
| <b>Action Plan Status:</b> | Planned   |
| <b>Planned Completion:</b> | 6/27/2016   |
| <b>Progress Update:</b>    | <ol style="list-style-type: none"><li>1. The factory has posted company rules on the board and provided workers with a copy of the workplace rules.</li><li>2. The factory will let a third party audit disciplinary committee's decision if there will be any disciplinary action needed to workers.</li></ol> |
| <b>Completion Date:</b>    | N/A   |

### Verification Result:

1. **Finding Status** **Not Remediated**

**Explanation:** The factory still does not provide workers with a copy of the workplace rules during orientation. [ER.15]

**Root Causes:** The HR Manager is not aware that new workers should be provided with a copy of the workplace rules during orientation.

2. **Finding Status** **Not Remediated**

**Explanation:** Disciplinary actions are not witnessed by a third-party during imposition.

**Root Causes:** Management is not aware that workers have a right to have a witness present during disciplinary action hearings.

### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.15)

|                             |  |
|-----------------------------|--|
| <b>Company Action Plan:</b> | <ol style="list-style-type: none"><li>1. The factory provided workers with a copy of the workplace rules during orientation.</li><li>2. Disciplinary actions will witnessed by a third-party during imposition</li></ol> |
| <b>Action Plan Status:</b>  | Planned  |
| <b>Planned Completion:</b>  | May, 2019  |

## FINDING NO.12

## GRIEVANCE

**FINDING TYPE:** Sustainable Improvement Required

### Finding Explanation

1. The factory only has one suggestion box for more than 1000 workers, which is located in an open non-confidential location next to the security post. Anyone can see the person who submits the grievance in the suggestion box and a CCTV camera was installed to monitor the area including the suggestion box. The factory does not keep any grievance records and the majority of the workers were not aware of the existence of grievance channels and procedures.

### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2 and ER.25)

|                            |   |
|----------------------------|---|
| <b>Action Plan Status:</b> | Planned   |
| <b>Planned Completion:</b> | 1/1/2017  |
| <b>Progress Update:</b>    | 1. The factory has added suggestion boxes where CCTV camera was not installed. They will maintain grievance, record file and will communicate about the grievance channels and procedure, through Bipartite Meetings and Chief and Supervisor Meetings for all workforce. |
| <b>Completion Date:</b>    | N/A   |

### Verification Result:

1. **Finding Status** Partially Remediated

**Explanation:** The factory provided two additional suggestion boxes; they are located in the machine warehouse and near the restroom. The factory maintains grievance records. However, the Grievance System procedures and implementation are inadequate. For example:

- a. One of the three suggestion boxes is located near the entrance to the production building and there is a CCTV camera installed above the suggestion box. This does not allow workers to use the suggestion box confidentially;
- b. The last grievance submitted was on March 17, 2016;
- c. Workers do not receive training on the Grievance System. As a result, workers are not aware of the Grievance System procedures and mechanisms. [ER.1, ER.15, ER.25]

**Root Causes:** No one has been appointed to manage the suggestion boxes and review the Grievance System procedures and implementation.

### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2 and ER.25)

|                             |   |
|-----------------------------|---|
| <b>Company Action Plan:</b> | 1. The factory has updated its Grievance System policies and procedures, and will complete the following:<br>a. One suggestion boxes is moved to near toilets. The grievance records are maintained<br>b. Workers received their training on the Grievance System |
| <b>Action Plan Status:</b>  | Planned   |



|                     |             |
|---------------------|-------------|
| Planned Completion: | April, 2019 |
|---------------------|-------------|

**(NEW) FINDING NO. 1**

**COMPENSATION**

**FINDING TYPE:** Immediate Action Required

**Finding Explanation**

1. According to the outsourced security guards' pay slips and the employment contracts between the security guards and the employment agency, the security guards' basic wage is IDR 3,555,834 (USD 247.80) per month. This is lower than the local minimum wage IDR 3,582,076.99 (USD 249.62) per month. [ER.10, ER.11, C.1, C.2]
2. The security guards work at least three hours of overtime per day, but their employment contracts do not mention overtime pay and their pay slips do not include any overtime wages. [ER.10, ER.11, C.1, C.7]
3. The outsourced security guards are not provided with a seniority incentive. All of the security guards receive the same basic wage despite having different lengths of service. [ER.10, ER.11, C.1, C.6]
4. The payment records for social and healthcare insurance were not available for review. However, according to the outsourced security guards' pay slips, only three of the ten security guards are registered for the pension guarantee program. [ER.2, ER.10, ER.11, C.1, C.15]

**Local Law or Code Requirement**

Regulation of Minister of Manpower No. 7 on Minimum Wage (2013), Art. 15; Decision of the Minister of Manpower and Transmigration No. KEP 102/MEN/VI on Overtime work and Overtime pay (2004), Art. 7; Law No. 13 on Manpower (2003), Art. 99(1); FLA Workplace Code (Employment Relationship Benchmarks ER.2, ER.10, and ER.11; Compensation Benchmarks C.1, C.2, C.6, C.7, and C.15)

**Recommendations for Immediate Action**

1. Ensure that the outsourced security guards are paid at least the legal minimum wage.
2. Ensure that the outsourced security guards are compensated at the overtime premium rate for all overtime hours worked.
3. Ensure that the outsourced security guards receive a seniority incentive after working for at least 12 months.
4. Ensure that all outsourced security guards are registered to receive social insurance, pension guarantee program insurance, and BPJS healthcare insurance.

|                      |   |
|----------------------|---|
| Company Action Plan: | 1. PT. Cakra Satya Internusa has updated the security guard payroll system by paying wages minimum according to the Banten provincial Tangerang City UMP in 2019 amounting to Rp. 3,879,717 which began to be paid in March 2019. |
|                      | 2. PT. Cakra Satya internusa has renewed security guards' employment contracts, including overtime hours and overtime rates that are adjusted to labor law regulations (Law No.13 of 2003)  |
|                      | 3. The outsourced security guards are provided with a seniority incentive. All of the security guards receive the same basic wage despite having different lengths of service.  |
|                      | 4. The factory has updated the BPJS participant program system by including all security guards to join the pension guarantee program   |
| Action Plan Status:  | Planned   |
| Planned Completion:  | May, 2019   |

## (NEW) FINDING NO. 2

### WORKPLACE CONDUCT & DISCIPLINE

**FINDING TYPE:** Immediate Action Required

#### Finding Explanation

1. Security guards perform same-gender physical pat downs four times per day: when workers enter the building before their shift, before leaving the building for their lunch break, after their lunch break, and after their shift ends. [H/A.10]
2. In addition, there is no process for workers to appeal disciplinary actions taken against them. [ER.27]

#### Local Law or Code Requirement

FLA Workplace Code (Harassment or Abuse Benchmark H/A.10; Employment Relationship Benchmarks ER.27)

#### Recommendations for Immediate Action

1. Cease the practice of conducting physical pat downs as a general practice. Only perform physical pat downs when there is a legitimate reason to do so and with the consent of workers.

|                      |   |
|----------------------|---|
| Company Action Plan: | 1. The factory provides this pat down practice for workers 4 times a day by getting an agreement from the union and communicated to workers during orientation and recorded in the worker contract.<br>2. The factory will make Standard Operating Procedures for workers to appeal disciplinary action. The purpose of this appeal procedure will be to regulate the process of appealing against a disciplinary action. |
| Action Plan Status:  | Planned   |
| Planned Completion:  | May, 2019   |

## (NEW) FINDING NO. 3

### ENVIRONMENTAL PROTECTION

**FINDING TYPE:** Immediate Action Required

#### Finding Explanation

1. The factory has not conducted an Environment Impact Assessment (EIA) to identify whether its on-site operations generate any negative environmental impacts. [HSE.1]

#### Local Law or Code Requirement

Act No 32 Year 2009 Article 14.k; FLA Workplace Code (Health, Safety & Environment Benchmark HSE.1)

## **Recommendations for Immediate Action**

1. Conduct an EIA and take steps to address any negative environmental impacts generated by the factory.

|                      |   |
|----------------------|---|
| Company Action Plan: | 1. The factory will conduct an Environmental Impact Analysis to identify whether operation at the site have an impact on the environment. |
| Action Plan Status:  | Planned   |
| Planned Completion:  | June, 2019  |

## **(NEW) FINDING NO. 4**

### **HEALTH & SAFETY**

**FINDING TYPE:** Immediate Action Required

#### **Finding Explanation**

1. The factory has not conducted a Hazard Identification Risk Analysis (HIRA) to identify health and safety hazards or a Fire Risk Assessment (FRA) to identify fire risks. [HSE.1]
2. The factory has not obtained a Proper Building Function permit from the government because it has not yet commissioned a third-party expert to conduct a building inspection. [HSE.1, HSE.4]
3. There is no sprinkler system installed in the factory. [HSE.5, HSE.6]
4. The factory is not taking proactive steps to reduce the risk of repetitive-motion stress and injuries. There is no ergonomic stretching program, standing workers are not provided with anti-fatigue mats, and the chairs provided to the workers in the production area are not adjustable. [HSE.17]
5. The factory nurse is not certified to provide lactation counselling. [HSE.1]
6. The lactation room is located within the clinic. In addition, the refrigerator provided for breastmilk is also used to store other items besides breastmilk. [ER.14, HSE.1, C.1]
7. According to a document review, the factory has not following regulations stated on permit for the temporary storage of toxic and hazardous waste such as: [ER.2, HSE.1]
  - a. There is no inventory of the volume, type, and balance of the incoming and outgoing toxic and hazardous waste;
  - b. The factory does not submit reports to the following government officials regarding the implementation of its permit to temporarily store toxic and hazardous waste:
    - Forestry and Environmental Minister cc General Directorate Toxic & Hazardous and Waste.
    - Banten Governor cc Head of Forestry and Environmental bureau.
    - Tangerang Mayor cc Head of Tangerang City Environmental Bureau
    - Head of Java Ecoregion Establishment Control Center, Republic Indonesia Ministry of Forestry and Environmental.
  - c. No toxic and hazardous waste has been disposed since January 2018;
8. Based on Underground water exploration permit (SIPA) factory has not implemented below actions: [ER.2, HSE.1]
  - a. No daily recording of underground water extraction as evidence that it is not exceeding the allowed maximum daily extraction for 15m<sup>3</sup>/day.
  - b. No monthly report of underground water extraction meter in every 1<sup>st</sup> day of each month and shall be report at least in every 5<sup>th</sup> day of month as well as total monthly extraction to Banten Province Mineral Resource & Energy Bureau with cc to Banten Province One Day Integrated Service & Capital Investment Bureau.

- c. Laboratory test for clean water was conducted on July 2018 while none conducted on October 2018, January and April 2018

9. There is no SIO for cargo lift operators who operates 3 cargo lift. [HSE.1]

**Local Law or Code Requirement**

Attachment I: Manpower Minister Regulation No 05/96. Article 1.2.a-b; Public Work Minister Regulation No 26 Year 2008 Article 11; Minister Instruction No 11 Year 1997 Article 3; Attachment I PP No. 50 year 2012 section C.1.b paragraph 2; Manpower Minister Regulation No 7 Year 64. Article 9. Subsection 2. a-d; Health Minister Regulation No 15 Year 2013 Article 13; Public Works Minister Regulation No. 16 Year 2010 Article 2 (3) a – c; .Minister Regulation PU No 25 Year 2007 article 5 (3); Government Regulation No 101 Year 2014 Article 26.a-b; ESDM Minister Regulation Mo 12 Year 2012 Article 5; Government Regulation No 43 Year 2006 article 77. a and c; Government Regulation No 43 Year 2008 Article 32.3.a-c; Manpower Minister Regulation No 03 Year 1999 Article 27.1-3; Manpower Minister Regulation No 03 year 1999 Article 27.1. ; FLA Workplace Code (Employment Relationship Benchmarks ER.2, ER.14; Compensation Benchmark C.1; Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.5, HSE.6, and HSE.17)

**Recommendations for Immediate Action**

1. Conduct a HIRA and a FRA.
2. Commission a third-party expert to conduct a building inspection, submit the results to the government, and obtain a Proper Building Function permit.
3. Install a sprinkler system or thermostats in the factory.
4. Enroll the nurse in a lactation counselling certification program.
5. Designate a room outside of the clinic to be the lactation room. Ensure that the refrigerator provided for breastmilk is only used for its intended purpose.

|                             |   |
|-----------------------------|---|
| <b>Company Action Plan:</b> | 1. The factory has conducted a Hazard Identification Risk Analysis (HIRA) to identify health and safety hazards or a Fire Risk Assessment (FRA) to identify fire risks  |
|                             | 2. The factory will obtain the proper Building Function permit from the government because it will have assigned a third party expert to carry out building inspections, but internal inspection has been carried out on the feasibility of the Building Function   |
|                             | 3. PT. Gaya has installed smoke detectors in areas that are very sensitive to fire hazards, such as warehouse materials, warehouses for finished goods, packaging, chemicals, warehouse machinery, and others. The factory is looking into installing fire sprinklers.  |
|                             | 4. The factory will take proactive steps to reduce the risk of stress and repetitive motion injuries. The factory will complete with an ergonomic stretching program, the standing worker will be equipped with a chair   |
|                             | 5. The factory will ensure that its nurse get certified provide lactation counseling  |
|                             | 6. The factory will provide and designate a lactation room outside the clinic room, and will ensure that the refrigerator provided for breast milk is only used for it.   |
|                             | 7. PT Gaya Indah Kharisma will follow the regulations stated on the permit for the temporary storage of toxic and hazardous waste, and will take the following actions: <ul style="list-style-type: none"> <li>a. The factory will keep an inventory of the volume, type and balance of the incoming and outgoing toxic and hazardous waste;</li> <li>b. The factory will submit reports to officials regarding the implementation of its permit to temporarily store toxic and hazardous waste:           <ul style="list-style-type: none"> <li>• Forestry and Environmental Minister cc General Directorate Toxic &amp; Hazardous and Waste.</li> <li>• Banten Governor cc Head of Forestry and Environmental bureau.</li> </ul> </li> </ul> |

|                     |  |
|---------------------|--|
|                     | <ul style="list-style-type: none"> <li>Tangerang Mayor cc Head of Tangerang City Environmental Bureau</li> <li>Head of Java Ecoregion Establishment Control Center, Republic Indonesia</li> </ul> <p>c. The factory will dispose of toxic and hazardous waste in July 2019.</p>  |
|                     | <p>8. Based on Underground water exploration permit (SIPA) factory will implement the following actions:</p> <p>a. Daily recording of underground water extraction to ensure that the factory is not exceeding the allowed maximum daily extraction for 15m<sup>3</sup>/day.</p> <p>b. Monthly report of underground water extraction meter in every 1<sup>st</sup> day of each month,<br/>which will be reported at least in every 5<sup>th</sup> day of month as well as total monthly extraction to Banten Province Mineral Resource &amp; Energy Bureau with cc to Banten Province One Day Integrated Service &amp; Capital Investment Bureau.</p> <p>c. The factory has conducted the lab test for clean water every month starting from October 2018, November 2018, December 2018, January 2019, February 2019, and March 2019.</p> |
| Action Plan Status: | Planned  |
| Planned Completion: | July, 2019   |

## (NEW) FINDING NO. 5

### RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

**FINDING TYPE:** Sustainable Improvement Required

#### Finding Explanation

- Performance reviews are not conducted for factory employees. [ER.29]

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.29)

|                      |  |
|----------------------|--|
| Company Action Plan: | 1. The factory established procedures for employee performance reviews and will start conducting regular performance reviews. This will take place on annual basis |
| Action Plan Status:  | Planned  |
| Planned Completion:  | May, 2019  |

## (NEW) FINDING NO. 6

### GRIEVANCE SYSTEMS

**FINDING TYPE:** Sustainable Improvement Required

**Finding Explanation**

- i. Point 1 of the Grievance System procedures from January 8, 2017 states that grievances must be submitted using polite language and with good intention. Point 2 states that workers must write their name, ID number, and position on the grievances they submit. This does not allow workers to submit grievances confidentially as required by the FLA Workplace Code and Benchmarks; [ER.25]
- ii. The Grievance System procedures state that workers can submit grievances through the suggestion boxes, by text message (SMS), or by calling the HR Department. However, the phone number for that workers should send text messages to and call is not defined. [RE.25]

**Local Law or Code Requirement**

FLA Workplace Code (Employment Relationship Benchmark ER.25)

|                      |   |
|----------------------|---|
| Company Action Plan: | 1. The factory has revised the SOP for the Grievance System to be submitted in simple and confidential manner   |
|                      | 2. The Grievance System procedures state that workers can submit grievances through only the suggestion boxes, and not prohibited by text message (SMS), or by calling the HR Department. |
| Action Plan Status:  | Planned   |
| Planned Completion:  | May, 2019   |