



FAIR LABOR
ASSOCIATION®

INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: The s. Oliver Group

COUNTRY: Indonesia

ASSESSMENT DATE: 10/19/16

ASSESSOR: Donny Triwandhani

PRODUCTS: Apparel

NUMBER OF WORKERS: 2600

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: Training (Macro)

Finding Explanation

1. Based on the training materials, orientation for new workers does not include an explanation of Compensation, Hours of Work, Industrial Relations, Grievance System or Environmental Protection. In addition, new workers do not receive written documentation that substantiates all the issues covered in orientation. A copy of the workplace rules is not provided to each worker during orientation.
2. There is no specific training for the relevant supervisors on the following Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, Grievance System and Environmental Protection.
3. There is no ongoing training for employees on Recruitment, Hiring & Personnel Development, Termination & Retrenchment, or Environmental Protection

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15, ER.17)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory has already given the orientation for new workers including an explanation of Compensation, Hours of Work, Industrial Relations, Grievance System or Environmental Protection. In addition the factory ensures that new workers receive the written documentation that substantiates all the issues covered in orientation. A copy of the workplace rules was provided to each worker during orientation.

The factory has already given specific training for the relevant supervisors on the following Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, Grievance System and Environmental Protection.

Action Plan no 2.

Description

1. The factory has been already giving the orientation for new workers including an explanation of Compensation, Hours of Work,

Industrial Relations, Grievance System or Environmental Protection. The orientation training takes place for 3 days. The first day explains information with regards to company profile, information and facilities and the company Work Rules. The second day's topic is occupational health and safety and classroom work orientation training by the supervisors. The third day explains more details on compensation, benefits, company work rules (including hours of work, industrial relations), grievance system. Environment training is conducted after employment.

2. The factory started to give summary (handout) of training induction materials starting from November 2016 and will keep the record of workers' receipt starting January 2017 recruitment. The work rules actually had been given even before the FLA assessment) on the final day of the induction training. The company keeps the records of workers' signatures as evidence of receiving the Work Rules in the form of pocket books.

3. For supervisors, apart from communication skills training which was regularly conducted in the past, since January 2017, the factory has already given specific training for the relevant production superiors, i.e.: assistant supervisors, supervisors, chiefs, in charges. on the following Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, Grievance System and Environmental Protection.

4. Employees refreshment trainings for existing employees have been held to educate employees on Employment Functions since 2014 on a weekly basis, environmental protection training has been started from January 18, 2017 so that all employment functions and environmental protection are covered during the refreshment trainings.

Action Plan no 3.

Description

1. The factory has been already giving the orientation for new workers including an explanation of Compensation, Hours of Work, Industrial Relations, Grievance System or Environmental Protection. The orientation training takes place for 3 days. The first day explains information with regards to company profile, information and facilities and the company Work Rules. The second day's topic is occupational health and safety and classroom work orientation training by the supervisors. The third day explains more details on compensation, benefits, company work rules (including hours of work, industrial relations), grievance system. Environment training is conducted after employment.

2. The factory started to give summary (handout) of training induction materials starting from November 2016 and will keep the record of workers' receipt starting January 2017 recruitment. The work rules actually had been given even before the FLA assessment) on the final day of the induction training. The company keeps the records of workers' signatures as evidence of receiving the Work Rules in the form of pocket books.

3. For supervisors, apart from communication skills training which was regularly conducted in the past, since January 2017, the factory has already given specific training for the relevant production superiors, i.e.: assistant supervisors, supervisors, chiefs, in charges. on the following Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, Grievance System and Environmental Protection.

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Company Action Plan Update

1. The factory has been already giving the orientation for new workers including an explanation of Compensation, Hours of Work, Industrial Relations, Grievance System or Environmental Protection. The orientation training takes place for 3 days. The first day explains information with regards to company profile, information and facilities and the company Work Rules. The second day's topic is occupational health and safety and classroom work orientation training by the supervisors. The third day explains more details on compensation, benefits, company work rules (including hours of work, industrial relations), grievance system. Environment training is conducted after employment.

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3. For supervisors, apart from communication skills training which was regularly conducted in the past, since January 2017, the factory has already given specific training for the relevant production superiors, i.e.: assistant supervisors, supervisors, chiefs, in charges. on the following Employment Functions: Recruitment, Hiring & Personnel Development, Compensation, Hours of Work, Termination & Retrenchment, Industrial Relations, Workplace Conduct & Discipline, Grievance System and Environmental Protection.

4. Employees refreshment trainings for existing employees have been held to educate employees on Employment Functions since 2014 on a weekly basis, environmental protection training has been started from January 18, 2017 so that all employment functions and environmental protection are covered during the refreshment trainings.

FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Review Process (Macro)

Finding Explanation

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

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

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

Action Plan no 2.

Description

The factory has started to make policies and procedures on the review process and targeted to be completed in June 2017 including its review period. The factory plans to review the policies and procedures on annual basis.

Company Action Plan Update

The factory has started to make policies and procedures on the review process and targeted to be completed in June 2017 including its review period. The factory plans to review the policies and procedures on annual basis.

FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. Around 570 out of 2,239 production workers (25.46% of workers) are workers employed under a PKWT fixed-term contract for one to two years, which the factory may be renew once, although they are working permanent jobs in the cutting, sewing, finishing and packing departments. At the end of their contracts, workers are either converted into permanent workers or are dismissed.
2. According to management, there is only one worker with a disability out of 2,558 workers which is not in compliance with local law which requires the factory to hire one person with disabilities per 100 workers. Thus, for a factory with 2,558 workers, the factory must hire at least 26 workers with disabilities to satisfy legal requirements. The factory has not established a program to train and hire more workers with disabilities.
3. The factory's policy and procedures on performance reviews do not include criteria to avoid discrimination (e.g., steps and processes, linkages to job grading, compliance with legal requirements). Moreover, workers do not have access to their evaluations or the right to provide feedback.

Local Law or Code Requirement

Law No. 13 on Manpower (2003), Art. 59; Law No. 4 of 1997 Art. 14; FLA Workplace Code (Employment Relationship Benchmarks ER.7, ER.8, ER.9, ER.11, and ER.29)

Recommendations for Immediate Action

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.

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory has implemented a program to hire more disabled workers and give the training to recruitment officer.

Action Plan no 2.

Description

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The factory's policy and procedures on performance reviews do not include criteria to avoid discrimination (e.g., steps and processes, linkages to job grading, compliance with legal requirements). Moreover, workers do not have access to their evaluations or the right to provide feedback.

Company Action Plan Update

Around 570 out of 2,239 production workers (25.46% of workers) are workers employed under a PKWT fixed-term contract for one to two years, which the factory may be renew once, although they are working permanent jobs in the cutting, sewing, finishing and packing departments. At the end of their contracts, workers are either converted into permanent workers or are dismissed.

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The factory's policy and procedures on performance reviews do not include criteria to avoid discrimination (e.g., steps and processes, linkages to job grading, compliance with legal requirements). Moreover, workers do not have access to their evaluations or the right to provide feedback.

Action Plan no 3.

Description

As per May 2017, some percentage of the workers who work in the cutting, sewing, finishing and packing are new workers so that they are still on contractual workers before appointed as permanent workers in the future. Although there are still contractual workers, the company has been constantly increasing the percentage of permanent workers. The factory has been reviewing the current company policy and procedures, and will add hiring of disabled workers in the policy and procedures including the number of disabled workers hired. The factory will also train the related employees / recruitment officers. Please note that factory has been putting efforts in recruiting more workers by cooperation with disabled foundations but found difficulties on convincing to work in the factory. Target to hire one disabled employee per month from March 2017, except there are more disabled applicants. --- The factory has the policies and procedures for performance review, however it is only applicable for staff. The factory will make the criteria for performance review according to its criteria to avoid discrimination and performance grading together with Production Manager, HR Manager and Management. Will review and include the procedure that that workers have access and to be able to give feedback for the evaluations. Target to be implemented in June 2017.

Company Action Plan Update

As per May 2017, some percentage of the workers who work in the cutting, sewing, finishing and packing are new workers so that they are still on contractual workers before appointed as permanent workers in the future. Although there are still contractual workers, the company has been constantly increasing the percentage of permanent workers. The factory has been reviewing the current company policy and procedures, and will add hiring of disabled workers in the policy and procedures including the number of disabled workers hired. The factory will also train the related employees / recruitment officers. Please note that factory has been putting efforts in recruiting more workers by cooperation with disabled foundations but found difficulties on convincing to work in the factory. Target to hire one disabled employee per month from March 2017, except there are more disabled applicants. --- The factory has the policies and procedures for performance review, however it is only applicable for staff. The factory will make the criteria for performance review according to its criteria to avoid discrimination and performance grading together with Production Manager, HR Manager and Management. Will review and include the procedure that that workers have access and to be able to give feedback for the evaluations. Target to be implemented in June 2017.

FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The factory pays workers on the fifth day of each month via bank transfer. However, the last salary of workers who resign without notice is held until the workers return their ID badge to the factory, at which point their salary will be paid in cash. For example:
 - a. A worker from the ironing section, who has not worked at the factory since August 2015, has still not collected her last salary of IDR 1,378,000 (USD 106).
 - b. Around 514 workers who resigned without notice between August 2015 and September 2016 have not received their last paycheck which range from IDR 1,000 to IDR 1,494,000 (a total of IDR 145,317,000 (USD 11,178) in unpaid wages).
2. The factory does not pay terminated or resigned workers for their unused annual leave.
3. The factory does not pay workers the correct overtime compensation rate (200%) to workers who work on their rest day (Saturday). Instead, the factory provides workers with an compensatory weekday day off. For example:
 - a. On Thursday, September 15, 2016, 11 workers from the cutting section were given a day off due to production down time but were required to work on their rest day, Saturday, September 17, 2016.
 - b. On Monday, September 19, 2016, 47 workers from sewing line number 15 were given a day off due to production down time but were required to work on their rest day, Saturday, October 1, 2016.
4. The factory does not compensate loading workers for waiting during overtime. For example, on September 30, 2016, time records showed loading workers worked overtime from 5:00 PM to 10:30 PM. According management, the workers were requested to go home at 6:00 PM, come back at 8:30 PM, and work until 10:30 PM, however workers were not compensated for these 2.5 hours of waiting.
5. The factory does not have a consistent policy on paying sick leave when workers ask to go home early due to illness. In cases where workers have left the factory early due to illnesses, some workers were paid a full day's wage while others were only paid for the hours worked. For example:
 - a. On July 20, 2016, a worker from sewing line 3 received written approval to go home at 1:00 PM due to illness, however she was paid a

- full-days' wages. There is no record from the clinic regarding the diagnosis of this worker.
- b. On August 29, 2016, a worker from the packing section received written approval to go home at 11:30 AM due to illness, and was only paid a half-day's wages. The clinic record showed he reported being dizzy and had nausea.
6. Based on the factory's records of contributions to the Government Healthcare Program (BPJS), it was noted that only 680 out of 2,558 workers are registered with BPJS. According to management, 1,380 workers are covered with either of the free government healthcare program (Jamkesmas and Jamkesda), 252 workers are covered with the independent private healthcare program provided by the factory (PKU Muhammadiyah), and 14 workers have independently registered with BPJS and pay for it themselves. The remaining workers (232) are not covered under any insurance program. The factory does not have any evidence (such as copies of workers' Jamkesmas or Jamkesda cards) demonstrating that the 1,380 workers are covered under the free government healthcare program).
7. The casual daily rate workers are not entitled to public holiday pay although by law these workers are entitled to holiday pay. Moreover, casual daily rate workers are not registered to receive social security (work accident insurance and life insurance). For example, the employment contract for a casual worker in the finishing section stated she was hired from September 2 to September 28, 2016, but was not paid for the public holiday on Monday, September 12, 2016 (Muslim Day of Sacrifice).
8. Casual daily rate workers are not provided with pay slips when receiving their wages via cash payment. The factory only requires workers to sign on a list of their names and total amount paid.
9. The factory does not provide female workers with menstruation leave, as legally required.

Local Law or Code Requirement

Government Regulation No. 8 on the Protection of Wages (1981), Art. 11; Labor Law No. 13 (2003), Art. 156 (3); Decision of the Minister of Manpower and Transmigration No. KEP 102/MEN/VI on Overtime work and Overtime pay (2004), Art. 4(1), Art. 9 (1) and Art. 11 c; Law No. 13 on Manpower (2003), Art. 93(2); Law No. 24 Year 2011 Chapter V Article 15 (1); Manpower Minister's Regulation No. PER-03/MEN on Workman's Wage on Official Holiday (1987), Art. 3(2); Ministry of Manpower Decision No. KEP-150/MEN on Social Security Program Implementation for Daily Workers, Piece Rate Workers, and Contract Workers (1999), Art. 9 (1); Law No. 13 on Manpower (2003), Art. 81; Government Regulation No. 78 on the Protection of Wages (2015), Art. 57 (5) and Art. 58; Law No. 13 on Manpower (2003), Art. 53; FLA Workplace Code (Employment Relationship Benchmarks ER.11, ER.18, ER.19, ER.22; Hours of Work Benchmarks HOW.1.1; HOW.11; HOW.16; Harassment & Abuse Benchmark H/A.2; Compensation Benchmarks C.1, C.4, C.5, C.7, C.11, C.13, and C.14)

Recommendations for Immediate Action

1. Pay the last salary of all former workers, including those who have resigned without notice, through bank transfer without delay. Include unused annual leaves in termination payouts for terminated or resigned contract workers.
2. Compensate workers at the legal premium rates for work performed on rest days, regardless if a substitute off-day is provided.
3. Correctly pay all overtime hours at the legal overtime rate.
4. Consistently implement the payment of sick leave. Ensure workers are paid a full-day's wages when they are unable to complete their regular working hours due to illness.
5. Ensure all workers are covered under the BPJS Healthcare Program.
6. Provide casual daily rate workers with BPJS social security (work accident insurance and life insurance).
7. Ensure casual daily rate workers receive public holiday pay when the period of their employment contract includes public holidays.
8. Provide menstrual leave to female workers, as per legal requirements.
9. Create detailed pay slips that reflect the daily wage, number of working days, overtime (OT) hours, OT rate, OT pay, required deductions, net pay, and worker's signature. Provide casual daily rate workers a copy of their pay slip.
10. Maintain written consent from workers for deductions towards the cooperative store.
11. Cease monetary penalties for all workers, including outsourced security guards.
12. Ensure all Recruitment & Hiring costs, including the employment contract's legal stamp, are paid by factory.

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory has already changed the salary payment policy and transfers the salary of the workers who resign with or without notice after they are return their ID card to the factory.

Action Plan no 2.

Description

1) The factory has decided to pay the salaries including the unused annual leave for resigned workers through bank transfer starting from April 2017 on the same date with active workers without needing the resigned workers to return the ID cards. 2) Meeting between factory management and s.Oliver Sustainability staff has been held on May 9th, 2017 and factory managements dediced to stop the swap days which caused by production reasons. 3) The factory has stopped the waiting time practice for workers for additional overtime in November 2016. All work after normal working hours are calculated as overtime. 4) The finding was a single incident due to the worker did not ask sick letter but only permit to go home early from HR department. Training of

correct sick leave procedure to new and existing workers will be held continuously starting from June 2017. 5) The factory has improved the health insurance coverage by registering the workers right after the recruitment instead of after 3 months service. As per May 2017, the coverage are as follows: a) Factory registration of BPJS Kesehatan 691 workers, b) Hospital coverage by factory (PKU Muhammadiyah) 59 workers, c) Jamskesmas (registered by local government) 1526, d) Jamskesda/Askes (registered by government) 12 workers, e) covered by other companies (50), f) Self-registration workers 20 workers. The factory has added 27 workers or this month, making total of factory coverage to BPJS Kesehatan is 718 workers (30% from registered coverage). Daily workers and new workers are registered to hospital coverage arranged by the factory. Factory will register the self-participation coverage (20 persons) in July 2017. 100% workers are covered for various types of health insurance. 6) Payment to public holiday for daily workers are following the daily work principle, calculated from the number of days the workers worked. Factory will make announcement that daily workers whom are not covered by social insurance, the factory is responsible for any incidents according to the mandatory regulation for social insurance (BPJS Ketenagakerjaan). The factory has provided payslip to daily workers starting from November 2016. 7) The factory has provided menstruation leave for female workers and have included this point in the work rules period (valid from March 2016 to 2018) and internal policy and procedure. The factory has also added this point in the induction and refreshment trainings to all workers. 8) Letter of consent for cooperative deduction has been distributed and signed by all workers who joined cooperative in November 2016. 9) The factory has discussed the issue with the third party which provides security guards for the factory and it was agreed to deduct the third party's security guards as per regulation. No absenteeism is noted after the discussion so that evidence is not available. 10) The factory has removed the requirement of using stamp for working agreements since January 2017.

Company Action Plan Update

1) The factory has decided to pay the salaries including the unused annual leave for resigned workers through bank transfer starting from April 2017 on the same date with active workers without needing the resigned workers to return the ID cards. 2) Meeting between factory management and s.Oliver Sustainability staff has been held on May 9th, 2017 and factory managements deduced to stop the swap days which caused by production reasons. 3) The factory has stopped the waiting time practice for workers for additional overtime in November 2016. All work after normal working hours are calculated as overtime. 4) The finding was a single incident due to the worker did not ask sick letter but only permit to go home early from HR department. Training of correct sick leave procedure to new and existing workers will be held continuously starting from June 2017. 5) The factory has improved the health insurance coverage by registering the workers right after the recruitment instead of after 3 months service. As per May 2017, the coverage are as follows: a) Factory registration of BPJS Kesehatan 691 workers, b) Hospital coverage by factory (PKU Muhammadiyah) 59 workers, c) Jamskesmas (registered by local government) 1526, d) Jamskesda/Askes (registered by government) 12 workers, e) covered by other companies (50), f) Self-registration workers 20 workers. The factory has added 27 workers or this month, making total of factory coverage to BPJS Kesehatan is 718 workers (30% from registered coverage). Daily workers and new workers are registered to hospital coverage arranged by the factory. Factory will register the self-participation coverage (20 persons) in July 2017. 100% workers are covered for various types of health insurance. 6) Payment to public holiday for daily workers are following the daily work principle, calculated from the number of days the workers worked. Factory will make announcement that daily workers whom are not covered by social insurance, the factory is responsible for any incidents according to the mandatory regulation for social insurance (BPJS Ketenagakerjaan). The factory has provided payslip to daily workers starting from November 2016. 7) The factory has provided menstruation leave for female workers and have included this point in the work rules period (valid from March 2016 to 2018) and internal policy and procedure. The factory has also added this point in the induction and refreshment trainings to all workers. 8) Letter of consent for cooperative deduction has been distributed and signed by all workers who joined cooperative in November 2016. 9) The factory has discussed the issue with the third party which provides security guards for the factory and it was agreed to deduct the third party's security guards as per regulation. No absenteeism is noted after the discussion so that evidence is not available. 10) The factory has removed the requirement of using stamp for working agreements since January 2017.

FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. Based on 60 sample time records, daily and weekly overtime hours exceed the legal maximum and FLA Code. The details are as follow:
 - a. In September 2016, four loading workers worked up to five hours of overtime for one to three days.
 - b. In May 2016, six of the 20 sampled workers from the finishing and quality control sections worked overtime of up to four hours per day (for a total of 12 hours per day, including 8 regular hours) and up to 27 hours per week (for a total of 67 hours per week, including 40 regular hours).
 - c. In April 2016, four of the 20 sampled workers from the quality control section worked up to 20.5 hours of overtime per week (for a total of 60.5 work hours per week, including 40 regular hours).
2. From May 16 to 28, 2016, eight out of the 60 sampled workers from finishing and quality control sections worked for 13 consecutive days without a day off

3. The working-hours records do not identify pregnant or lactating women.

Local Law or Code Requirement

Decision of the Minister of Manpower and Transmigration No. KEP 102/MEN/VI (2004), Art. 3; Law No. 13 on Manpower (2003,) Art. 79(1) - (2b); FLA Workplace Code (Hours of Work Benchmarks HOW.1, HOW.2, HOW.5.1, and HOW.8)

Recommendations for Immediate Action

1. Ensure that workers do not work more than the legal limits: more than three hours of overtime per day or 60 hours per week, including overtime.
2. Provide all workers with at least one rest day (24 consecutive hours) for every seven-day period.
3. FLA affiliate Company's Sourcing and Social Compliance teams should implement FLA Principles of Fair Labor and Responsible Sourcing and, to help the factory address its excessive hours issue, coordinate accordingly on the following topics: how to provide better order forecasts to the factories; possible workshops/consultancy for the factory on how to improve productivity/quality; clear guidelines on how to extend shipment deadlines in case of contingencies; steps that factory management must follow if overtime is inevitable; clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks; and clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime.
4. Identify pregnant and lactating women in the working-hours records to ensure they receive all legal protections regarding their working hours.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Due to certain business contingency, the factory had to do excessive overtime to meet the urgent shipments. In future, the factory will to restrict the overtime hours so that we they do not exceed the statutory limits

Action Plan no 2.

Description

Ensure that workers do not work more than the legal limits:

more than three hours of overtime per day or 60 hours per week, including

overtime.

Provide all workers with at least one rest day (24

consecutive hours) for every seven-day period.

FLA affiliate Company's Sourcing and Social Compliance teams

should implement FLA Principles of Fair Labor and Responsible Sourcing and, to

help the factory address its excessive hours issue, coordinate accordingly on

the following topics: how to provide better order forecasts to the factories;

possible workshops/consultancy for the factory on how to improve

productivity/quality; clear guidelines on how to extend shipment deadlines in

case of contingencies; steps that factory management must follow if overtime is

inevitable; clear guidelines on the calculation and setting of reasonable

production targets that will not demand work beyond regular working hours or

during breaks; and clear guidelines on how and when the factory can use

subcontractors and/or temporary workers to avoid excessive overtime.Identify pregnant and lactating women in the working-hours

records to ensure they receive all legal protections regarding their working

hours.

Company Action Plan Update

The factory has been using working hour monitoring system to alert excessive overtime. However, due to business contingency, factory still has excessive overtime to meet the urgent shipments during peak production months. Factory will make guidelines on: Order forecast, production target, improving productivity and quality, shipment deadline extension, use of subcontractors for CMT, add temporary workers. All to avoid excessive overtime. Factory will also identify pregnant and lactating women to avoid working overtime.

FINDING NO.6

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

The factory does not communicate its Termination & Retrenchment policy and procedures or their updates to the general workforce.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, and ER.32)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory has already communicated the termination & retrenchment policy and procedure to the general workforce

Action Plan no 2.

Description

The factory shall communicate its Termination & Retrenchment policy and procedures or their updates to the general workforce.

Company Action Plan Update

The factory has already communicated the termination & retrenchment policy during refreshment training for workers (Company Work Rules). Next step will train the policies and procedures to the staff, supervisors and managers levels

FINDING NO.7

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. There is a union, Ikatan Karyawan Ameya (IKA), which was established in 2014. However the factory does not provide the union with facilities, such as an office, to properly function. Moreover, the factory does not have a process to collectively bargain with the union.
2. The worker integration 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.

Local Law or Code Requirement

Law No. 13 on Manpower (2003), Art. 116 (1); FLA Workplace Code (Freedom of Association and Collective Bargaining Benchmarks FOA.15, FOA.17; Employment Relationship Benchmarks ER.1, ER.25, and ER.30)

Recommendations for Immediate Action

Provide the union with the necessary facilities, such as an office, to function.

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory provide a room for union Ikatan Karyawan Ameya (IKA)

Action Plan no 2.

Description

Provide the union with the necessary facilities, such as an

office, to function.

Company Action Plan Update

The factory has been in renovation and in the new lay out factory will prepare a room for union (Ikatan Karyawan Ameya (IKA)).

FINDING NO.8

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. Managers and supervisors at the factory sometimes yell at workers or use demeaning language. During the assessment, an expatriate Quality Control manager yelled and screamed at a group of local supervisors and workers in the production area. During worker interviews, three workers stated that their supervisors, who are local, sometime use demeaning or insulting language when workers made mistakes or their production output was behind the daily target. The factory did not discipline the QC manager, nor is there a system in place to discipline supervisors, managers and workers who engage in any form of harassment or abuse. Furthermore, although the factory trains local supervisors, the factory do not provide expatriate managers with any training on anti-harassment and abuse.
2. There were cases where workers are required to write and sign statement regarding their misconduct, a practice which is not included in the factory rules and regulation. Different disciplinary rules are implemented by the chief of some departments in production area. For example:
 - a. On February 2, 2016, a worker from the component section was given a Type 3 warning letter for not following the supervisor's order which resulted in delaying production. The chief required her to write a statement expressing her willingness to be suspended from work for three days (from Friday, February 26 to Tuesday, February 29, 2016) as a punishment. This statement is maintained in her personnel file.
 - b. During the assessment, a signed statement from a current worker in the component section was found on the work floor. The

statement letter, which was kept by the chief, said: "I intend to work and will not run away before completing the one-year contract. If I do, I'm willing to be punished and the employment contract can be brought to [court]" The HR department was unaware of this signed statement.

3. The factory does not implement the 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. Warning letters also do not include any reference to the worker's misconduct, as regulated in the factory rules and regulations.

4. A physical pat down is conducted by same-gender security guards to each worker twice a day: before leaving the building for break and before going home.

Local Law or Code Requirement

Constitution of Indonesia (1945), Art. 28G; FLA Workplace Code (Employment Relationship Benchmarks ER.16.1.1, ER.17, ER.27; Harassment or Abuse Benchmarks H/A.1, H/A.5, H/A.8.1 and H/A.10.2)

Recommendations for Immediate Action

1. To maintain a work environment free from Harassment & Abuse, the following are to be followed: (a) Establish Zero Tolerance Policy, including an effective Harassment & Abuse handling system. Regularly train and communicate this Zero Tolerance Policy to supervisors, factory management and workers during regular meetings. Regularly communicate the Zero Tolerance Policy to all employees through morning briefings, surveys, and other meetings; (b) Include the Zero Tolerance Policy and Harassment & Abuse policy in the orientation training for new workers; and (c) Establish Labor and Industrial team in charge of Harassment & Abuse issues at the factory, who are subgroups of the Human Resource Management team and directly report to the Human Resource Management team. The new Labor and Industrial teams should conduct monthly Harassment & Abuse training for workers, chiefs, and supervisors in all departments, including annual refresher training.

2. Ensure chiefs and supervisors do not implement rules outside of the factory's rules and regulations, particularly with the intention of intimidating or threatening workers.

3. Refrain from regular pat downs and only conduct when necessary.

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory has already given anti-harassment and abuse to supervisor and manager in the factory. However, the factory will also give the training to the expatriate.

Action Plan no 2.

Description

To maintain a work environment free from Harassment & Abuse, the following are to be followed: (a) Establish Zero Tolerance Policy, including an effective Harassment & Abuse handling system. Regularly train and communicate this Zero Tolerance Policy to supervisors, factory management and workers during regular meetings. Regularly communicate the Zero Tolerance Policy to all employees through morning briefings, surveys, and other meetings; (b) Include the Zero Tolerance Policy and Harassment & Abuse policy in the orientation training for new workers; and (c) Establish Labor and Industrial team in charge of Harassment & Abuse issues at the factory, who are subgroups of the Human Resource Management team and directly report to the Human Resource Management team. The new Labor and Industrial teams should conduct monthly Harassment & Abuse training for workers, chiefs, and supervisors in all departments, including annual refresher training. Ensure chiefs and supervisors do not implement rules outside

of the factory's rules and regulations, particularly with the intention of intimidating or threatening workers. Refrain from regular pat

downs and only conduct when necessary.

Company Action Plan Update

1) The Quality Control Manager was briefed directly individually after the assessment. Factory will review the policy and procedures for harassment and abuse and include the how workers can report the violation and HR Manager must meet individually to the

supervisors who have been reported. Targeted to be finished in June 2017 and train the new policy and procedures during refreshment trainings. 2) The factory has already given anti-harassment and abuse to supervisors, chiefs and managers on December 30th, 2016. Factory will also give the training to the expatriates in June 2017. 3) Upon investigation after the assessment, it is found that the superior in the component department has implemented his own way without consulting the HR Department. The superior was called for briefing and verbally warned to stop the practice. 4) The factory will revise the procedure for warning letter during the policy and procedure review which will be finished in June 2017 and the new policy and procedures will be trained during code of conduct refreshment training for workers and supervisors. 5) The physical pat down has been conducted following C-TPAT requirements. However factory is ensuring that it is done by the same-gender.

FINDING NO.9

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Grievance System

Finding Explanation

It was noted that management's response on grievances submitted by workers are not posted and clearly communicated to workers.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.25)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory will ensure that all the response on grievance which submitted by workers are posted and clearly communicated to the workers.

Action Plan no 2.

Description

Management's response on grievances submitted by workers shall be posted and clearly communicated to workers.

Company Action Plan Update

After collecting the grievances submitted by the workers, meeting with workers' union were held on discussing the workers' grievances. Factory has posted the result of meeting with workers' unions.

FINDING NO.10

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. The factory does not have any written policy or procedures regarding Environmental Protection, though some documents or systems exist to manage practices.
2. The factory management has not issued a written statement of its general support of energy and water efficiency as well as a commitment to minimize impacts with respect to air emissions, waste, hazardous materials, and other environmental risks.
3. There are no written procedure for managing its environmental impact to its surroundings; reporting health, safety and environmental concerns; to enable workers raise environmental concerns; or protection for workers who allege health, safety and environmental violations.
4. The factory does not communicate with the general workforce on Environmental Protection policies and procedures or their updates.
5. The factory does not have a system to record and keep records of cleaning of the air emissions of the boiler machine.

6. There is no written procedure and system to respond to any unexpected environmental emergency such as chemical spills or gas leak, etc.

Local Law or Code Requirement

Law No.32 on Environmental Protection and Management (2009), Article 23: (1): Environmental Minister Decree 13/3/95 Article 7 subsection 1; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, and ER.31; Health, Safety, and Environment Benchmarks HSE.1 and HSE.5.4)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory has already made the written policy and procedure regarding with Environmental Protection. However, the factory did not give a training to all workers regarding with environmental, energy and water efficiency yet.

Action Plan no 2.

Description

1. The factory shall develop a written policy or procedures regarding Environmental Protection.
2. The factory management shall have a written statement of its general support of energy and water efficiency as well as a commitment to minimize impacts with respect to air emissions, waste, hazardous materials, and other environmental risks.
3. There shall be a written procedure for managing its environmental impact to its surroundings; reporting health, safety and environmental concerns; to enable workers raise environmental concerns; or protection for workers who allege health, safety and environmental violations.
4. The factory shall communicate with the general workforce on Environmental Protection policies and procedures or their updates.
5. The factory shall have a system to record and keep records of cleaning of the air emissions of the boiler machine.
6. There shall be a written procedure and system to respond to any unexpected environmental emergency such as chemical spills or gas leak, etc.

Company Action Plan Update

1,2,3,6) The factory will review the current environment policy and procedures and also make written statement for general support, managing environment impacts, enable workers to raise the concerns and protection for workers and will communicate with general workforce. . 4) Training to all workers regarding with environmental, energy and water efficiency have been gradually conducted 5) A system to record and keep records of cleaning of the air emissions of the boiler machine, the written procedure of boiler emission chimney / channel cleaning will be made and finished.

FINDING NO.11

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory does not have the equipment to implement the existing lockout-tagout procedure.
2. The factory does not have a list of workers responsible for responding to emergencies (their qualifications, certification, names and/or titles), nor does it define in writing the roles and responsibilities of emergency personnel, including the fire warden or other workers responsible for responding to fires.
3. The factory does not have written guidance documents for external contractors and service providers concerning Health & Safety.
4. There is no system to protect the reproductive health of workers through minimizing exposure to workplace hazards.

5. There is no procedure for workers to raise health and safety concerns nor protection against retaliation for those who do.
6. The factory does not have any written procedures to ensure the following: confined spaces appropriately restrict entry, workers only enter confined spaces after appropriate measures have been taken to protect themselves from hazards, and atmospheric tests to ensure the air is safe prior to workers entering confined spaces.

Local Law or Code Requirement

Ministry of Public Works Regulation No. 29/PRT/M/2006 on Guidelines of Technical Requirements for Buildings, Annex I Sec. III.3.4; Decision of Minister of Manpower No. KEP-186/MEN/1999 on Fire Prevention Units at Workplaces (1999), Art. 2; Government Regulation No. 50 on Implementation of Management System Occupational Health and Safety (2012), Art. 8; FLA Workplace Code (Employment Relationship Benchmark ER.31, Health, Safety & Environment Benchmarks HSE.2, HSE.12, HSE.14; Nondiscrimination Benchmark ND.8)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory will implement the existing lockout-tag out procedure. The factory has established the emergency response team including their responsibility. The factory will make the guidance documents for external contractors and service providers concerning Health & Safety are provided. The factory has established the policy and procedure for confined spaces already.

Action Plan no 2.

Description

1. The factory shall have the equipment to implement the existing lockout-tagout procedure.
2. The factory shall have a list of workers responsible for responding to emergencies (their qualifications, certification, names and/or titles), and define in writing the roles and responsibilities of emergency personnel, including the fire warden or other workers responsible for responding to fires.
3. The factory shall have a written guidance documents for external contractors and service providers concerning Health & Safety.
4. There shall be a system to protect the reproductive health of workers through minimizing exposure to workplace hazards.
5. There shall be a procedure for workers to raise health and safety concerns nor protection against retaliation for those who do.
6. The factory shall have a written procedures to ensure the following: confined spaces appropriately restrict entry, workers only enter confined spaces after appropriate measures have been taken to protect themselves from hazards, and atmospheric tests to ensure the air is safe prior to workers entering confined spaces.

Company Action Plan Update

1) The factory has already had log out tag out procedure since 2016 and in progress to implement the procedure by providing the labels and keys and the procedures will be fully implemented in December 2017. Further review will be conducted in the following year. 2) The factory has already made the emergency response team including the fire warden or other workers responsible for responding to fires since November 2016 and endorsed by Local Manpower Department. 3) The factory is in progress to make the written guidance documents for external contractors and will socialize to them. It would be completed by July 2017. 4) The factory had a system for pregnant workers to minimize the exposure of hazards since 2015 and they are in progress to develop the system to protect the reproductive health of workers. 5) The factory will make the procedure for workers to raise health and safety concerns nor protection against retaliation to those who do on July 2017. 6) The factory has already made the written procedure of confined spaces since March 2017.

FINDING NO.12

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

- 1.The factory does not provide training on proper lifting techniques or provided workers with the necessary PPE (lifting belts).
- 2.The factory does not provide specific training to workers with additional responsibilities, such as the fire brigade, workers who are responsible for responding to an emergency, workers who are designated with maintenance responsibilities, or workers who maintain confined spaces in the factory

Local Law or Code Requirement

Act No. 1 on Safety (1970), Art. 9(3); FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.5, HSE.6.2, and HSE.17)

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory will provide training on proper lifting techniques or provided workers with the necessary PPE (lifting belts). The factory will provide specific training to workers with additional responsibilities, such as the fire brigade, workers who are responsible for responding to an emergency, workers who are designated with maintenance responsibilities, or workers who maintain confined spaces in the factory.

Action Plan no 2.

Description

The factory shall provide training on proper lifting techniques or provided workers with the necessary PPE (lifting belts).

The factory shall provide specific training to workers with additional responsibilities, such as the fire brigade, workers who are responsible for responding to an emergency, workers who are designated with maintenance responsibilities, or workers who maintain confined spaces in the factory

Company Action Plan Update

1) They factory will conduct ergonomic training for lifting techniques to the workers and provide the necessary PPE (lifting belts) on August 2017. 2) Trainings have been provided for workers with additional responsibilities in November 2016.

FINDING NO.13

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Only one out of two exits in the fabric warehouse are indicated as emergency exits on the evacuation map. In addition, one out of two emergency exits in the finishing section was locked.
2. The evacuation markings on the floor in the preparation area of the mezzanine floor have not been updated since the production layout was changed. As a result, some of the markings overlap the revised production lines and are not clear or easy to follow.
3. The evacuation maps in the cutting section and fabric warehouse are misleading; although the factory has changed the layout of the areas, it has not updated the evacuation maps to reflect the current layouts.
4. The factory does not provide the appropriate PPE to fight fires (e.g., breathing apparatus, helmet, gloves, boots, turnout pants and jacket).
5. The factory has not installed fire extinguishers on either the first or second floors of the new warehouse building.
6. There is no fire hydrant available at the factory.
7. The factory does not commission a third-party expert to conduct a fire risk assessment.
8. There is no system in place to account for all workers during an emergency evacuation.
9. The factory does not conduct a regular inspection of the fire alarm.
10. The factory has not established an emergency evacuation response team.
11. The factory does not maintain a list of the workers (names and/or titles) responsible for managing the fire equipment.
12. The Health & Safety procedure does not include the safe evacuation of all personnel, visitors, contractors, service providers, and all

special categories of workers.

Local Law or Code Requirement

Safety Act No.1/1970, Article 3; Labor minister regulation PER-07/MEN/1964, Article 13 Decision of Minister of Manpower No. KEP-186/MEN/1999 on Fire Prevention Units at Workplaces (1999), Article 2; Regulation of the Minister of Manpower and Transmigration No. PER-04/MEN (1980), Art. 4(5); Ministerial Decree of Public Works No. 10/KPTS on Technical Security Provisions of Fire Hazard in Buildings and Environment (2000), Annex Chapter V, Art. 3 (3); Safety Act No.1/1970, Article 3; Regulation of the Minister of Manpower No. PER-02/MEN on Automatic Fire Alarm Installations (1983), Art. 57; FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.5, and HSE.6)

Recommendations for Immediate Action

1. Provide at least two accessible exit doors for all areas in the production building.
2. Place clear and easily identifiable markings on the floor leading to emergency exits;
3. Post evacuation maps that correctly indicate the direction of emergency exits.
4. Provide firefighters with all necessary Personal Protective Equipment (PPE).
5. Install fire extinguishers on all floors of the new warehouse building.
6. Install a water fire hydrant onsite.

COMPANY ACTION PLANS

Action Plan no 1.

Description

The factory will ensure that all the emergency exits was not locked.

The factory has already reviewed and updated the arrow sign as per current lay out in the production

The factory has already updated the evacuation map in the cutting and fabric warehouse as per the current layout

The factory will provide the PPE for fire fighting

The factory has already already installed the fire extinguisher in the new warehouse building

The factory will install fire hydrant

The factory will review it and commission a third party expert to conduct a fire risk assessment

The factory has already a system in place to counting the workers during emergency evacuation

The factory already conducted the regular inspection for fire alarm

The factory already has established an emergency evacuation response team

The factory already maintains a list of the workers (names and/or titles) responsible for managing the fire equipment.

The factory already has established health & safety policy and procedure including the safe evacuation of all personnel, visitors, contractors, service providers, and all special categories of workers.

Action Plan no 2.

Description

Provide at least two accessible exit doors for all areas in the

production building.

Place clear and easily identifiable markings on the floor

leading to emergency exits

Post evacuation maps that correctly indicate the direction of

emergency exits.

Provide firefighters with all necessary Personal Protective

Equipment (PPE)

Install fire extinguishers on all floors of the new

warehouse building.

Install a water fire hydrant onsite.

Company Action Plan Update

1) They factory will train all security guards not to lock the emergency exits and always open and continue training fire safety to all workers related to blocked exits, which plan to be finished in June 2017. 2) The factory has already updated the evacuation map with current layout and all the arrow sign are clear and easy to follow. 3) The factory has already updated the evacuation map in the cutting and fabric warehouse as per the current layout since April 2017. 4)The factory has already provided PPE to fight fire such as helmet, goggles and gloves and will provide the balance on December 2017. 5) The factory has already installed fire extinguisher either the first or second floor of the new warehouse building since Dec 2016. 6) They factory is still under management review to install fire hydrants. 7) The factory has already made the fire risk assessment conducted by internal fire expert. 8) The factory has already had the system to count all workers during the emergency evacuation since March 2017. 9) The factory has already conducted the regular internal fire alarm inspection since December 2016. 10) The factory has already established the emergency evacuation response team since November 2016 and endorsed by Local Manpower Department. 11) The factory has already maintained a list of the workers responsible for managing the fire equipment. 12) The factory has already added the safe evacuation for visitors, contractors etc in the procedure since February 2017

FINDING NO.14

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The moving ladder in the fabric warehouse does not have locking devices. In addition, no safety cage is installed on the ladder for the water tank near the boiler room.
2. The metal mesh glove worn by a cutting operator were damaged as they had a hole in the finger.
3. Although the factory provided PPE for workers, the workers do not consistently wear the required PPE. For example, neither the boiler operator or the washing operator wore the proper PPE (e.g., aprons and gloves) during the factory visit.
4. The factory does not maintain a list of confined spaces on site (the waste water treatment area and water storage) that require a work permit, neither do they post signs indicating the confined spaces and the PPE required for entry.
5. The factory does not have any rescue equipment in case of an emergency in the confined space nor has it established a formal procedure for such an emergency.
6. Although the factory has provided adjustable workstations and chairs with backrests to sitting workers and anti-fatigue mats to standing workers, the factory has not established a formal ergonomics program to take proactive steps to reduce repetitive-motion stress or injuries.

Local Law or Code Requirement

Act No. 1 on Safety (1970), Art. 14(c); Regulation No. PER-08/MEN/VII on Personal Protective Equipment (2010), Art. 8; Regulation No. PER-01/MEN (1980), Art. II(8); FLA Workplace Code (Employment Relationship Benchmark ER.31.2; Health, Safety & Environment Benchmarks HSE.1, HSE.2, HSE.6, HSE.7, HSE.8, and HSE.14)

Recommendations for Immediate Action

- 1.Install a locking device on the moving ladder in the fabric warehouse and a safety cage on the high ladder on the water tank near the boiler room.
- 2.Replace any damaged PPE, including the cutting operator's metal mesh gloves.

COMPANY ACTION PLANS

Action Plan no 1.

Description

The moving ladder in the fabric warehouse does not have locking devices. In addition, no safety cage is installed on the ladder for the water tank near the boiler room.

The factory has already changed the metal glove and properly maintained

The factory will ensure that the worker will wear the required PPE

The factory will maintain a list of confined spaces on site (the waste water treatment area and water storage) that require a work permit, neither do they post signs indicating the confined spaces and the PPE required for entry.

The factory will provide the rescue equipment in case of an emergency in the confined space nor has it established a formal procedure for such an emergency.

The factory will establish a formal ergonomics program to take proactive steps to reduce repetitive-motion stress or injuries and give the training to all workers

Action Plan no 2.

Description

Install a locking device on the moving ladder in the fabric

warehouse and a safety cage on the high ladder on the water tank near the boiler room.

Replace any damaged PPE, including the cutting operator's metal

mesh gloves.

The factory shall maintain a list of confined spaces on site (the waste water treatment area and water storage) that require a work permit and the factory shall post signs indicating the confined spaces and the PPE required for entry.

The factory shall provide rescue equipment in case of an emergency in the confined space and establish a formal procedure for such an emergency.

The factory shall establish a formal ergonomics program to take proactive steps to reduce repetitive-motion stress or injuries.

Company Action Plan Update

1) The factory is in progress to installed locking devices for moving ladder in the fabric warehouse. They are in progress to install safety cage for water tank near the boiler room because factory changes the boiler energy source from wood to diesel 2) The factory has already changed the metal glove for cutting operator since on December 2016. 3) The factory will countinue training health and safety workers during refreshment trainings and monitor the workers are consistently wear the required PPE by give them the safety training. Upon three times violation, warning letter will be issued to the worker. 4) The factory has already maintained the list of confined spaces since December 2016 and the PPE required for entry is provided 5) The factory has already had the rescue equipment in case of an emergency in the confined space since December 2016. The factory will establish the procedure for such emergency. 6) The factory will conduct the ergonomic training.