



FAIR LABOR  
ASSOCIATION®

## INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: New Balance Athletics Inc.

COUNTRY: Indonesia

ASSESSMENT DATE: 10/07/16

ASSESSOR: Donny Triwandhani

PRODUCTS: Apparel

NUMBER OF WORKERS: 3595

## 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

#### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Recruitment, Hiring & Personnel Development

##### Finding Explanation

1. According to management, the factory employs 15 workers with disabilities which is not in full compliance with local law which requires that factories hire at least one person with disabilities per 100 workers employed. Thus, to fulfill legal requirements, a factory with 4,407 workers in total, the factory must employ at least 44 workers with disabilities.
2. The policy and procedures for performance reviews do not include written feedback, nor is feedback included in the performance reviews conducted by the factory.
3. New workers do not receive written documentation that substantiates all issues covered in orientation.
4. The factory does not provide ongoing training on either Recruitment, Hiring & Personnel Development or Termination & Retrenchment.
5. The factory does not communicate the Recruitment, Hiring & Personnel Development policies and procedures or their updates to the general workforce.

##### Local Law or Code Requirement

Law No. 4 (1997), Art. 14; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, ER.16.1, ER.29, and ER.30)

#### COMPANY ACTION PLANS

##### Action Plan no 1.

##### Description

1. Cooperation with local Manpower Department to provide us disabilities employee if match with our vacancy and job description.
2. Based on our MCU program we found some workers with "color blind" and based on MP OH doctor that the workers with specification "color blind can be calls as "disabilities workers" 3. Total workers with above categories (color blind) as disabilities are 44 worker and we have been comply with the government requirement as much as 100 : 1 = 4429 : 44 (per March 1st, 2017)

##### Action Plan no 2.

##### Description

1. Review Evaluation Procedure to add the point for "workers Feedback" after the leader communication with that workers regarding to they evaluation 2. Before the workers signing the evaluation they should be given the leader feedback 3. Revise Evaluation Form with additional feedback from the workers 4. Socialize new procedure for evaluation

### Action Plan no 3.

#### Description

Provide Induction Training Material for new workers

### Action Plan no 4.

#### Description

1. Factory already conducted Recruitment, Hiring, & Personnel Development or termination & retrenchment training for HRM team regularly especially if there is any additional or changing procedure. 2. Refresh training for all HRM team regarding to recruitment, Hiring & Personnel Development or termination & retrenchment 3. Documented for each training

### Action Plan no 5.

#### Description

1. Material Training for Recruitment, Hiring & Personnel Development or Termination & Retrenchment are include in Induction Training conveyed to New Employee. 2.Set up ATP for recruitment, Hiring & Personnel Development or termination & retrenchment training 3. Provide Tool Box Training material 4. Conducted training partially for each level 5. Assign each leader to train their workers

## FINDING NO.2

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Compensation

##### Finding Explanation

1. The factory does not pay workers for all hours of overtime worked. Workers normally work 1 to 2.5 hours of overtime per day on weekdays. Although the factory's policy is to provide workers with a 30-minute break if they work more than 1 hour of overtime, sometimes workers do not take this break prior to working overtime. Nevertheless, the payroll department deducts 30 minutes from workers' overtime hours since workers are assumed to have taken a break between their regular shift and their overtime hours. For example: (a) Based on time records, a worker from Assembly line 7 worked from 5:52 AM to 5:31 PM on Monday, September 26, 2016 and an overtime approval form showed she worked overtime from 3:00 PM to 5:30 PM without a break. However, the payroll record showed that this worker was compensated for only 2 hours of overtime instead of 2.5 hours; (b) Based on time records, a worker from Assembly line 7 worked from 6:56 AM to 6:31 PM on Thursday, September 29, 2016. She worked overtime from 4:00 PM to 6:31 PM without taking a break, however the payroll record showed that this worker was compensated for only 2 hours of overtime instead of 2.5 hours; (c) A grievance raised to the union on September 22, 2016 complained about inaccurate overtime records for overtime worked on Saturday, August 13, 2016 by workers in Assembling and Finishing lines 11 and 12 in Building 5.

2. The factory deducts 1% of workers' salaries for the monthly contribution to the Government Healthcare program (BPJS) from their first salary even before they are officially registered with BPJS. Some workers are not able to register with BPJS because their previous registration number is under another company (a former employer) or because they have their own independent BPJS registration, which is inactive due to late payments. Based on the factory's payment records for BPJS in September 2016, the factory paid for a total of 4,334 workers. However, according to the government's online BPJS records, only 4,059 workers from the factory are officially registered. Therefore, 275 workers are not officially covered under the healthcare program and around 35 are independently registered for the BPJS but have a contribution debt from IDR 76,500 (USD 5.75) to IDR 2,693,070 (USD 207). Regardless, the factory deducts from the workers' income for BPJS contributions without regularly checking to ensure workers are officially registered. For example: (a) A worker from the assembly line who was hired on August 18, 2015 has incurred a 1% deduction from her monthly basic wage for her BPJS contribution since her hiring. However, there is no record of her registration on the government's BPJS website for this factory. She was previously independently registered with BPJS and has a debt of IDR 1,024,250 (USD 78).

3. As per local law, workers may be terminated if they are absent for five consecutive days if they do not submit a written explanation as to why they are absent from work. However, there are cases when the last salaries of workers who are terminated due to unexplained absences do not include payouts for unused annual leave. For example: (a) A worker from the assembly line who was hired on June 8, 2015, had never taken annual leave. She has not worked since August 24, 2016 and did not submit a resignation letter. Neither her last salary (deposited to her bank account on September 5, 2016) or her termination payout (deposited October 5, 2016) included the balance of her untaken annual leave; (b) A worker from the outsole section – who was hired on October 1, 2012, has not worked since

August 24, 2016, and did not submit a resignation letter – did not receive the balance of his untaken annual leave in his last salary or termination payout which were deposited to his bank account.

4. There is no record showing that the factory provides workers with a meal when they work three or more hours of overtime per day, as required by law, such as on June 21, 22, and 23, 2016 for workers in Packing Section 3.

#### Local Law or Code Requirement

Decision of the Minister of Manpower and Transmigration No. KEP 102/MEN/VI on Overtime work and Overtime pay (2004), Art. 7; Law No.24 (2011), Chapter V, Art. 15(1); Labor Law No.13 (2003), Art. 156 (3); FLA Workplace Code (Employment Relationship Benchmarks ER.19.1 and ER.22; Compensation Benchmarks C.1, C.5, C.7, and C.10; Hours of Work Benchmark HOW.11)

#### Recommendations for Immediate Action

1. Strictly implement a 30-minute break prior to overtime work in order to avoid deficiencies in the payment of overtime wages.
2. Ensure that workers are officially registered with the Government Healthcare Program (BPJS) when their wages are deducted for the BPJS contribution. Make arrangements with workers to help them pay off their debt to the BPJS through voluntary wage deductions.
3. Compensate all terminated workers for their unexpired and unused annual leave.
4. Provide meals to workers who work three or more hours of overtime per day.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

On 8/13 Work on Holiday 10 hours paid 9.5 hours due actual break time only 1 hours, system & procedure should be break twice, 1 hour + 30 minutes. Identified 104 Workers need to pay OT 0.5 hour and done on 12/05. On 9/26 & 9/29 Overtime less paid 0.5 hour due to Workers & Line-Leader not realize that should have break 30 minutes for OT more than 1 hour. Identified 56 Workers need to pay OT 0.5 hour and done on 12/05.

### Action Plan no 2.

#### Description

1. Since November 2016 company determine that workers who do not have registered by BPJS will not deducted their salary. 2. To avoid this cases, we set up recruitment procedure that company will not hire yet the employee candidate which have problem with BPJS before their solved the problem. 3. Re socialization for the new procedure about BPJS and Recruitment procedure.

### Action Plan no 3.

#### Description

1. Both of workers (Iis Hollisoh & Dandi Supriyadi) who not paid yet their remain annual leave paid on November 5th, 2016.
2. This case is accident case. PIC should be make sure with double checking if there is have workers resign
3. Provide Checklist for all wages component for termination workers then confirm by Supervisor.
4. Conducted checking control for every termination process payment to make sure all component and regulation have been complied.
5. Conducted internal audit regular.
6. Refresh training for Attendance PIC and Payroll PIC

### Action Plan no 4.

#### Description

1 Refresh training to all leader for make sure that no any unpredictable overtime, also re-socialized for Working hours & Overtime procedure 2. Encourage to all leader for overtime not more than 2.5 hours, except the overtime really need it and should be provide proposal catering for meals one day before overtime to General Affair Department. 3. For tight control for each proposal overtime 3 or more hours should be cc to General Affair.

## FINDING NO.3

## IMMEDIATE ACTION REQUIRED

## FINDING TYPE: Hours of Work

### Finding Explanation

1. It was noted that the overtime on rest days and public holidays is not automatically reflected in the time-recording system even though workers scan their fingerprints for all hours worked. The overtime compensation for rest days worked are reflected in workers' pay slips. For example: (a) At least six workers from the finishing section worked overtime on rest days (Saturday, August 6, 13, and 20, 2016) but their printed time records did not show that they had worked those days. Saturdays' hours can only be viewed in separate records of manual data which was requested by assessors; (b) Based on a summary of rest days worked, at least two mechanics worked overtime on Sunday, September 9, 2016 but their printed time records did not reflect this work.
2. The working-hours schedule and break times are not regulated in factory rules and regulations.
3. The working-hours records do not identify pregnant or lactating women.

### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2 and ER.23; Hours of Work Benchmark HOW.5.1)

### Recommendations for Immediate Action

1. Ensure all overtime hours, including those on rest days and public holidays, are reflected in the time-recording system.
2. Include the working-hours schedule and break times in factory rules and regulation.
3. Identify pregnant and lactating women in the working-hours records.

## COMPANY ACTION PLANS

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## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Workplace Conduct & Discipline

#### Finding Explanation

- 1.The factory conducts daily body searches of workers, performed by same-gender security guards.
- 2.The disciplinary procedures do not include the presence of a third-party witness during the imposition of disciplinary actions.

#### Local Law or Code Requirement

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

#### Recommendations for Immediate Action

Ensure physical pat downs are not used as a general practice. As per FLA requirements, physical pat downs shall only be undertaken when there is a legitimate reason to do so and upon consent of workers.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Revised Procedure and Train to all Security Officer.
2. Supervise implementation on floor to assure well implemented.
3. Campaign to all Workers to not did illegal thing .
4. Install more CCTV instead of body check

### Action Plan no 2.

#### Description

1. Update Procedure to add the witness during the imposition of disciplinary action
2. Update Warning letter document included the witness sign at the document
3. Re-socialize for new procedure

## FINDING NO.5

## SUSTAINABLE IMPROVEMENT REQUIRED

### FINDING TYPE: Grievance System

#### Finding Explanation

- 1.Management's response to grievances submitted by workers are not posted or clearly communicated to workers.
- 2.The grievance boxes in two male toilets in Buildings A2 and A3 are not equipped with a lock and are therefore not anonymous or confidential channels.

#### Local Law or Code Requirement

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

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Refresh training to all workers for Grievance System
2. Re-socialize more aggressively to all workers regarding to grievance system
3. Improve the design of grievance information more eye catching at communication board.

### Action Plan no 2.

#### Description

1. Factory collecting the grievance letter in weekly every Monday from Grievance Box, automatically we check the Grievance Box

- condition. So if the grievance box are broken between Tuesday to Saturday uncontrolled
2. To sustain Grievance Box condition always meet with requirement assigned HSE Representative in each Factory Building and Duta-Line to conduct daily checking for Grievance Box condition.
3. Repaired and provide lock to grievance box at Building A2 and A3
2. Provide checklist for grievance box condition regular checking by HSE Representative or Duta Line

## FINDING NO.6

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Environmental Protection

##### Finding Explanation

1. Only five workers (supervisor level) were trained on Environmental Protection rather than all workers in the factory. Furthermore, orientation training material for new workers does not include information on who workers should raise environmental concerns with. Training on Environmental Protection during orientation for general workers only covered the safe handling of chemicals.
2. The Environmental Protection procedures do not include clear steps that need to be taken or individuals responsible in the event of an uncontained chemical spill or gas leakage.
3. The Environmental Protection policy does not include protection for workers who allege environmental concerns or violations, including non-retaliation.
4. Based on information from the Health, Safety & Environment (HSE) leader, the last review of the policy and procedures for Environmental Protection was June 1, 2016; however, there is no documentation maintained as evidence of what changes were made.
5. Based on document review, it was noted that the factory has not yet established a list of environment regulations to ensure the factory's policies and procedures are aligned with the law.

##### Local Law or Code Requirement

Act 32/2009. Art. 53(1) and 53(2); Government Regulation No.74/2001. Art. 25; FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.15.1, and ER.31, Health, Safety & Environment Benchmark HSE.1)

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

Training for all Workers regarding Environmental Protection

1. Put in Annual Training Plan for Environmental Protection Training as general
2. Provide material Tool Box Training
3. Provide Training Schedule
4. Conducted refresh training for all workers regarding to Environmental Protection

Revised Induction Training Material include Environmental Protection in global

1. Improve Induction training material especially for Environment will cover all related with Environment Protection Material
2. Provide hard copy material for new employee

#### Action Plan no 2.

##### Description

1. Review Chemical management Procedure
2. Update Environmental Emergency Response Procedure (MPI-P/HSE 044) inserting of clear step and responsible of chemical spill also if the chemical spill need to escalated to external party (flow chart)
3. Additional item for individual responsible and PIC for chemical spill
4. Re-Socialized for update Environmental Emergency Response Procedure

#### Action Plan no 3.

##### Description

1. Add item for Environmental Protection Policy with "non-retaliation for the workers who allege environmental concern
2. Re-Socialized for revise Environmental Protection Policy

#### Action Plan no 4.



#### Description

Provide documentation for changing control for each policy if any

Action Plan no 5.

#### Description

Provide Separated HSE Regulation of Health, Safety and Environment per FLA required

## FINDING NO.7

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Environmental Protection

##### Finding Explanation

1. The solid waste storage outside the production building was flooded from heavy rains the night before the assessment because the vents are not covered by canopies to minimize rain water intrusion. The solid waste storage has neither a storm drain or drainage system to enable rain water to flow to a public sewer nor does it have ground bio-pores to allow the ground to quickly absorb rain water, hence minimizing the possibility of floods.
2. The solid waste storage does not have a separate water stream to contain and redirect the leachate generated from the solid waste to the wastewater treatment area.
3. The factory has a ground water permit (No.546.2/32/10.1.01.2/BPMT/2016) which allows a maximum daily extraction of 70 cubic meters. However, based on the daily extraction records from June through August 2016, the daily extraction varied from 72 to 217 cubic meters. Based on factory information from management, the person who checks and records daily ground water extraction was incorrectly reading the flow meter and missed the decimals in the records. For example, they read and recorded 217 instead of 2.17 cubic meters.
4. The factory has not yet conducted a semiannual Environmental Impact Analysis audit.
5. The chief and worker who currently handles wastewater treatment and energy consumption has not been certified by the government.
6. One drum of used tubular lights, one drum of used cartridges, and one drum of rechargeable batteries have not been disposed of and have been stored since March 2015, passing the 365-day allowable storage period, which violates local law. Furthermore, it was also noted from the hazardous waste inventory log book that there is no record of used rechargeable batteries although there is one drum of these batteries stored in the temporary hazardous waste storage area.
7. The body and eye wash station in the temporary waste storage area is not equipped with the proper drainage system to enable used water is directed into the wastewater treatment area. Currently, the wastewater generated from the body and eye wash station falls directly onto the concrete floor and drains into a nearby sewer that feeds into the public sewer.

##### Local Law or Code Requirement

Government Regulation No.27 on Environmental Permit (2012), Art. 53; Government Regulation No.81 (2012), Article 18.4.d and 37(3); Government Regulation No.101 (2014), Hazardous and Toxic Waste Management. Art. 28.1.b.3.3; Ground Water Permit No. 546.2/32/10.1.01.2/BPMT/2016; Permen LH No.03 (2009) Point C. and Art. 1.3; Permen LH No.12 (2009), Art. 3; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.4)

##### Recommendations for Immediate Action

1. Repair solid waste storage by adding canopies over vents to minimize rain water intrusion; installing a storm drain or other drainage system in addition to ground bio-pores; and providing a separate water stream to contain and direct leachate into the wastewater treatment area.
2. Retrain worker(s) who read and record the daily ground water extractions and attach pictures of the water extraction meter every time a recording is made. Audit the records regularly to ensure accuracy and compliance.
3. Conduct an Environmental Impact Analysis every six months and submit results to the relevant authorities. Rectify any findings identified during the analysis through the 3-Rs (Reduce, Reuse, Recycle), mechanical engineering, and any necessary PPE and training.
4. Send the chief and worker who are responsible for wastewater treatment and energy consumption for certification of water pollution control competency.
5. Properly dispose of the drums of tubular lights, printer cartridges, and used rechargeable battery immediately. Record all waste stored in the hazardous waste inventory log book.
6. Install the proper water drainage systems for the body and eye wash station at the temporary waste storage.

### COMPANY ACTION PLANS

Action Plan no 1.



#### Description

1. Improvement conduct to RMCC (Solid waste storage): - Enlarge the solid waste storage from 6m x 24m to 13.5m x 24m - Relay out the map of Solid waste storage - Cover by canopies all vents area to avoid water intrusion when heavy rains. To avoid contaminated water spread around solid waste area when rain fall, all RMCC area covered by roof then rain water will directly flow to wastewater treatment by chamfer. 2. Add more Bio-pores for quickly absorb rainwater hence minimizing the possibility of flood

#### Action Plan no 2.

#### Description

1. Refresh training for water flow meter recorded to PIC 2. Provided photograph of number at flow meter for each record by PIC 3. Internal audit conducted in monthly basis by CR team 4. Revised water usage record since November 2016

#### Action Plan no 3.

#### Description

1. Factory already have Environmental Impact analysis document (UKL/UPL) since 2010 2. Factory always report every six months since 2010 3. The last report conducted semi annual report (UKL/UPL) on December 2016 4. The feed back from finding reported in separated report

#### Action Plan no 4.

#### Description

1. Factory already have PIC for wastewater operator but not certified yet. Next training will be sent one of the operator to be certified. 2. Make proposal for send one of wastewater PIC to get certification 2. Send one of wastewater PIC to follow the process certification 3. The schedule of certification from government at May 8 - 10, 2017

#### Action Plan no 5.

#### Description

1. Separated all electronical waste specifically such as: tubular lamp, cartridge, batteries and UPS at the log book  
2. Recorded at waste log book  
3. The last quantity of Electronic Waste are 86 kg on April 2016. This is the quantity of passing the 365-day and didn't meet with the quota for disposed to third party.  
4. We already communication with local Environment Department that they will be provide dispensation letter to factory to keep the Electronic Waste more than 365 day  
5. Dispensation notification from City Environment Agency regarding to electronic waste will receive on April 20, 2017

#### Action Plan no 6.

#### Description

1. Provide local container for contaminated water from eye wash station that will dispose to WWTP

## FINDING NO.8

### SUSTAINABLE IMPROVEMENT REQUIRED

#### FINDING TYPE: Health & Safety

#### Finding Explanation

1. The Health & Safety procedures do not included steps for how workers can raise Health & Safety concerns or protections for those who raise such concerns.  
2. The factory has not trained all workers on Health & Safety: only 53 workers were trained for fire safety and 1,116 were trained on the evacuation.  
3. The factory conducts a review of the Health & Safety procedures every two years instead of annually. Additionally, there is no documentation of the procedures that have been revised, are in need of revision, or who is responsible for their revision or its subsequent documentation.  
4. The current health policies do not include reproductive health protection.

5. The emergency, fire, and first aid procedures do not state what workers should do when they or a coworker is injured.

#### Local Law or Code Requirement

Act No. 1 on Safety (1970), Art. 9(1), 9(2), and 9(3); FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, and ER.31; Nondiscrimination Benchmark ND.8; Health, Safety & Environment Benchmark HSE.12)

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

Factory already have procedures for health and safety in detail per theme and already have steps for how workers can raise health & safety concern. I.e : Electrical Safety Procedure, Contractor Safety Procedure, Maintenance Safety Procedure, Medical Service Procedure, Bloodborn Pathogen Procedure, Ergonomic Procedure, etc. Each procedure completed with detail steps for how workers can raise health & safety concern

### Action Plan no 2.

#### Description

1. Factory conducted Fire Evacuation Drill for all workers, conducted every 6 months per required by law  
2. Fire Safety Culture Training is a more advance Fire Prevention training that conducted, arranged by factory and meant for every single person at factory, it is conducted regularly every year and will be refresh (until March 23, 2017 had been trained 1321 persons).  
3. Factory has Emergency Response Team (PPGD), Total 53 persons group by Evacuation Team, First Aider Team and Fire Brigade Team. This team available at each department and trained regularly in yearly basis by internal or certified by external.

### Action Plan no 3.

#### Description

1. Factory already reviewed all procedure annually, even if there is any change procedure before the end of that year then the procedure will be updated. 2. Policy review every two years. 3. Provide "Change Control" of procedure and policy if there is any changing.

### Action Plan no 4.

#### Description

1. Provide Reproductive Health Policy (MPI-Policy/HSE-042) 2. Factory has Socialized to all workers

### Action Plan no 5.

#### Description

1. Update Emergency Response and First Aid Procedure 2. Re-socialized for updated procedure to workers

## FINDING NO.9

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. The procedures for Personal Protective Equipment (PPE) do not include steps for workers to raise concerns regarding their PPE and to whom matters should be addressed.  
2. In the last 12 months, only 307 out of 4,289 workers at the factory have been trained on PPE, which included the type and function of PPE and the obligation to use it. The training material does not however include information on how to properly use or maintain PPE.  
3. Negative incentives (i.e. a reprimand letter) is utilized to enforce PPE usage and safe operation of machinery.  
4. The current procedure for the accident and injury system (management No ESH-S-VII-2015-015) does not include periodic reporting, including root cause analysis and preventative action, to local manpower bureau every three months.

5. None of the 23 eyelet machines have finger guards.
6. The bolts for the railing at pond No.1 in the wastewater treatment area are loose and therefore the railing is shaky which poses a risk of falling for the individuals who walk by the pond or lean on the railing.
7. The factory provides unpadded metal backrests for sewing operators; at a minimum, the backrests should be padded or made of wood.
8. The factory has not provided eye protection to the following workers: five workers in chemical storage; one worker in chemical mixing in Printing Building 6; one worker in chemical mixing in the embroidery room in Production Building 6; five workers in the solid chemical warehouse; and nine workers in the buffing section in Production Building 3.
9. None of the 82 workers in the warehouses have been provided with lifting belts or safety shoes, although the factory trained workers on proper lifting techniques. The last training was conducted in August 26, 2016.
10. The factory does not conduct audiometric testing for all workers who are required by law to be tested.

#### Local Law or Code Requirement

Act No. 1 on Safety (1970), Art. 9(1), 9(2), and 9(3); Labor Minister Decree No. KEP-75/MEN (2002), Art. 2; Labor Minister Regulation No. 15 (2008), Attachment II; Manpower Minister's Regulation No. PER- 15 /MEN/VIII/on first aid in workplace (2008), Annex I; Minister Regulation No 8/2010, Art. 6(1);

Ministry of Public Works Regulation No. 29/PRT/M/2006 on Guidelines of Technical Requirements for Buildings, Annex I Sec. III.3.4; Regulation of the Minister of Labour No.7 (1964), Art. 9(1), 9(2) and 13(4);

Regulation No. PER-01/MEN on Safety and Health in The Building Construction (1980), Art. 44; Regulation No. PER-04/MEN (1985), Art. 4; Regulation No. PER-01/MEN (1980), Art. II(8); FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.7, HSE.8, HSE.14, HSE.15, and HSE.17)

#### Recommendations for Immediate Action

1. Refrain from the use of negative incentives. Enforce PPE usage and the safe operation of machinery through training, retraining, and regular monitoring.
2. Install finger guards on all eyelet machines or provide safety molds to prevent accidental injuries
3. Provide eye protection for all the relevant workers as well as lifting belts and safety shoes for workers in the warehouses. Regularly train all workers on the proper use of PPE.
4. Repair railing at pond No.1 in the wastewater treatment area.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. Update PPE Procedure with change the steps for workers to raise concerns regarding their PPE and to whom matters not directly to CR Dept. but through Leader than to HSE Rep and finish at CR Dept.
2. Re-socialize for the update PPE Procedure

### Action Plan no 2.

#### Description

1. Put in Annual Training Plan for PPE Training
2. Provide and improve content of material Tool Box Training
3. Provide Training Schedule for 1140 workers who wearing PPE
4. Conducted refresh training for all workers regarding to PPE.

### Action Plan no 3.

#### Description

1. Utilize to enforce PPE for better workplace
2. More encouragement to leader regarding to PPE usage
3. Regular PPE Training

### Action Plan no 4.

#### Description

1. Update Injury/Illness Procedure with added with procedure reporting to Government Added periodic reporting to local manpower at accident procedure with root cause analysis and preventive action.

### Action Plan no 5.

#### Description

1. Analyzed with maintenance & production team to add eyelete machine guarding in order not interrupted to production process
2. Installed eyelete machine guarding for those machines missing

#### Action Plan no 6.

##### Description

Finished to fix the fence/railing

#### Action Plan no 7.

##### Description

1. Change the back rest material from textile to synthetic leather 2. Add the "sockliner" material inside of the leather

#### Action Plan no 8.

##### Description

1. Review the PPE Working Instruction at Mixing in Printing, and chemical warehouse, make sure that the operator wearing their PPE when in process. 2. Refresh training for Mixing in Printing and chemical warehouse operator

#### Action Plan no 9.

##### Description

1. Factory has been provided safety shoes for loading/unloading operator 2. Factory will continue to refresh training for Ergonomic

#### Action Plan no 10.

##### Description

1. Factory always conducted MCU for audiometric regularly for the workers who expose by noise since 2011

## FINDING NO.10

### IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. Based on document review, it was noted that the factory does not provide training to all the relevant workers on sanitation, lockout-tagout (LOTO), or machinery safety. The factory has only provided hot work training to 59 out of 115 workers who work in the heat pressing process. Only five out of 15 maintenance workers have undergone training on LOTO.
2. The factory does not have a list of machinery or devices that require LOTO which include electrical panels, machines, and IT network panels. Currently, the factory only uses LOTO on electrical panels.
3. The facility does not have walking paths for pedestrians nor traffic lanes for vehicles outside the buildings on its premises.
4. The electrical safety procedure (No ESH-S-VII-2015-18) does not include how frequently the internal inspection of the electrical installation inspection should be conducted. There is also no requirement to ensure that the permanent electrical fixtures and back-up power sources (two diesel generators) have valid government permits. Furthermore, there is no requirement to install explosion-proof lighting in specific areas such as inside the electrical power source room, chemical storage, and in the mixing process area where chemicals are used.
5. The lighting installed in the following areas are tubular lights instead of the required explosion proof lights: diesel room, solid chemical storage, temporary hazardous storage, mixing area in Production Building 5, and the mixing room near the embroidery room in Production Building 6.
6. There are only 26 government-certified first aid officers at the factory. Since there should be at least one government-certified first aid officer for every 150 workers, the factory should have at least 29 government-certified first aid officers for its workforce of 4,289. Furthermore, only 16 workers in the factory have been trained on first aid response.
7. The first aid kits in the factory are inadequate. There is only one first aid kit inside the office area in the finished goods warehouse instead of providing one in every area (i.e. the finished goods storage area, fabric storage area, carton storage area, and fabric inspection area). Furthermore, the first aid kits do not have the minimum stock required and are not in accordance with regulation. They are missing: a triangle cloth, tweezers, flash light, eye wash glass, Aqua Des, and a first aid booklet.

8. The factory tracks illnesses but does not perform a root cause analysis to track the source of all illnesses and the steps that need to be taken to minimize repeated occurrence.
9. On one of two forklifts, the siren does not sound when it is in reverse.
10. Neither the electrical panel in the dormitory for management or the internet panel at the foking (gluing) production process have front covers.
11. During the assessment there was a snake slithering on the wastewater treatment area. The factory has not established any pest control system, which exposes workers to dangerous animals.
12. By law, the factory must inform all contractors and visitors of Health & Safety information prior to entering the factory premise. However, during the assessment, none of Health & Safety information was given to the assessors before entering the premise.
13. The fabric inspection area in the raw material warehouse is 29.7 degrees Celsius, which is close to the maximum ambient room temperature as regulated by law (30 degrees Celsius).
14. The hot press machines in the production lines do not have temperature controls.

#### Local Law or Code Requirement

Act No. 1 on Safety (1970), Art. 9(1), 9(2), and 9(3); Labor Minister Decree No. KEP-75/MEN (2002), Art. 2; Labor Minister Regulation No.15 (2008) Attachment II; Manpower Minister's Regulation No. PER- 15 /MEN/VIII/on first aid in workplace (2008), Annex I; Minister Regulation No 8/2010, Art. 6(1); Ministry of Public Works Regulation No. 29/PRT/M/2006 on Guidelines of Technical Requirements for Buildings, Annex I Sec. III.3.4; Regulation of the Minister of Labour No. 7 (1964), Art. 9(1), 9(2) and 13(4); Regulation No. PER-01/MEN (1980), Art. II(8); Regulation No. PER-01/MEN on Safety and Health in The Building Construction (1980), Art. 44; Regulation No. PER-04/MEN (1985), Art. 4; FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.3, HSE.6, HSE.13, and HSE.14)

#### Recommendations for Immediate Action

1. Replace lighting in the diesel room, solid chemical storage, temporary hazardous storage, mixing area in Production Building 5, and mixing room near embroidery room in Production Building 6 with the explosive-proof type.
2. Repair the damaged siren on the forklift and inspect every forklift before operation.
3. Install a front panel on every electrical panel and internet panel.
4. Provide an adequate number of fully-stocked first aid kits throughout the factory. Post a list in every first aid kit of required first aid supplies.
5. Establish and implement a regular pest control system.
6. Add at least three government-certified first aid officers to the facility and maintain the correct ratio.
7. Install temperature controls on all hot press machines.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

1. On 2019 have been set up Annual Training Plan 2. Control training progress in monthly basis 3. Already conducted refresh training to all Maintenance & Utility staff who always used the LOTO 4. On progress to conducted refresh training for all workers who working at heat pressing process

### Action Plan no 2.

#### Description

1. Re-assessment for all machinery that required LOTO 2. Made list for the machinery that required LOTO

### Action Plan no 3.

#### Description

1. Review & analyzed traffic/motion on the road inside factory before make plan for pedestrian areas 2. Result of analyzing will use to design pedestrian inside factory 3. Make plan & implementation pedestrian

### Action Plan no 4.

#### Description

1. Update the Electrical Safety Procedure completed with the schedule for internal inspection of the electrical installation 2. Also added at Electrical Safety Procedure with the requirement of government permits for permanent electrical fixtures and back up power sources. 3. Listed at the procedure for requirement to install explosion proof lighting in specific area. 4. Re-socialized for update procedure

#### Action Plan no 5.

##### Description

1. Have been change the tubular lamp with LED lamp (explosion proof lamp) at diesel room, solid chemical storage, temporary hazardous storage, mixing area in Production Building 5, and the mixing room near the embroidery room in Production Building 6

#### Action Plan no 6.

##### Description

1. Factory will be scheduled for first aid officers training by government such as Manpower Dept. and Red Cross Department. 2. Will be trained another 3 workers for First Aider officer who will certified Conducted training by PMI and Local Manpower Department schedule.

#### Action Plan no 7.

##### Description

1. Factory already provided First aid kit (FAK) at every area based on Workers population. PERMENAKERTRANS RI No. 15/MEN/VIII/2008. Ratio = 1:100. 2. Fabric storage (2 FAK) + fabric inspection area (1 FAK) = 64 workers 3. Carton storage area have 1 FAK 4. Provided FAK content based on regulation at all area

#### Action Plan no 8.

##### Description

1. Illnesses report will be conducted every fourth month basis 2. Additions follow up on illnesses report base result of analysis 3. Provide steps need to be taken to minimize repeated occurrence

#### Action Plan no 9.

##### Description

1. Have been repaired for forklift sirens 2. Intensive report for any abnormal problem happen at the forklift

#### Action Plan no 10.

##### Description

1. Installed internet and electrical panel front cover 2. Conducted panel inspection 3. included front cover at the panel on checklist

#### Action Plan no 11.

##### Description

Provided Pest Control System Procedure Make planning for Pest Control implementation

#### Action Plan no 12.

##### Description

Provided HSE information for all guest

#### Action Plan no 13.

##### Description

1. Factory always conducted temperature test by third party (HIPERKES) at some area with high temperature such as hot press, autoclave, finish good, etc. 2. Next measurement will add warehouse material as a sample

#### Action Plan no 14.

##### Description

All of our hot press machines actually already installed temperature control since the beginning



## FINDING NO.11

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

##### Finding Explanation

1. Current procedures for fire safety (No. ESH-H-II-2012-016) and emergencies (No. ESH-S-VII-2015-014) do not include steps to ensure aisles and emergency exits are free from any obstruction to enable a quick evacuation.
2. The emergency procedure (No. ESH-S-VII-2012-016) does not identify the purpose of assembly areas or the location of each of the three designated assembly area.
3. The factory has conducted a fire risk assessment however it is unknown as to when it was conducted as there is no documented date for the assessment. Additionally, the assessment does not define confined spaces or which working processes are considered "hot work." Furthermore, there is no justification for the heat-activated sprinkler system in the production building and carton warehouse.
4. The factory has not provided fire safety training for all 4,298 workers. The last training was conducted in April 2016 for only 253 workers.
5. The factory has not conducted evacuation drills for all workers on both shifts. The drills are only conducted for the first shift of workers (1,116 workers). However, there are 4,023 workers on first shift and 275 workers on second shift.
6. There are two firefighting teams at the factory (two units, each with 18 team members and one government-certified fire warden). However, the factory does not conduct specific fire safety or emergency training conducted for these 36 team members.
7. The fire alarm system in the factory does not have any flashing light indicators for workers with hearing impairments or for noisy areas.
8. On two evacuation maps posted in the solid chemical warehouse, the position of the reader ("you are here") is not accurate.
9. The evacuation arrows on the floor in the solid chemical warehouse are faded, while arrows in the outsole production areas are placed too far apart which makes it difficult to see from one arrow sign to the next.
10. The factory has not installed emergency lights at each exit of the seven dormitory houses or the one small room in the outsole production area.
11. The factory does not have a government-issued permit for the installation of the automatic fire protection (e.g. fire hydrant, hose, extinguisher, sprinkler).
12. The fire risk assessment was conducted internally by the factory's Health, Safety & Environment team rather than by a third-party.

##### Local Law or Code Requirement

Act 28/02, 30.1, and 30.2; INS 11 M BW Attachment Section III Art.5; Labor minister decision KEP.186/MEN/1999. Article 2.2.e.; Manpower Minister Regulation No.2/83. Article 3.1 and Attachment Government Regulation No.50 (2005) Art. 60(2); Manpower Minister Decree 186/99, Art. 2.c; Regulation of the Minister of Labour No.7 (1964), Art. 13(4) and Manpower Minister Instruction No. 11/97 Chapter IV point 5; FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety & Environment Benchmarks HSE.4, HSE.5, HSE.6, and HSE.25)

##### Recommendations for Immediate Action

1. Install a fire alarm that includes flashing lights in addition to an audible siren.
2. Conduct an annual evacuation drill for all workers on both shifts.
3. Conduct specific fire safety and emergency training for all members of the firefighting team.
4. Ensure that all evacuation maps are accurate, including the position of the reader within the map's layout.
5. Ensure evacuation routes are visible with clear arrow signs, placed in close enough proximity to each other, marking towards the nearest emergency exits.
6. Ensure emergency lights are installed on every dormitory houses and in every room of the production buildings.
7. Obtain a permit for the installation of the automatic fire protection.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

- "1. On Fire Safety Management Procedure already add for Emergency Exit are free from any obstruction (No. MPI-P/HSE 016)
2. Resocialization for the update procedure"

- "1. On Fire Safety Management Procedure already add for Assembly point areas (No. MPI-P/HSE 016)
2. Resocialization for the update procedure"

Fire Safety Culture Training conducted for every single workers in yearly basis. The training is planned to be done in a year  
Factory already conducted Fire Drill for all shift; "Fire Drill for Night shift conducted on November 14, 2016. Last Fire Drill for Day shift on May 16, 2017 (10. Night Shift & Day Shift Fire Drill)"

Factory conducted refresh training for Fire Emergency Response Team Regularly in yearly basis

Install Flashing Light indicato