



FAIR LABOR
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INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Fast Retailing Co., Ltd.

COUNTRY: Indonesia

ASSESSMENT DATE: 08/22/17

ASSESSOR: Donny Triwandhani

PRODUCTS: Apparel

NUMBER OF WORKERS: 5790

Summary of Code Violations

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

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

Findings and Action Plans

FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The factory has only policy and procedures on recruitment. There are no hiring and personnel development policies and procedures. ER.28, ER.29, ER.30
2. There is no policy and procedures on performance review. Performance review is only conducted for permanent employees. The workers do not have access to their reviews or the right to provide feedback. ER.29
3. 6,755 out of 8,725 production workers (77.42% of workers) are employed under a PKWT fixed-term contract, even though they are working permanent jobs in the cutting, sewing, quality control, finishing, and packing departments. Some workers under the limited short-term contracts (PKWT) have signed multiple PKWT contracts since 2013. ER.7, ER.8, ER.9, ER.11
4. The work agreements of contractual workers (PWKT) are kept in personnel files. While these contractual workers are repeatedly hired for years, only the last 2 contracts are kept in personnel files as the human resources department discards these personnel files within 10 days after workers ends their contracts. Therefore, years of service cannot be fully verified. ER.7, ER.8, ER.9, ER.11
5. Gender preference and physical criteria are included on new worker request form. For example, physical criteria is selection of height requirements, 150 to 155 cm, 156 to 160 cm or above 160 cm. ER.3, ND.1, ND.2
6. Trainees (apprentices) are not provided with a copy of their contracts. CL.8, ER.13
7. According to management, there is only one worker with disability, which is not in compliance with local law that requires the factory to hire one person with disabilities per 100 employees. Thus, a factory with 9,295 employees should hire at least 93 workers with disabilities. The factory has not established a program to train and hire workers with disabilities. ER.1, ND.8

Local Law or Code Requirement

Law No. 13 on Manpower (2003), Art. 59; Law No. 13 on Manpower (2003), Art. 5; Law No. 4 of 1997 Art. 14; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.3, ER.7, ER.8, ER.9, ER.11, and ER.13; Nondiscrimination Benchmarks ND.1, ND.2, and ND.8; Child Labor Benchmark CL.8)

Recommendations for Immediate Action

1. Convert all workers who perform jobs of permanent nature but are currently hired under a PKWT contract to permanent worker status, as per legal requirements.
2. Ensure all employment contracts including previous signed employment contracts are maintained on file of each contract worker so

- that actual years of service of workers can be transparently verified; Ensure personnel files of former workers are kept for at least 1 year.
3. Eliminate all discriminatory requirements regarding age, marital status, sexual orientation, gender, race, religion, health status, marital status, political opinion, social group, pregnancy and origin. Employment decisions should be based on candidates' qualification and ability to perform the work.
4. Provide a copy of work agreement to each trainee.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The factory already has SOP relating to hiring and personnel recruitment, which was updated on 2016. However, the factory has added points relating to hiring & personnel development in their company policy and SOP relating to personnel development.
2. The factory has made an SOP showing performance appraisal system applicable to all employees. SOP for worker performance appraisal has been created, the SOP includes some points, as follows: - The criteria/component of worker performance appraisal - Workers have the right to give response of the result of the appraisal Therefore based on the SOP, workers have the right to access, verify and also to give response of their performance result. The factory also shares form of their performance result to worker and ask their agreement by signing the form. Moreover the related SOP has been communicated in Bipartite meeting on Feb 2, 2018 to workers representatives from all section.

Update progress on 21-Mar-2019: - Factory has developed job performance feedback form with its criteria so that workers can fill in their feedback on their performance. This new procedure has been socialized through Bipartite Meeting on Feb 2, 2018.

- Need to check further onsite whether this feedback form applied both for permanent and contract workers.

3. The factory understands the importance of auditing and therefore the factory proposes that every year they will increase the base by converting 4-5% of skilled PKWT workers to PKWTT status. The conversion will be based on following criteria: a. Identify critical positions required skilled and highly skilled workers and define critical job requirements. (status, done). b. Develop performance appraisal system (done). c. Evaluate individual performance (done). d. Identify PKWT workers to be appointed to PKWTT. In 2017, the factory promoted 200 PKWT to be PKWTT The factory will continue to increase PKWTT workers in line with the stability of orders from their Customers and their internal growth plans.

4. The factory takes note of suggestion and therefore, factory have started keeping these records going forward. Factory has reviewed PKWT staffing and practice closely. The factory acknowledges that they need to improve their filing system and make sure that they maintain all PKWT contracts in personal files. Factory has already started keeping contract agreements for PKWT workers.

5. Factory has revised the form accordingly.

6. The factory has discussed this matter in detail with local manpower office and they proposed to make a formal MOU with them on training program to be implemented in the factory. The factory expected this to be completed by end of May, 2018. Based on the MOU with the Labor Dept and factory, Labor Dept is the one who manages the apprentice training. The apprentices entitle for pocket money during the training and also training certificate once they completed the training; which is provided by Labor Dept. In supporting the program, factory provides the facilities, infrastructure, trainers and training materials. Since Sep 9, 2017 till now there was no implementation of training/apprentice program in factory. However, the MOU is available for the training program to be implemented in factory.

7. Company has already given its commitment to hire people with disability. The commitment is in the form of agreement with local labor department, where the factory has asked for help from local labor department on inviting applications from people with disability. So far they have not received such applications. They commit that whenever they receive any application from people with disability, they will immediately hire and approach Labor Dept again for follow up in case any applicants are there for disable so that they can increase the number of disable workers in the factory. With the help of Local Labor Dept, the factory has hired another 3 disable workers and they are now working in Printing, Ironing and Sewing Section. Therefore, there are totally 4 workers with disability works in the factory. And the factory will keep on adding the number once there are any disable applicants interested to join them.

Company Action Plan Update

1. Factory has provided opportunity for career development by providing training to upgrade the skill of employee. This has been arranged in revised CoC in Feb 2018. (Completed on 14-Feb-2018).

4. Based on documentation review for 25 workers from period of Feb (2017 to 2019); factory has improved actions in keeping historical contract agreement in workers' personal files by maintaining working agreement from first until latest employment date. (Completed on 17-Sep-2018).

5. Based on documentation review on new workers' request form from period Jan to Feb 2019, factory has already removed the gender preference and physical criteria from request form. The current used form is only for reason to request, status of employees, job categories and education graduates. (Completed on 15-Sep-2017).

6. - Since Sep 2017, factory has no longer applied the apprenticeship program.

- In case the program will be implemented again in the future, factory has made agreement with local manpower office that factory only provides workplace for the training and the contract and pocket money will be handled by manpower office. (Completed on 31-May-2018)

7. - Factory has done the required actions as mentioned in the initial CAP.

- Agreement with local manpower office for hiring disability has been created and until now factory employed 4 disabled workers. (Completed on 21-Mar-2019)

FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The factory has a training program for new workers or they called it "apprenticeship" located in building unit 3. Based on a report to local labor office, the period of apprenticeship for each group can be up to 1 year. There were 46 trainees (apprentices) for sewing process. The factory only provides a transportation allowance of IDR 35,000 /day instead of the minimum wage of IDR 69,410 /day (USD 5.2). The Labor department regulations state that apprentices shall be provided with a pocket money consisting of a meal allowance, transportation allowance, and incentive. C.3
2. The factory does not have adequate system to ensure the wages are paid accurately: In January 2017, the net wages based on manual calculation for a casual daily rate (PHL) worker is IDR 462,200 but the take home pay is recorded as IDR 461,000 in the payroll records. In many cases the factory rounded down take-home pay for workers who are paid in cash. C.1
3. Final wages for terminated and resigned workers who do not have bank account are kept by factory until the former workers come to factory. Around 86 former workers who left from January to July 2017 have not received their final wages ranging from IDR 74,000 to IDR 986,000 (USD 5.5 to USD 74). There is no effort from factory to summon former workers to collect their last wage. C.1
4. The factory does not include unused annual leave, bonus for years of service, and other compensation that is stipulated under Company Regulations Article 62 in the final payout to contract workers. ER.19, ER.22, HOW.11, HOW.14
5. The factory does not adequately track the annual leave of workers. There is no system to communicate the annual leave balance to workers. ER.22, HOW.11, HOW.14
6. Based on contribution on BPJS payment record for August 2017, 775 out of 9,295 total employees have not been enrolled into healthcare insurance (BPJS Kesehatan). ER.22
7. There is no wage scale to determine wages based on job position and seniority. The amount of seniority incentive is decided by top management. The seniority incentive is not based on year of service, and the amount of incentive may be different for each worker and different for permanent or contract workers even they are in same position and have same year of service. C.1
8. The factory does not reflect join date of workers on payroll records and pay slips therefore, length of service cannot be verified. Moreover, the sick leave and other paid leave, such as annual leave and casual leave are also not identified in time records and pay slips of workers. For example: based on time record, a worker was absent for 4 days in July 2017, and pay slip showed two days of wage deduction and the other two days were paid. However, her time record and pay slip do not indicate which dates between those 4 days of absent were leave with pay and type of leave (annual leave, sick leave, or casual leave). C.5, C.6, C.13

Local Law or Code Requirement

Law No. 13 on Manpower (2003), Art. 90(1); Government Regulation (PP) the Republic of Indonesia number 78 year 2015 Article 20; Labor Law No. 13 (2003), Art. 156; Law No. 24 Year 2011 Chapter V Article 15 (1); Regulation of the Minister of Manpower No. KEP-06/MEN (1990); FLA Workplace Code (Employment Relationship Benchmarks ER.19 and ER.22; Compensation Benchmarks C.1, C.3, C.5, C.6, and C.13; Hours of Work Benchmarks HOW.11, and HOW.14)

Recommendations for Immediate Action

1. Compensate all trainees (apprentices) at the legal minimum wage, and ensure they are not undergo more than three months cumulatively in those categories, as required by FLA.
2. Ensure all wages are accurately paid; Adjustment of net wage can be made by rounding up the wage instead of rounding down.
3. Pay all former workers for their last wage in timely manner.
4. Include unused annual leave, reward year of service and other compensations that are stipulated under Company Regulations on the last pay of workers.
5. Maintain accurate tracking of annual leave and unused annual leave.
6. Register all workers to receive Healthcare insurance BPJS.

7. Establish wage scale to determine wages based on job position and seniority, and provide seniority incentive based on year of service.
8. Indicate join date of workers and type of leave in payroll records, pay slips and time records so that actual years of service of workers and the provided legally required leave can be transparently verified.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory discussed this matter in detail with local manpower office and they proposed to make a formal MOU with them on training program to be implemented in Eratex. Based on the MOU with the Labor Dept and factory, Labor Dept is the one who manages the apprentice training. The apprentices entitle for pocket money during the training and also training certificate once they completed the training; which is provided by Labor Dept. In supporting the program, factory provides the facilities, infrastructure, trainers and training materials. Since Sep 9, 2017 till now there was no implementation of training/apprentice program in factory. However, the MOU is available for the training program to be implemented in factory.
2. Factory has removed provision of round off / round down in the payroll software to both for permanent workers and contract or casual daily rate workers with below arrangement: - For permanent workers are paid as actual amount of salary; no round up or round down arrangement, since the salary will be given through Bank account. - For contract & casual daily rate workers use round up system. In the new payroll program, all workers who have Bank account will be paid as actual amount of salary without any rounding system since it will be able to detect the availability of bank account of workers and automatically calculate the original amount. But for those who not yet have bank account will use rounding up system.
3. Factory has started the practice of sending a formal letter to the employee asking him to come and collect his unpaid wages. A copy of it is kept in the employee file. To make it more effective communication in the future, apart from sending a formal letter later, factory also informs in writing, at the time they are proposing resignation letter, directly to the resigning workers the exact date to take their last salary . The said date is one day after the regular payment date, which are on 8th or 26th of the month. In case, they still want to take their salary at different date, factory accommodates it as per their requirement.
4. Factory officially run new payroll program by Oct 1, 2018. After several attempts to modify the new payroll program to complete annual leave records, they are failed to adjust it in new payroll system, therefore the annual leave can only be recorded from Oct 2018 and on ward. Referring to this issue, factory will start to track and monitor worker annual leave for complete year by this Jan 2019 onward.

Update progress as 21-Mar-2019: Based on around 50 reviewed workers who resigned without notice; factory has paid the final wages to those workers. But the payment did not cover the unused annual leave or other compensation as arranged in Act No. 13 Article 168 verse 3 and Article 156 verse 4.

- Based on documentation review and factory management statement, factory is under progress on implementing the annual leave tracking system in payroll system. Factory has not improved on paying the unused annual leave since in new policy, factory will improve the tracking system and communication system so that all workers can get take their annual leave properly during their employment period.

5. Factory officially run our new payroll program by Oct 1, 2018. After several attempts to modify the new payroll program to

complete annual leave records, factory is failed to adjust it in new payroll system, therefore the annual leave can only be recorded from Oct 2018 and on ward. Referring to this issue, factory will start to track and monitor worker annual leave for complete year by this Jan 2019 on ward.

Update progress as 21-Mar-2019: Factory has develop tracking system in payroll system for annual leave. Until now the program is still on trial since Oct 2018. The delay occurred due to improper system.

6. By Nov 2017, only 421 workers who are already registered with some other health scheme of Government of Indonesia, need not join BPJS Based on factory current data per Jun 2018, there are 339 workers are registered by health scheme of Government of Indonesia.

Update progress as 21-Mar-2019: - Based on documentation review on registration status from Jan to March 2019; it is confirmed that factory has been able to analyze the root cause of unregistered workers. As per current data (Mar 2019); total unregistered workers by factory is 777 out of 8,328 workers with the condition is as follows:

1. Government aid : 583 workers.
2. Independent : 55 workers.
3. Registered in another company (by his/her spouse) : 55 workers.
4. Invalid identity card number : 4 workers.
5. Resigned : 31 workers.
6. New workers : 49.

- Factory has cooperated with local clinic to provide healthcare service for unregistered workers due to above reasons.

Company Action Plan Update

1. - Since Sep 2017, factory has no longer applied the apprenticeship program.

- In case the program will be implemented again in the future, factory has made agreement with local manpower office that factory only provides workplace for the training and the contract and pocket money will be handled by manpower office. (Completed 31-May-2018)

2. Based on documentation review on contract agreement and payroll record in period of 2017 (Jan to July, 2018 (Aug, Nov) and 2019 (Jan to March); factory has rounded up the take home payment for workers. The accumulation for rounding up is added to section other allowance in the payslip. (Completed as 21-Mar-2019)

3. - Based on documentation review on payslip and payment receipt for 86 former workers who left from January to July 2017; factory has begun to settle the payment by sending the notification letter (NL) to all workers on August 26, 2017. Workers came to factory to take the payment in cash. But there is no further evidence on actual date of payment received by those workers.

- Based on documentation review for another 50 resigned workers without notice in Jan 2018; factory has sent first and second summon letter to related workers.

- Based on payslip of reviewed workers; factory has provided final wages. (Completed 20-Sep-2017)

FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. There are no policies and procedures to identify pregnant and lactating women in hours of work records to ensure they receive legally entitled protections. HOW.5

2. The sick leave and other paid leave, such as annual leave and casual leave are not identified in workers' time records. ER.23

Local Law or Code Requirement

FLA Workplace Code (Hours of Work Benchmark HOW.5: Employment Relationship Benchmark ER.23)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Monitoring for pregnant workers, maternity workers and return to work workers (lactating workers) is well recorded. Furthermore, the implementation of pregnant leave and opportunity for lactating workers to do lactation is accommodated by the company in factory's clinic. The factory also has made related procedure for pregnant workers. The procedure has been communicated through Bipartite meeting and posted in announcement board and the clinic.

Update progress: Factory has difficulties in implementing identification of pregnant and lactating women in attendance record. Until now, factory still applies procedure where the pregnant and breastfeeding female workers need to report to HR department for their condition.

2. The factory has some limitations in our old payroll software, which doesn't help in this area. They are working on buying a new software and hope that by end of 31st July 2018. They will start using new payroll software, which will help them in improving in

this area. The factory has evaluated few payroll proposal from 3 different suppliers, after in depth analysis the factory decided that none of them are capable enough best customized solutions to out requirement. Therefore the factory management has taken a decision of new payroll software will be developed by IT team of their business group. Work has already initiated and the factory expected to be complete by July 2018. Updated progress and next stages are given in attached time line. As the new payroll program can identify the annual leave taken by workers therefore it can be used as effective monitoring. Once a year, in the middle of the year or after Eid Al-Fitr holiday, where they will be mass leave in that period, the factory will print out the details of annual leave record and share the list of balance leaves to the workers through their foreman or SPV so that they are well-informed of their annual leave balance. The factory is running 2 payroll programs for July till Sep (Old & New Program). The factory expects can run single program latest by first Oct 2018. If the new payroll program run successfully then the factory will upload the list of annual leave, sick leave, dispensation leave, etc in the excel file to the new payroll program. Therefore, all annual leaves, sick leaves, dispensation leaves, etc can be clearly verified. The factory officially run our new payroll program by Oct 1, 2018. After several attempts to modify the new payroll program to complete annual leave records, the factory is failed to adjust it in new payroll system, therefore the annual leave can only be recorded from Oct 2018 and on ward. Referring to this issue, the factory will start to track and monitor worker annual leave for complete year by this Jan 2019 on ward.

Update Progress: Factory has developed tracking system in payroll system for annual leave. Until now the program is still on trial since Oct 2018. The delay occurred due to improper system.

FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. Security guards perform same gender physical pat downs four (4) times a day as workers entering the building before shift start and after shift ends. H/A.10

2. The written disciplinary rules as part of factory rules and regulations do not include a system of progressive discipline (e.g. a system of maintaining discipline through the application of escalating disciplinary action moving from verbal warnings to written warnings to suspension and finally to termination). There are no descriptions of misconducts that will be given first warning, second, or third warning letters. ER.27

3. There is no disciplinary action record maintained and available for review. ER.2, ER.27

4. There is no procedure for workers to appeal disciplinary actions taken against them. In addition, the disciplinary procedures do not include the presence of a third-party witness during imposition of disciplinary actions. ER.27

Local Law or Code Requirement

FLA Workplace Code (Employee Relationship Benchmarks ER.2 and ER.27; Harassment or Abuse Benchmark H/A.10.2)

Recommendations for Immediate Action

1. Immediately cease conducting pat-downs for workers at the factory. Only conduct pat-downs and/or searches when there is evidence of theft and with permission from the relevant authorities.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The factory considers to maintain this current practice as this is one of the requirement of C-TPAT (security) system. This practice is conducted for years. It is also stated in factory's disciplinary rules & regulation and already communicated to the workers during their orientation training. Moreover, the pat-down check is performed by same gender security personnel. The factory never heard

any voice or complaint about this practice from any body (workers or other compliance teams or Government departments). This is also to ensure product safety (damaging product from any kind of food item bring from outside by workers etc) Factory's current practice is not in violation of any law on harassment of workers.

Update progress on 21-Mar-2019: Factory has difficulties in eliminating this practice since this is part of C-TPAT (Custom Trade Partnership Against Terrorism) procedure that applied by another buyer.

2. Factory already had regulation relating to disciplinary stated in company regulation. This regulation also covers escalating disciplinary action from verbal warning, to written warning (I,II,III) , work termination. The addendum has been added in this regulation by adding the description of misconduct that will be given first, second, and third warning letter.

Update progress on 21-Mar-2019: Based on documentation review on warning letter period Aug & Nov 2018 and Jan to Feb 2019, factory has improved the warning letter system by describing the violation, reason and remarks in the form. Note: The description of violation on around 50 sample form were still lack of detailed of company regulation's article that been violated.

3. Disciplinary action record has been maintained in past years until now.

4. Disciplinary action implementation in factory has been complied with Company Regulation chapter VII article 43-48 and Labor Law No. 13 2003 article 161. Besides, in order to comply with FLA standard, the factory has made procedure relating to disciplinary process . This procedure has been communicated to workers through Bipartite meeting.

Update progress on 21-Mar-2019: Based on documentation review on warning letter period Aug & Nov 2018 and Jan to Feb 2019, factory has not included the third party witness on disciplinary actions.

Company Action Plan Update

3. Based on documentation review on warning letter period Aug & Nov 2018 and Jan to Feb 2019, factory is able to provide the disciplinary action record as requested. (Completed on 21-Mar-2019)

FINDING NO.5

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

1. The factory does not have a written policy and procedures on retrenchment. ER.1, ER.32

2. The workers are terminated if they absent for 5 consecutive days without submitting a written explaining why they were absent from work. The factory sent a notification letter through factory staff only 1 time instead of 2 times, as legally required, to summon the workers for requesting a clarification before being terminated. There is no evidence that relevant workers ever received the letter. ER.32

Local Law or Code Requirement

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Company regulation has covered retrenchment of workers in article 57 and which already in accordance with labor of Law and Regulation article 165. The factory has provided the procedure as a guidance for implementation.

2. The termination process for worker who is absent for 5 consecutive days already complied with the Company Regulation Article 48 and Labor Law No. 13 2003 article 168. Policy as per the factory' PP states that worker who is absent for 5 consecutive days will received notification letter 2 times. The factory will make 1 copy of each letter for factory record. In order to prove that the worker has received the letter, she/he needs to sign both original and copy letter. The factory has started the implementation to give summon letters for workers who were absent with 2 copies and completed with their signature as the proof that they have received the letters.

Company Action Plan Update

1. Factory has developed procedure of retrenchment on Jan 27, 2018. (Completed on 14-Feb-2018)

2. - Based on documentation review for another 50 resigned workers without notice in Jan 2018; factory has sent first and second summon letter to related workers. Based on factory management statement, this practice had been started from end of Aug 2017.

- Based on factory management statement, the summon letters and its carbon copy were sent through supervisor or administration staff or close relative/friend from the ex-workers. The related workers need to put their signature on the form and need to bring the original letter when they come to factory to take their final wages.

- Based on payslip of reviewed workers; factory has provided final wages for related workers in cash. But there is no further evidence on actual date of payment received by those workers. (Completed on 30-Aug-2017)

FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. Ground water extraction for ground well numbers 1, 3 and 5 exceed the daily extraction limit: ER.1

a. Ground well numbers 1 and 3 maximum extraction is 300 m3 per day while actual extraction is from 308 m3 - 1,046/day for ground well no 1 and from 147m3 - 466 m3.

b. Ground well number 5-maximum extraction is 1,000 m3 per day while actual extraction is from 271 m3 - 2,314 m3 per day.

2. The factory rainwater management system only provides a supervisory ground well, without providing any rainwater mitigation systems, such as bio pores and rain water collecting pond. ER.1, HSE.1

3. There is no segregated water stream for leachate generated from general rubbish. ER.1, HSE.1

4. Factory has not identified whether its on-site operations generate any negative environmental impacts. ER.1, ER.31

5. Factory has not established a system to reduce environmental impact. ER.1, HSE.1

6. The officer responsible for wastewater treatment installation has not undergone a MPPA (Manajer Pengendalian Pencemaran Air -

Local Law or Code Requirement

Government Regulation No 43 Year 2008 Article 32.3.a-e.; PP No 43 Year 2006 Article 77.; Manpower Minister LH No 12 Year 2009. Article 1.1.; Minister Regulation PU No 03 Year 2013 Article 37 (3) b-c.; Act No. 32 Year 2009. Article 47.1, Article 47.2, Article 53.1-2, Article 54.1, Article 67; Government Regulation No 81 Year 2012 Article 10 (1) a, Article 10 (2); Minister Regulation LH No 03 Year 2009 Section consideration, Point c, Article 1.3; FLA Workplace Code (Employee Relationship Benchmarks ER.1, ER.17, ER.31; Health, Safety and Environment Benchmark HSE.1 and HSE.4)

Recommendations for Immediate Action

1. Ensure ground water extraction per day is not exceeding the allowed volume as per permit issued for each ground well.
2. Provide bio pore holes and rainwater collecting pond to conserve rainwater.
3. Provide separated water stream from storm drain for leachate generated from general rubbish.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. a) Factory has already started monitoring this area to ensure water extraction from each borewell is within the limit. b) Permit for borewell no 1,2,3, are due for renewal and factory is planning to get capacities of these borewells to be increased to 1000 m3 per day from 300 m3 per day. Factory has sent letter to ESDM (Gov. dept.) requesting for the procedure to be followed to increase the capacity. Factory has applied the renewal and proposal for adding the borewell capacity to Governor of East Java Province on May 31, 2018 and still waiting for their verification and result. Last Aug 9, 2018 , the government (ESDM officers) has come to conduct the verification. Based on the verification report from the Government (ESDM) dated on Aug 9, 2018 Point 6 - 7, it is stated that the water capacity of the bore well in factory is considered enough therefore they suggest to balance the usage of bore well as regulated in the permit. Referring to the Government suggestion, the Utility Dept will arrange and manage to balance the usage of water in each Bore well as the permit from Government. Factory has arranged the bore well consumption not to limit the allowed capacity said in the permit accordingly by balancing the usage of water in each bore well. But on Oct there was malfunction on bore well No. I which caused slight over capacity on bore well No. III . Factory will do more closely monitoring in the future.

Update progress as 21-Mar-2019: - Factory has developed monitoring system by recording water consumption of each ground well since Jan 2018. There were still high consumption especially for ground well no. 1 to 3. Some of problem was caused by certain well was not functioned well.

- Factory has tried to submit the increment of capacity for ground well to local government in Aug 2018; but it was not granted by government.

2. Factory has 3 units of bio pores, 1 unit of supervisory ground well and 1 unit government project supervisory ground well.

3. Factory will make segregated water stream as requested, as in order to avoid leachate waste have to be disposed each day.

Update progress as 21-Mar-2019: Factory is still in process to develop segregated water stream for leachate generated from general rubbish.

4. Actually, factory already has environmental risk assessment for all impacts of manufacturing process which is included in "Formulir Upaya Pengelolaan Lingkungan dan Upaya Pemantauan Lingkungan (UKL-UPL) book" as requirement before obtaining the environmental permit. In this UKL – UPL book clearly stated all impacts that will occur during manufacturing process and how to control it. Then this book is used as the guidance in performing environmental management and monitoring which factory will report to government on every 6 months (UKL-UPL report). This UKL-UPL report contain some testing that factory conducts as monitoring process. Furthermore, factory's Health and Safety committee also has made environment risk assessment for monitoring every 6 months.

Update progress as 21-Mar-2019: - Factory has performed risk assessment on environmental impact on process held at facility in 2017.

- There is no evidence that the risk is implemented for year 2018 and 2019.

5. Factory admits that they missed to give environmental sustainability program (including reduction of environment impact) during the audit.

Update progress as 21-Mar-2019: - Factory has performed risk assessment in 2017 for process that could give impact to environment.

- Factory has set target on reduction of the impact on electricity, coal and water consumption and waste water reduction. The baseline was from year 2013 and target to be achieved in 2019.

6. Factory has received feedback from local environmental department (BLH), which is saying the implementation of MPPA certification program only in West Java. Due to technical and facility reason MPPA certification program hasn't been implemented in East Java.

Company Action Plan Update

2. Factory has provided 3 units of bio pores, 1 unit of supervisory ground well and another 1 unit supervisory ground well for government project.

6. Factory has communicated with local environmental agency on this matter and received response that the competency certification is only done in West Java.

Due to technical and facility reason, MPPA certification program has not been implemented in East Java.

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Management has not commissioned a fire risk assessment by a third-party expert ER.1, HSE.1, HSE.5
2. Current fire risk assessment is merged with the health and safety risk assessment (HIRA) and several fire risks has not identified: dust generated from fabric and opened electrical panel at warehouse areas. HSE.5
3. Fire extinguishers in the production area and training center area at building three are only installed on the perimeter walls. The distance between fire extinguishers is more than 15 meters. HSE.6
4. The fire hydrant water reservoir capacity is only 50 tons, instead of the minimum 171 tons to cover the building where it is actively used. HSE.6
5. There is one person appointed as fire warden, however he has no certification from government as a fire expert. ER.17
6. There is no appropriate PPE provided for fire brigade members, such as SCBA and fire protection clothing. HSE.6, HSE.7
7. Currently there are not enough visual emergency alarms installed at each area in factory building to notify hearing impaired workers of emergencies. For example there is only one visual alarm install in fabric warehouse in building 1, and it is not visible from half of the sewing production lines. ER.1, HSE.5
8. The factory does not conduct emergency alarm inspection based on manufacture requirements, and the factory has not kept a manufacturers handbook for the alarm system. ER.1, HSE.5
9. The emergency alarm is not fully automatic, since not all area installed with fire and smoke detectors, such as at office in production building 1. Additionally, the areas that already have fire detectors, such as finished goods warehouse is not connected to the emergency alarm. The emergency alarm installation is not centralized into one main panel that covers the whole factory buildings; therefore, when one alarm triggered then only the emergency alarm in that building is activated. HSE.5
10. There is no system in place to account for all workers during an emergency evacuation. The factory does not have a system to count the workers who participate in a fire drill to ensure all workers have evacuated to their assembly areas. ER.1, HSE.5

Local Law or Code Requirement

Minister Regulation PU No 26 Year 2008. Article 5.5.2, Article 5.7.1.2.2., Article 11.; Labor minister Regulation No 04 Year 1980, Article 4.5.; PP No 36 Year 2005. Article 55 Subsection 2.; Manpower Minister Regulation No 2 Year 1983 Article 57.1, Article 58 – 60.; Manpower Minister Regulation No 2 Year 1983 Article 3.1.; FLA Workplace Code (Employee Relationship Benchmark ER.1, Health, Safety & Environment Benchmark HSE.1, HSE.5, and HSE.6)

Recommendations for Immediate Action

1. Commission fire risk assessment to a third-party expert.
2. Separate fire risk assessment from health and safety risk assessment (HIRA), and ensure all possibilities in every area and work process are identified yet.
3. Add more fire extinguishers in production area and training center area at building 3 with 15 meters distance between one another.
4. Expand water reservoir for hydrant installation for at least 171 tons to cover 45,952 m2 building that is actively used.
5. Enroll current fire warden for government certification as fire expert.
6. Provide related PPE to fire brigade members such as SCBA and fire protector clothing.
7. Install visual emergency alarm at each area in factory building to notify worker who has hearing impair disability regarding emergencies
8. Inspect emergency alarm periodically for its functionality and battery lifetime based on manufacture requirements.
9. Install fully automatic emergency alarm and centralized.
10. Establish a system to account for all workers during an emergency evacuation.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. The risk assessment has been conducted on 7th Feb 2018. Besides factory also has a plan to hire a professional firm to conduct the Fire and safety assessment in factory.

Update progress as 21-Mar-2019: - Based on documentation review, factory has cooperated with local fire institution and the fire risk assessment had been done on Feb 7, 2018.

- Factory has proposed new risk assessment for 2019 to local fire institution on March 12, 2019 and is waiting confirmation for the fixed schedule.

2. Factory has health and safety assessment which covers the fire risk. As several points are not included, factory has made separated fire risk assessment and added those points.

Update progress as 21-Mar-2019: - Factory has done fire risk assessment in Feb 2018 which identified the risk of dust generated from fabric and electrical panel.

- Need to check further on the monitoring system used by factory to ensure it is done on regular basis.

3. 9 fire extinguishers have been added in production area & training center to reduce the distance between fire extinguisher.

4. After rechecking the actual Hydrant water reservoir, factory found out that they have given wrong data of our hydrant water reservoir. The actual is 200 tons capacity of water reservoirs for hydrant and it is adequate to cover all buildings that being used. The last data of 50 tons water capacity is for water softener reservoirs.

5. Factory has a fire safety team (reporting to Health and safety committee). The team also completed fire safety relating training from Probolinggo city Fire department. The competency of fire safety team members are also reviewed time to time through emergency & fire equipment handling during fire drill. Factory has assigned one member of fire safety teams to join training session to be certified as fire expert. The fire expert training has been conducted and factory has received the fire warden certificate for one of their fire safety team. To strengthen the current fire safety team, factory will work with 3rd party company to conduct another fire safety audit where they will review overall fire safety equipment & installation. Factory will provide more member of their fire safety team to get the fire warden certificate and do re-training to get more competent fire safety team.

6. Factory has provided PPE for fire brigade members.

7. Since the production map does not include position of visual alarm, the location of visual alarms are not clear. Factory has provided the map and list of visual alarms accordingly.

8. The alarm system in factory was made by utility team and factory has made handbook for existing alarm system. For inspect method, factory will socialize related parties such as general team, security and emergency response team after all installation are completed. Factory has finished conducting socialization to the related parties on Apr 30, 2018.

9. Centralized panel's for G1, G2, and G3 have been installed and connected to one UPS(12.5 KVA). Fire & smoke detectors in offices and finished good warehouse have also been connected to emergency alarm, except in office of G1 building which factory expects to complete by April 2018. Factory have completed the fire alarm and fire detector installation in chemical storage by May 19, 2018 and has been centralized in Centralized panel in GM 1 as well.

10. In evacuation drill dated 29th Dec factory has applied system of giving form to every supervisors to list their subordinates who participate in evacuation drill. This list has to be filled in the assembly area to ensure all workers have evacuated to their assembly areas. This system has been applied in this evacuation drill.

Company Action Plan Update

3. Factory has done required action by installing 9 fire extinguishers in the area. The distance is max at 15 meters between each equipment. (Completed 15-Dec-2017)

4. Factory has provided improper data to auditor. The actual capacity is 200 tons.

5. Factory has assigned the fire warden to join fire expert training that held by certified training provider in Feb 2018.

6. Based on observation during factory tour, factory has provided proper PPE for fire brigade members such as fire protection clothing and SCBA. In addition, factory has done fire drill using the proper PPE on April 24, 2018. (Completed 31-Jan-2018)

7. - Factory has installed 19 visual emergency alarms in facility but the position was not updated in evacuation map that posted in production buildings.

- Factory has revised the map and put the actual position of each visual emergency alarm.

8. Factory has done inspection on emergency alarms in April 2018. (Completed 30-Apr-2018)

9. Factory has installed integrated alarm system since May 2018. (Completed 19-May-2018)

10. Factory has done required actions by designating supervisors to do the count. The practice has been done in last fire drill in Dec 2018. (Completed 29-Dec-2018)

FINDING NO.8

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. There is no logbook for PPE provided at the chemical storage, temporary storage for toxic and hazardous waste, and spot cleaning areas. This logbook is necessary to record the lifetime of the related PPE, to enable worker asks for replacement when the PPE has reached end of its lifetime, when the PPE provided, damaged and replaced. ER.1, HSE.9

2. There is no chemical shower station at chemical storage and coal storage areas. Additionally there is no chemical shower and eye wash station at the temporary storage for toxic and hazardous waste. The eye wash station at the chemical storage does not have adequate water pressure, and the eye wash station at the coal storage is just a hand wash station with small sink. HSE.6, HSE.9

3. There are no fire detector and fire alarm installed at the temporary storage for toxic and hazardous waste. Additionally there is no fire alarm installed at the chemical storage area. HSE.5

4. There is no material safety data sheet (MSDS) for transformer oil at the temporary storage for toxic and hazardous waste. HSE.10

Local Law or Code Requirement

Manpower Minister Regulation No.8/2010, article 7.1.b.; Government Regulation No 74 year 2001, article 19, Manpower Minister Regulation No 15 Year 2008 Article 8.3.; Manpower Minister Regulation No 186 Year 1999. Article 2.2.b & c.; Government Regulation No 74 Year 2001 Article 12.; FLA Workplace Code (Employee Relationship Benchmark ER.1; Health, Safety & Environment Benchmarks HSE.5, HSE.6, HSE.9, and HSE.10)

Recommendations for Immediate Action

1. Ensure all related PPE are properly stored, recorded and provides proper spill response kits.

2. Install body shower and eye wash station with adequate water pressure at where chemicals are used and stored.

3. Install fire detector and fire alarm installed at temporary storage for toxic and hazardous waste and chemical storage.

4. Post MSDS for every chemical stored and used at the factory.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory has provided logbook (contains PEE lifetime record) for PPE at the chemical storage, temporary storage for hazardous waste and spot cleaning area to make sure the stock is ready when PPE replacement is required.

2. Factory has provided eye wash station and shower in toxic and hazardous waste temporary storage and Boiler area. Factory also has removed the clogged in filter outlet and increased the water pressure of eyewash station in chemical storage.

Update progress as 21-Mar-2019: Based on observation during factory tour, factory has provided shower station and proper eye wash station in boiler (coal storage) area and hazardous waste area. Factory only provided eye wash station in chemicals storage, but no shower station is provided.

3. Factory will put fire alarm & fire detector in hazardous waste storage and chemical storage accordingly. Fire alarm and fire detector in hazardous waste have been installed/completed already, while for chemical storage is still purchasing of the material which is indent till May 2018. Factory has completed the fire alarm and fire detector installation in chemical storage by May 19, 2018 and has been centralized in Centralized panel in GM 1 as well.

4. Transformer oil is not available in temporary hazardous storage, the one that auditor saw was used oil for other machines. Transformer oil are used as insulation for transformer machine Therefore, factory has provided the MSDS in transformer area.

Company Action Plan Update

1. - Factory has provided log book for PPE used in factory (in, out, remaining stock and condition of each PPE).

- Log book that provided was in 2017. Need to check further whether the same practice is applied for year 2018 & 2019. (Completed 12-Sep-2017).

3. Based on observation during factory tour, factory has installed fire alarm and smoke detector in temporary storage of hazardous waste area. (Completed 29-Dec-2018)

4. Based on desktop review, factory has provided MSDS for chemicals used at transformer machine area. (Completed 27-Dec-2017)

FINDING NO.9

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Safety instructions are not displayed or posted near the compressor and automatic cutting machines. ER.1, HSE.14

2. Pulley guards and safety guards are not installed on three operated snap button machines at building three. ER.1, HSE.14

3. The PPE provided is not based on risk exposure since mask used at the chemical storage are not oil resistance (N99 type) instead of the more appropriate type that is oil resistant (R95 or P95). ER.1, HSE.7
4. There are inadequate proactive steps to reduce repetitive-motion stress/injuries since: no job rotation proceeded in terms to reduce repetitive-motion stress/injuries, no repetitive motion as part of ergonomic training conducted yet, no stretching and exercise a couple of times every day since current practice is worker doing exercise for 10 minutes every morning. ER.1, HSE.17
5. Not all seating has removable padding and the seating cannot be adjusted to compensate the height difference between each relevant worker's body posture and worktable. Also, not all of the standing workers are provided with anti-fatigue mat. ER.1, HSE.17
6. Vehicle traffic lanes and walk paths are not marked at the road between factory buildings toward main gate. The factory has not provided any visual management such as indicators, convex mirrors in dead ends, reflectors, etc., to ensure safe driving practices on factory premises. ER.1, HSE.17 HSE.1
7. Lifting belt are not provided for workers at warehouses, packing area, and workers who do loading activities. HSE.7

Local Law or Code Requirement

Manpower Minister Regulation No 8 Year 2010 Article 3.r, Article 5, Article 14.a-b.; Manpower Labor Minister No.4 Year 1985 Article 4; Manpower Minister Regulation No 8 Year 2010. Article 7.2.c.a-b.; Attachment I of PP No. 50 Year 2012 Section C.1.b paragraph 2; Manpower Minister Regulation No 7 Year 1964. Article 9. Subsection 2 & 4.; Manpower Minister Regulation No 15 Year 2008 Article 8.3.; FLA Workplace Code (Employee Relationship Benchmark ER.1.; Health, Safety & Environment Benchmarks HSE.1, HSE.6, HSE.7, HSE.14, and HSE.17)

Recommendations for Immediate Action

1. Post safety instruction near related machinery in local language.
2. Ensure machinery safety guard is properly installed on every machine and conduct periodic inspection to ensure its condition.
3. PPE purchase shall be based on risk exposed to related workers.
4. Take proactive steps to reduce repetitive-motion stress/injuries by establish job rotation, conduct repetitive motion as part of ergonomic training for all related workers, proceed stretching and exercise a couple of times every day.
5. Provide padding to every seating and anti-fatigue mat for workers who are standing when performing their duties.
6. Paint vehicle traffic lanes and walk paths marking at road between factory buildings toward main gate.
7. Install visual management such as indicators, convex mirrors in dead ends, reflectors, etc. for safe driving practices on factory premises.
8. Install proper body wash station and eye wash station with adequate water pressure at where chemical is used and stored.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory has posted safety instruction for compressor and automatic cutting machine.

2. Pulley button machine is slow moving machine and it is not continuously and manually rotated, therefore factory doesn't install pulley guard previously, as it is not harmful for worker safety. However taking the auditor suggestion to improve the level of health and safety concern, factory has installed safety guard on this machine.

Update progress as 21-Mar-2019: Based on observation during factory tour, factory has not installed pulley guards on snap buttoning machinery in Garment 3. According to HSE officer; pulley guard is not needed as the belt is not operated in same way as sewing machine. There is no document or evidence such as risk analysis result or consultation to safety expert in local area to support this statement.

3. Factory has provided R95 mask for worker in washing chemical storage area.

4. Factory has conducted ergonomic training for workers in their training programs and especially for those who need to stand up during their working hour.

Update progress as 21-Mar-2019: - Factory has provided ergonomic training on Jan 24, 2018.

- There is no evidence that exercise is performed couple times in a day.

5. Current seating is made based on the worker height and sewing machine table. Padding is given by supervisor for the for the worker comfort if requested. Factory also has provided anti fatigue mat for workers in ironing sections. There is special area covered with anti fatigue mat for workers in other section who do their work by standing, therefore they can use it anytime.

Update Progress as 21-Mar-2019: - Factory has provided special mat for workers in standing area.

- Factory has provided padding for some chairs but no adjustable seat has been provided.

6. Factory has provided visual management as suggested to ensure safe driving practices.

7. Training/briefing for workers who do loading activities has been conducted make them aware that lifting belts have been provided and should be utilized during loading activities .

Update progress as 21-Mar-2019: - Based on observation during factory tour, factory has provided lifting belt for packing operators; but the belt is not used by operator and the number of belts are insufficient for all packing operators.

- For warehouse, factory has provided forklift for lifting fabrics/goods and it is operated by certified forklift operator.

Company Action Plan Update

1. Based on observation during factory tour, factory has posted safety instruction/procedure for compressor and automatic cutting

machines in related areas. (Completed 16-Dec-2017)

3. Based on observation during factory tour, factory has provided proper PPE for fire brigade members such as fire protection clothing and SCBA. In addition, factory has done fire drill using the proper PPE on April 24, 2018. (Completed 12-Sep-2017)

6. Factory has performed required actions by providing special lanes and convex mirror. (Completed 28-Feb-2018)

FINDING NO.10

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. A cable installation at the production does not have electrical tray and or pipe to support it. Also, many electrical cords are spliced with pvc tape and use it as permanent connection. ER.1, HSE.13

2. There is a tag for "Under Repair" without lockout for on a compressor in building one. HSE.14, ER.1

3. Found no identification marked on confined spaces such as "Do not enter" and "Authorized Personnel Only". Factory does not ensure people enters confined spaces do so only when appropriate measures have been taken to protect them from any physical hazards present, such as atmospheric test and provide related PPE. HSE.14

4. There is no inspection on fall protection equipment to ensure it is in good condition. ER.1, HSE.14

5. Three ladders at the boiler room only have 1 railing instead of 2, and there is no safety cage for ladders installed on the water tank tower behind chemical storage. ER.1

6. There is no marking "Only authorized employees" at the wastewater treatment area. Also, there is no work permit issued for third party people who maintains work in-height and confined spaces at the factory. ER.1, HSE.1

Local Law or Code Requirement

Safety Act No.1 Year 1970 Article 3.1.a.; Government Regulation No 50 Year 2012 Article 6.5.7 – 8; Manpower Minister Regulation No 8/2010, article 7 (2) d & g.; SNI 03 – 1746 - 2000 Article 5.2.4.2.; Manpower Minister Regulation No 9 Year 2016. Article 7.1.; FLA Workplace Code (Employee Relationship Benchmark ER.1, Health, Safety & Environment Benchmarks HSE.1, HSE.13, and HSE.14)

Recommendations for Immediate Action

1. Use electrical tape to splice electrical cord and use it as temporary connection only. Then, install electrical tray and or pipe to organize cables.

2. Implement Lock Out/Tag Out system for electrical installation and machinery in factory.

3. Mark each confined space with "Do not enter" and "Authorized Personnel Only".

4. Ensure people enters confined spaces do so only when appropriate measures have been taken to protect them from any physical hazards present, such as atmospheric test and provide related PPE.
5. Inspect fall protection equipment to ensure its condition.
6. Install railing for every ladder and no safety cage for ladders that has height for more than 1.8 m height.
7. Put marking "Only authorized employees" at wastewater treatment area. Issue work permit for third party people who do maintenance for structure that need work in-height and confined spaces at the factory.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Cable installation have been supported with electrical tray.

Update progress as 21-Mar-2019: Based on desktop review, factory has not finished installation of electrical tray or pipe for cable insulation near electrical panels and in production floor. Some of electrical cords are not insulated property.

2. Electrical washing team use compressor room to put trolleys and tools. Unintentionally one of the team member attached tag "Under Repair" to the well working compressor. Therefore LOTO is not required.

3. Factory has provided the warning sign "confined space, do not enter without permit, only authorized person) and PPE poster in both boiler areas. Besides, for working in confined spaces, factory already had SOP that has been trained to related workers which already include the PPE usage.

4. Factory has provided check list for fall protection equipment's to ensure it is in good condition. The checklist has been included in H&S weekly monitoring. Besides, factory also has made procedure for fall protection as working guidance.

5. Safety cage has been installed based on recommendation.

6. Sign of "Selain Petugas dilarang melintasi areal WWTP (Only authorized person to enter waste water treatment area) has been established since long time ago and factory has added another sign near the WWTP pond. Factory has received Penunjukkan Perusahaan Jasa Keselamatan dan Kesehatan Kerja untuk kegiatan Pemasangan, Pemeliharaan, Perbaikan Pesawat Uap dan bejana Tekan from supplier which covers the point working safety in confined space. Recently, factory has WWTP project with PT. Kerja Putera Mandiri as the contractor. Factory has issued work permit for them and kept their related work permit from government, such as: business license, registration number, health and safety certificate, etc. Aside of that factory also has provided safety sign "No entry for unauthorized personnel".

Company Action Plan Update

3. Factory has done the required actions by creating procedure for confined space and performing training to operator. (Completed 15-Dec-2017)

4. Factory has done the required actions by providing procedure for safety standard for working at high place and checklist to inspect the condition of PPE. (Completed 15-Jan-2018)

5. Factory has performed the required actions by providing additional railing and safety cage. (Completed 30-Nov-2017)

6. Factory has done the required actions by providing mark of authorized employee at waste water treatment plant. (Completed 2-Jan-2019)

FINDING NO.11

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Rubbish is scattered around at the factory, such as at the back area near the temporary storage for toxic and hazardous waste area, and at the bottom of the water tank behind the chemical storage area and at the sewer at the back of building one. Furthermore, used wire fence has been left near the temporary storage for toxic and hazardous waste area without a clear plan for when it is going to be disposed. ER.1, HSE.19

2. Found that workers are using empty mineral water bottle for drinking water refills. The used mineral water bottle material is polyethylene terephthalate (PET) number one, which means this type of bottle should only used once, since it will harm worker's health. ER.1, HSE.23

3. There is no tracking for illnesses at the factory. ER.1, HSE.1, HSE.3

4. Emergency light inspection does not include lighting intensity level. There are no fire-resistant smoke-sealed doors at the emergency exits. ER.1, HSE.1

5. Occupational health check for the last 12 months is inadequate since: Only 3,771 out of 9,296 employees has undergone it, Only 154 out of 1,722 employees has undergone specific health-check based on job hazards, No health check specifically conducted for female employees, No health check for people who sell food during break time at the factory. ER.1, HSE.1

6. The ceiling in the dormitory for expatriate Managers is rotting and deteriorating. HSE.25

Local Law or Code Requirement

Labor Regulation No 7 Year 1964 Article 4.4, Article 5.13.; Labor Law No 13 Year 2003 Article 87 (1), Health Act No.36 year 2009 regarding Health Article 47; Labor Minister Regulation No 4 Year 1987. Article 4. 2.a, c,1-4.; SNI 03 – 1746 - 2000 Article 12.2.1.; Safety Act No.1 Year 1970 Article 8.2; Act 28/02. Article 25 (1); Manpower Minister Regulation No 02 Year 1980 Article 3(3), Article 5 (1), Article 5 (2) a – c.; FLA Workplace Code (Employee Relationship Benchmark ER.1; Health, Safety & Environment Benchmarks HSE.1, HSE.3, HSE.19, and HSE.23)

Recommendations for Immediate Action

1. Centralized rubbish storage in 1 place and schedule disposal for any solid waste that has already reached certain period of time.

2. Communicate health information to all worker regarding polyethylene terephthalate (PET) material. Which one is food grade and which is not, the effects of PET to human health, provide drinking container with food grade type.
3. Track every illness happened at the factory, do root cause analysis and establish corrective action plan to prevent recurrence.
4. Include lighting intensity level as one of emergency light inspection parameter and install fire-resistant smoke-sealed doors at emergency exits.
5. Ensure occupational health check for every worker within 12 months. Ensure the identified workers based on job risk undergo specific health check, that includes specific health check for female employees. Conduct health check for people who sell food during break time at the factory.
6. Repair and maintain dormitory building from time to time.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory already cleans those area. In order to prevent this to happen in the future, supervisor house keeping team will increase the monitoring and control and sign of "membuang sampah pada tempatnya" has been posted to increase the awareness of workers.

2. Factory checked the suitable lab for testing water bottle and received the test result of the drinking bottle on Aug 31, 2018 from SGS testing Lab, which stated that the bottle is passed based on BPOM regulation No. HK.03.1.23.07.11.6664 about Supervision of Food Packaging. On Nov 6, 2018, 8,064 bottles have been arrived in factory and have been distributed to the workers.

Update progress as 21-Mar-2019: Factory is in process to distributed standardize drinking water bottle to all workers.

3. Factory has requested nurse & doctor in the clinic to fill in the illness tracking record which they have provided.

4. Emergency lighting intensity level point has been added in emergency light maintenance checklist. Since production / operations are located on first floor, factory doesn't require fire resistant smoke seal door. They have made fire risk assessment to support this point.

5. Policy of the company is to do medical check up for all employees, at least once in a year and therefore every month approximately, 450-500 workers are selected for medical check-up which ensure medical check-up. Similar lab test of special medical check up based on job hazard (washing, spot cleaning, boiler,etc) is conducted on 25-30 employees. In quarter four of the year number of employees for medical check-up including special medical check up are increased to cover all employees. However, factory will increase the number of people per month to ensure all employees are covered over the year. For the female employees , factory has collaborated with BPJS to conduct specific test such as papsmear test which is implemented once in year. Based on suggestion from Auditor, factory has conducted health check for the food seller of the worker canteen.

Update Progress as 21-Mar-2019: - Based on documentation review for period of Jan - March 2019; factory has performed medical check up (MCU) for 676 workers from total 8,467 workers or around 8% with details as below. Factory is planned to perform MCU for around 500 workers/month.

1. Special MCU (covers rontgen, blood test & urine test) was performed to 52 workers from Brushing, Boiler and Finishing. Details are as below:

- Mar'19 : 4 workers

- Feb'19 : 33 workers

- Jan'19 : 15 workers

2. General MCU was performed to 624 workers

- Mar'19 : 90 workers

- Feb'19 : 296 workers

- Jan'19 : 238 workers

- For year 2018, factory has performed medical check up for 7,677 workers (special : 808 and general : 6,869).

6. The ceiling in the dormitory for expatriate Managers have been repaired.

Company Action Plan Update

1. Factory has done the required actions by providing monitoring on regular basis. (Completed 31-Jan-2018)

3. Factory has done the required actions by providing tracking system which record will be filled in by assigned doctor and nurse in house clinic. (Completed 31-Dec-2017)

4. - Factory has done the required actions by adding lighting intensity in the emergency light inspection checklist.

- Factory has no plan to install fire-resistant door for emergency exit. (Completed 28-Dec-2018)

6. Based on desktop review, factory has done the repair for ceiling in the dormitory for expatriate managers. (Completed 5-Jan-2018).

FINDING NO.12

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Review Process (Macro)

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. ER.1, ER.29, ER.30, ER.31

2. The factory does not clearly define the responsible person for any of the Employment Functions, except Health & Safety. Moreover, the factory does not clearly identify the person with ultimate responsibility/accountability within this factory. ER.1

Local Law or Code Requirement

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

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory already has a SOP which mentioned the company policies and procedures are reviewed based on the updated laws. Currently factory has reviewed their policies and procedures at least annually to comply with FLA workplace code.

2. The employment function for every person in each departments (including in General and HR dept) are clear, but there is no official record for it. Factory has made record of organization structure for General & HR dept along with the employment function of each person. This org structure also showed the person with ultimate responsibility/accountability within the factory.

Update progress as 21-Mar-2019: Factory is in process to finalize the required actions especially on creating the ultimate responsibility.

Company Action Plan Update

1. Factory has done the required actions by creating procedure in Jan 2018. (Completed 14-Feb-2018)

FINDING NO.13

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Policies & Procedures (Macro)

Finding Explanation

1. Current Environmental Policy has not stated about factory management's general support of energy and water efficiency and a commitment to minimize impacts with respect to air emissions, waste, hazardous materials and other applicable environmental risks. ER.31, HSE.1
2. The factory does not have written procedures enable workers to raise environmental concerns. ER.31, HSE.1
3. The factory does not have written steps for workers reporting environmental emergencies. ER.31, HSE.1
4. The factory does not have written procedure that provides protections for workers who allege environmental violations. ER.31, HSE.1
5. There is no Standard Operating Procedures (SOPs) for each job with a focus on performing the job safely. ER.31
6. The available procedures have not included measures to protect the reproductive health of workers through minimizing exposure to workplace hazards. ER.31, HSE.12, ND.8
7. There are no procedures which include steps for workers to raise health and safety concerns. ER.31
8. Current health and safety procedures have not included protection against retaliation for workers who raise health and safety concerns. ER.31
9. The emergency handling and prevention procedure does not include steps for ensuring that walkways/aisles and emergency exits are free from obstruction, steps for ensuring all contractors, service providers are safely evacuated, steps for ensuring special category workers and children that happened on the factory are safely evacuated. ER.31
10. The procedures regarding chemical management has not included availability of chemical inventory. ER.31
11. Confined space procedure does not regulate availability of confined space list that require work permit. ER.31
12. The procedure for fire emergency preparedness does not include a list of the workers (names and/or titles) responsible for managing fire equipment, worker's duty regarding fire response, a fire risk assessment. ER.31
13. Current procedure for fire emergency preparedness does not include factory's response plans in the event of a fire. ER.31, HSE.5
14. The emergency procedure does not include roles and responsibilities of emergency personnel. ER.31
15. The procedure of first aid and/or medical emergency response does not include what workers should do in case of injury as well as steps for reporting death, injury, illness, and other health and safety issues. ER.31
16. Factory does not have any guidance documents for external contractors/service providers concerning health and safety. ER.31
17. The factory does not have policy and procedures on Industrial Relations. There is a policy on Freedom of Association as part of Factory's Code of Conduct but no procedures about it. ER.1

Local Law or Code Requirement

Act 32/2009 Article 53 (2-3).; Human Rights Act No 39 Year 199 Article 41.2, Article 47, Article 48.1.e.; Manpower Minister Decree No 186 Year 1999 Article 2 (2) f.; FLA Workplace Code (Employee Relationship Benchmarks ER.1, ER.27, ER.28, ER.29, ER.30, ER.31, and ER.32; Health, Safety and Environment Benchmarks HSE.1, HSE.5, and HSE 12; Non-Discrimination Benchmark ND.8)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory will revise environmental policy based on the request. Factory has made revision of environmental policy as requested.

2. Factory has made procedure for enabling worker to raise environmental concerns. This SOP have been communicated to workers through LKS Bipartite meeting.

3. Factory has provided SOP for workers to report environmental emergencies. SOP covers the steps of reporting as well. This SOP has also been communicated to workers through LKS Bipartite meeting.

4. The point related to protection to the worker who alleges environmental violation has been added in SOP. This SOP have been communicated to workers through LKS Bipartite meeting.

Update progress as 21-Mar-2019: factory is still under progress for improvement.

5. Factory has made SOP as guidance to perform the job safely. This SOP has also been communicated to workers through LKS Bipartite meeting.

Update progress as 21-Mar-2019: Factory has not done the required actions. FR will continue to monitor.

6. Factory has reviewed the current SOP to cover both gender and revised accordingly and has been communicated in the Bipartite meeting.

Update progress as 21-Mar-2019: Factory has done the required actions. FR will continue to monitor.

7. Factory has made procedure for enabling worker to raise H&S concerns. This SOP has also been communicated to workers through LKS Bipartite meeting.

8. Factory has made procedure for enabling worker to raise H&S concerns and one of the point is SOP has covered protection for worker who raise H&S concerns This SOP has also been communicated to workers through LKS Bipartite meeting.

Updated progress as 21-Mar-2019: Factory has not created retaliation policy. FR will continue to monitor.

9. Factory has added point relating to the job desc of evacuation team, which includes leading evacuation fast & safely and ensure aisles, emergency exit free from obstruction. The point relating to steps in ensuring visitors (including contractor & service

provider) has been added as well & already posted in the announcement board.

10. Currently factory has SOP for the using of chemical but still not mentioning the procedure for inventory while the inventory of chemicals already well recorded. Point relating to the procedure of chemical inventory have been added in SOP.

11. Factory hired 3rd party who will do job inside confined space. E.g. boiler maintenance. Therefore factory has updated SOP for confined space with the point of work permit requirement from 3rd party for their operators.

12. The fire emergency response committee already existed and each responsible person in charge (PIC) already have clear job task and responsibility. Factory has added those PIC in the fire emergency procedure.

13. Factory has the fire emergency response committee for implemented the Factory response plan for fire emergency. Each responsible person in charge (PIC) already have clear job task and responsibility including communication with external community (police & community) during emergency event. The point relating to emergency response in case of fire has been added to SOP.

Update progress as 21-Mar-2019: Factory has created Emergency Response Team with job description but there is no clear action what factory should do in case of fire incident occurred.

14. The fire emergency response committee already existed and each responsible person in charge (PIC) already have clear job task and responsibility. Factory has added those PIC in the fire emergency procedure.

15. Incorrect procedure was given during the audit. Procedure of first aid and medical emergency response has been implemented since Jan 13, 2016.

16. Factory has made SOP of health & safety for contractors . Factory will use only contractor that can fulfill all health and safety requirements.

17. Factory has made SOP relating to freedom of association. This SOP has also been communicated to workers through Bipartite meeting.

Update progress as 21-Mar-2019: Factory has created procedure for FOA but there is no clear procedure on Industrial Relation or how to handle if there is problem occurred related with IR.

Company Action Plan Update

1. Factory has done the required actions. Factory has also set up target in 2019 for energy efficiency which baseline taken from year 2013. (Completed 15-Apr-2018)
2. Factory has done the required actions by creating feedback system for environmental protection. (Completed 31-Dec-2017)
3. Factory has done the required actions which they mentioned in the initial CAP. (Completed 31-Dec-2017)
7. Factory has done the required actions which they mentioned in the initial CAP. (Completed 31-Dec-2017)
10. Factory has done the required actions which they mentioned in the initial CAP. (Completed 31-Dec-2017)
11. Factory has done the required actions which they mentioned in the initial CAP. (Completed 31-Jan-2018)
12. Factory has done the required actions which they mentioned in the initial CAP. (Completed 31-Dec-2017)
14. Factory has done the required actions by creating Emergency Response Team; completed with role and responsibility for each team. (Completed 31-Dec-2017)
15. Factory has done the required actions which they mentioned in the initial CAP (Completed 31-Dec-2017)
16. Factory has done the required actions by creating the Contractor Safety Procedure. (Completed 31-Jan-2018)

FINDING NO.14

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

1. This orientation training is insufficient since it barely gives adequate information to workers, and the explanation on Compensation, Hours of Work, and Freedom of Association are only based on the factory's code of conduct. The orientation does not cover Recruitment, Hiring, and Personnel Development, Workplace Conduct and Discipline, and Environmental Protection. In addition, the workers do not receive written documentation that substantiates all the issues covered during the orientation. ER.15
2. Ongoing training to workers does not include Recruitment, Hiring, and Personnel Development, Termination and Retrenchment, or Workplace Conduct and Disciplinary. Additionally, the factory does not provide specific training for relevant supervisors for any of the Employment Functions. ER.1, ER.15, ER.17, ER.25
3. There is no specific training on the workplace conduct for the relevant Managers, human resources personnel, and administrative staff. ER.27
4. Based on the last PPE training conducted on June 7, 2017 for 1,636 workers, the training materials do not include worker's job hazards, what the hazards are, how to protect against those hazards, how to wear and maintain the provided PPE, tasks that require PPE use, how to store the PPE and how to identify when the PPE need to be replaced and to whom PPE should be asked ER.1 ER.15 HSE.5, HSE.8
5. Ergonomics training does not include lifting techniques . lifting belt has been provided for workers at warehouses, packing area and workers who do loading activities. ER.1, ER.15
6. There is no LOTO (Lockout/Tag out) training conducted for maintenance workers. ER.1, ER.15 HSE.5
7. All employees have not received basic training regarding the First Aid processes and procedures. Such as: 1. Who to contact for any incident that requires first aid or other medical assistance. 2. Location of first aid equipment in work area. 3. How to report any work-related incident, which requires first aid or other medical assistance. 4. Proper use of emergency eyewash or body flush units if exposed to hazardous material resulting in eye, face or body injury. ER.1, ER.15 HSE.5, HSE.6
8. No one at the maintenance and cleaning departments have recieved work in-height certification and confined space certifications from a government authorized certification and training company. ER.1, HSE.1
9. The factory does not provide safety information to contractors prior entering the factory. ER.1, ER.16

Local Law or Code Requirement

Act 32 Year 2009, Article 65.2-5; Manpower Minister No. 8 Year 2010 Article 7.2.c.; PP No 50 Year 2012. Section C.2.1.b 2nd paragraph; Manpower Minister Regulation No 7 Year 64.; Government Regulation No 50 Year 2012 Section C.2.1. a.2.; Safety Act No 1 Year 1970 Article 9.3.; Labor Minister Regulation No 03 Year 1982 Article 2.h.; Manpower Supervisory Management General Director Decree No. 45 Year 2008 Attachment Section D. Point 3.; Manpower Minister Decree No 326 Year 2011 Decree 1.; Safety Act No. 1 Year 1970 Article 14 (3); FLA Workplace Code (Employee Relationship Benchmarks ER.1, ER.15, ER.16, ER.17, ER.25, and ER.27; Health, Safety & Environment Benchmarks HSE.1, HSE.5, HSE.6, HSE.8, HSE.16, and HSE.17)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Several Points relating to compensation, Hours of Work, Freedom of Association, recruitment,hiring process, personnel development, workplace conduct have been added in the orientation training material. The hard copy of training materials have been given to the workers as their guidance.

Update progress as 21-Mar-2019: Based on desktop review, factory has provided materials for employment function and workers' rights for new workers in Feb 2018 but no evidence that factory has provided training on environmental protection and no updated training for new workers in 2019.

2. Several Points relating to recruitment, hiring process, personnel development, workplace conduct and discipline have been added in the refresher training material. The training about employment function also has been given to relevant supervisor. The hard copy of training materials have been given to the participants as their guidance.

Update progress as 21-Mar-2019: Based on desktop review, factory is in the process to finalize giving training on Employment Function to all employees.

3. In weekly basis, factory will have training for all SPV and managers in various topics related to production, quality, health and safety, environment, employment, etc. Factory has conducted specific training for those Managers, HR personnel and administrative staff.

Update progress as 21-Mar-2019: - Factory has done the required actions by performing training for managers and supervisors in Feb 2018.

- Need to check further onsite whether the training has covered all active managers/supervisors.

4. Factory has added points in training material to cover worker's job hazards, what the hazards are, how to protect against those hazards, how to wear and maintain the provided PPE, tasks that require PPE use, how to store the PPE and how to identify when the PPE need to be replaced and to whom PPE should be asked.

Update progress as 21-Mar-2019: Factory has performed the training but lack of evidence that job hazards for each job was explained on the training to related workers.

5. Lifting belt have been provided for workers at warehouse, packing area and posted lifting techniques and point relating to lifting technique already added in training materials.

6. LOTO (Lockout/Tag out) training already conducted for Electrical maintenance workers on 6 & 13 October 2017.

Update progress as 21-Mar-2019: Factory has performed LOTO training to maintenance workers in 2017 but there is no evidence that the refresh training on annual basis.

7. Factory has made SOP and give basic training of first aid process and procedure to the workers. The points of training and SOP will cover: a. Who to contact for any incident that requires first aid or other medical assistance. b. Location of first aid equipment in work area. c. How to report any work-related incident, which requires first aid or other medical assistance. d. Proper use of emergency eyewash or body flush units if exposed to hazardous material resulting in eye, face or body injury.

8. Factory will register for training working in height which will be conducted in March 2018. Factory has received Penunjukkan Perusahaan Jasa Keselamatan dan Kesehatan Kerja untuk kegiatan Pemasangan, Pemeliharaan, Perbaikan Pesawat Uap dan bejana Tekan from supplier which covers the point working safety in confined space. This term and condition is stated in factory's SOP that contractor required to provide work in confined space certificate or special permit. As per e-mail from third party which will conduct the training working in height (PT. SYNERGY) on Jun 28, 2018 they postponed the training due to the participants of training who has registered still not able to meet quota required by government for conducting a training. The training in height has been conducted on 25 - 28 Sep 2018 by PT. SYNERGY and factory has sent one of their staff to join the training. Waiting the Certificate from Ministry which is estimated end of Jan 2019.

9. Factory has made procedure related to giving safety information to contractor upon arrival in the factory and the staff who accompanied the contractor is obliged to inform the safety information to them.

Company Action Plan Update

5. Factory has done the required actions as they mentioned in the initial CAP. (Completed 24-Jan-2018)

7. Factory has done the required actions as they mentioned in the initial CAP. (Completed 28-Feb-2018)

8. Factory has done the required actions by sending the designated workers to join training held by certified training provider.

9. Factory has done the required actions by creating Contractor Safety Procedure. (Completed 4-Sep-2017)

FINDING NO.15

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

1. The factory does not properly or effectively communicate policies and procedures and their updates to the general workforce on the following Employment Functions: Recruitment, Hiring & Personnel Development, Termination and Retrenchment, and Industrial Relation. ER.1, ER.16, ER.25.2, ER.29.1, ER.29.1.1, ER.30, ER.32

2. The worker involvement component is missing across all Employment Functions. This indicates that the factory has not established procedures to request and/or receive workers' input or feedback regarding the creation, implementation, and updating of its policies and procedures. Workers are neither systematically integrated nor consulted in decision-making processes. ER.1, ER.16, ER.25.2, ER.29.1, ER.29.1.1, ER.30, ER.32

Local Law or Code Requirement

FLA Workplace Code (Employee Relationship Benchmarks ER.1, ER.16, ER.25.2, ER.29.1, ER.29.1.1, ER.30, and ER.32)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. All policies and procedures stated in finding already available in the factory and also stated in the Company regulation. The copy of company regulations have been distributed to SPV in each department so that they inform their subordinates. Company regulations also posted on announcement board. Factory also have socialized the related policies and procedures through Bipartite meeting accordingly.

2. Factory has made SOP and socialized the SOP, starts getting workers feedback / inputs discussion in the bipartite regular meeting . Input from worker will be considered before implementation.

Company Action Plan Update

1. Factory has done the required actions by performed socialization through Bipartite meeting and posted the policies and procedures in production floor. (Completed 28-Feb-2018)

2. Factory has done the required actions which mentioned in the finding. (Completed 15-Jan-2018)