



FAIR LABOR
ASSOCIATION_®

INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Branded Custom Sportswear, Inc
Nike, Inc

COUNTRY: Indonesia

ASSESSMENT DATE: 09/12/18

ASSESSOR: Donny Triwandhani

PRODUCTS: Apparel

NUMBER OF WORKERS:

Summary of Code Violations

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

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

Findings and Action Plans

FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The factory pays for all applicants to receive a mandatory medical exam which includes x-rays to check for tuberculosis. However, the medical exam procedures do not mention that pregnant applicants may receive an exam without x-rays. [ND.7, ND.8]
2. The factory's performance review procedures do not cover the principle of non-discrimination, require workers to be provided written feedback, or require the factory to comply with legal requirements. In addition, only staff members and new workers receive annual performance reviews. Production workers do not receive performance reviews. [ER.1, ER.29]
3. According to management, there are seven workers with disabilities out of a total 1,181 employees. This does not comply with local law which requires the factory to hire one person with disabilities per 100 employees. Thus, the factory should employ a total of 11 workers with disabilities. The factory has not established a program to train and hire more workers with disabilities. [ER.1, ND.1]

Local Law or Code Requirement

Law No. 4 of 1997 Art. 14; FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.29; Non-Discrimination Benchmarks ND.1, ND.7, and ND.8)

Recommendations for Immediate Action

1. Establish procedures regarding an alternative to the x-rays for pregnant applicants as part of the pre-employment medical exam. Ensure that all applicants have the same opportunity to obtain a job, regardless of pregnancy status.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Establish procedures regarding an alternative to the x-rays for pregnant applicants as part of the pre-employment medical exam. Ensure that all applicants have the same opportunity to obtain a job, regardless of pregnancy status.
2. Revise performance review procedures to cover the principle of non-discrimination, require workers to be provided written feedback, or require the factory to comply with legal requirements. Carry out performance reviews with all workers, including production workers.
3. Establish a program to train and hire more workers with disabilities.

Planned completion date

12/13/18

Company Action Plan Update

1. As an alternative to x-ray testing for pregnant applicants, they will be tested by a doctor with stethoscope to check the chest and lungs.
2. Revised performance review procedures to cover the principle of non-discrimination and allows for employee written feedback. Factory will conduct performance reviews with all employees, including production workers.
3. Factory has contacted the Social Ministry who handles persons with disabilities and are currently on the wait list. They have also posted job openings noting they are accepting persons with disabilities.

FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. In accordance with local law, the factory is allowed to compensate workers who are overtime exempt, such as managerial or supervisory staff, under an "all-in"-system – a fixed monthly wage which does not include overtime pay. However, there are workers who are paid a fixed monthly wage such as 15 out of 19 mechanics, 1 out of 16 workers in sample section, 1 out of 76 workers in cutting section, and 1 out of 17 general workers. They do not qualify for the "all-in" system since they do not hold structural positions in the factory. [C.1]
2. Workers paid under the "all-in" wage system are paid less than they should be. For example, a maintenance worker is paid a monthly "all-in" wage that consists of a basic wage of IDR 3,860,000 (USD 262.58), a position allowance of IDR 720,000 (USD 48.98), an incentive of IDR 643,716 (USD 43.79), and overtime incentive of IDR 530,000 (USD 36). This employee worked 60.5 hours of overtime in February 2018. He should have received at least IDR 5,999,401 (USD 408) for the month (a basic wage of IDR 3,661,000 (USD 240.79), a seniority incentive of IDR 6,000 (USD .39), plus IDR 2,338,401 (USD 153.80) of overtime pay at the respective premium wage rate). Thus, there was a wage deficiency of IDR 245,685 (USD 16.73). [C.1, C.5, C.7]
3. The factory does not correctly compensate employees under the monthly "all-in" wage system at the overtime premium compensation rate (150% and 200% of the wage rate). For example:
 - a. During March-August, "all-in" employees are paid IDR 250,000 (USD 17) for working a half day of overtime on the rest day (Saturday) and IDR 350,000 (USD 24) for working a full day of overtime on the rest day. The overtime rate is much lower in January, February, and September-December; during these months, "all-in" employees are paid only IDR 100,000 (USD 6.8) for working a half day of overtime on Saturday and IDR 150,000 (USD 10.2) for working a full day of overtime on Saturday. Workers who are paid based on a daily rate receive at least IDR 211,271 (USD 14.37) for a half day of overtime and IDR 338,035 (USD 23) for a full day of overtime on Saturday;
 - b. "All-in" workers receive overtime pay on regular days after working for 10 hours, not after working for eight hours. [C.7]
4. Four out of 12 security guards are not compensated for overtime. These four security guards act as coordinators of the other security guards. When assessors compared their total wages with the other security guards', they found a wage deficiency of as much as IDR 1,061,949 (USD 72.24). [C.7]

Local Law or Code Requirement

Circular letter SE-2/M/BW/1987 regarding the definition of staff who does not receive overtime wage; Law No. 13 on Manpower (2003), Art. 78(2); Decision of the Minister of Manpower and Transmigration No. KEP 102/MEN/VI on Overtime work and Overtime pay (2004), Art. 11; FLA Workplace Code (Employment Compensation Benchmarks C.1, C.5, and C.7)

Recommendations for Immediate Action

1. Follow the regulations regarding "all-in workers" (overtime exempt workers). Only qualified staff can and should be paid this way.
2. Compensate all overtime hours at the legal overtime rate.
3. Compensate security guards for working overtime.
4. Retroactively reimburse all workers who were underpaid within the last 12 months.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Follow the regulations regarding "all-in" workers (overtime exempt workers). Only qualified staff can and should be paid this way.
2. Compensate all overtime hours at the legal overtime rate.
3. Compensate security guards for working overtime.
- 4.

Retroactively reimburse all workers who were underpaid within the last 12 months.

Planned completion date

12/13/18

Company Action Plan Update

1. In Indonesia, all-in workers are not provided with overtime payment. Management has provided incentive overtime to all-in workers who are working overtime.
2. Factory is maintaining the work hours of maintenance workers, as to avoid excessive overtime. The workers who received incorrect pay have been back-paid.
3. All-in workers have a higher salary, which is above legal minimum wage, and are provided with incentive overtime if they work over 10hrs/day or they work on the weekly holiday.
4. Management conducted a meeting with security personnel about their hours of work.

FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. Assessors sampled 30 time cards and found that eight workers from the ironing, quality control (QC), packing, mechanics, and general sections worked four to nine hours of overtime per day and 17 to 20 hours of overtime per week in June and July 2018. Four workers from the packing section worked four to six and a half hours of overtime per day in August 2018. [HOW.1, HOW.8]
2. The working hour records do not identify pregnant or breastfeeding workers to ensure they receive their entitled legal protections concerning working hours. [HOW.5]

Local Law or Code Requirement

Law No. 13 on Manpower (2003), Art 78(1); FLA Workplace Code (Hours of Work Benchmarks HOW.1, HOW.5, and HOW.8)

Recommendations for Immediate Action

1. Do not require or allow workers to work more than three hours of overtime per day or 14 hours of overtime per week as required by law.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Do not require or allow workers to work more than three hours of overtime per day or 14 hours per week as required by law.

Planned completion date

12/13/18

Company Action Plan Update

1. Factory has a system to manage employee's work time, including overtime, to ensure worker's are not working more than three hours of overtime per day or 14 hours per work.
2. Pregnant and breastfeeding workers are marked in the payroll system and can be seen on the payroll slip with the SLH code beside the employee's name.

FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. The factory does not provide the union with office space for the proper exercise of their functions. [FOA.15]
2. Management and the union representatives have not met to discuss establishing a Collective Bargaining Agreement (CBA). [FOA.17]

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 and FOA.17)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory needs to provide a room for the union to exercise their functions.
2. Management and union representatives needs to meet to discuss establishing a Collective Bargaining Agreement.

Planned completion date

12/13/18

Company Action Plan Update

1. The factory provided the union with an office room to exercise their functions.
2. Management and union representatives met to discuss establishing a Collective Bargaining Agreement

FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. Security guards perform same-gender physical pat downs four times per day: when workers enter the building before their shift, before leaving the building for their lunch break, after their lunch break, and after their shift ends. [H/A.10]
2. The factory does not consider harassment and abuse to be serious violation. For example:
 - a. Harassment and abuse cases are classified as disciplinary action type 1 or minor violations, except for sexual harassment which is considered a moderate violation or disciplinary action type 2;
 - b. The factory does not communicate to all employees (local and foreign managers, supervisors, and workers) that any form of harassment or abuse in the workplace will be subject to disciplinary measures;
 - c. The training on harassment and abuse conducted in 2018 for supervisors only covered sexual harassment. It did not cover physical, psychological, and verbal harassment and abuse. [H/A.11, ER.17, ER.27]
3. The factory does not adequately follow up on complaints submitted through the grievance boxes. For example, two grievances were received in July 2018 complaining that a supervisor was requesting that workers in her line pay her bribes when requesting leave, during the promotion process, or in exchange for special privileges. The HR Manager interviewed the supervisor but did not survey the workers in the sewing line. The investigation report written by the HR Manager found that the grievance was a hoax since the supervisor denied asking workers for money. [ER.25]
4. There is no process for workers to appeal disciplinary actions taken against them. In addition, the disciplinary procedures do not include the presence of a third-party witness during imposition of disciplinary actions. [ER.27]
5. Records of disciplinary actions are maintained in a separate folder instead of in workers' personnel files. [ER.2, ER.27]

Local Law or Code Requirement

Recommendations for Immediate Action

1. Immediately cease the practice of patting workers down on a daily basis. As per FLA requirements, physical pat downs shall only be undertaken when there is a legitimate reason to do so and with the consent of workers.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Immediately cease the practice of patting workers down on a daily basis. As per FLA requirement, physical pat downs shall only be undertaken when there is a legitimate reason to do so and with the consent of workers. 2. Factory needs to communicate that any harassment or abuse will be subject to disciplinary measures. 3. Factory needs to follow up on complaints submitted through the grievances box. 4. Factory needs to come up with a procedure for workers to appeal disciplinary actions taken against them. 5. Disciplinary actions need to be maintained in the workers personnel folder.

Planned completion date

12/13/18

Company Action Plan Update

1. Factory no longer performs scheduled pat-downs. The procedure now notes that pat downs will only take place if there is reasonable suspicion of theft and they will be performed according to local and national law. Management had a meeting with security personnel regarding the updates on September 27, 2018.

2. Factory distributed the company handbook which contains their updated regulations and policies stating that harassment and abuse are cause for disciplinary measures. A representative from BWI conducted harassment and abuse training on March 19, 2019 with Chief, Supervisor and HA team.

3. The factory carried out an investigation in August 2018 based on grievance follow up. Please see findings attached. In the investigation process, employees and workers are interviewed separately and documentation of interviews is kept.

4. Factory implemented a procedure for employees, along with a witness, to refuse a warning letter.

5. Factory is now keeping disciplinary action documentation in worker's personal files

FINDING NO.6

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

1. The worker involvement component is missing across all Employment Functions. This indicates that the factory has not established procedures to request and/or receive workers' input/feedback regarding the creation, implementation, and updating of its policies and procedures. Workers are neither systematically integrated nor consulted in decision-making processes. [ER.1, ER.25]

Local Law or Code Requirement

FLA Workplace Code (Employee Relationship Benchmarks ER.1, ER.16, and ER.25; Health, Safety & Environment Benchmark HSE.2)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory needs to establish a system to request and/or receive workers input/feedback regarding the creating, implementation and updating of its policies and procedures.

Planned completion date

12/13/18

Company Action Plan Update

1.

- Factory has updated their procedures to note that bipartite cooperation institutions and unions will be involved in the process creation, implementation and updating policies and procedures. Any updates to the policies and procedures will be discussed in the LKSB meeting, which will include the union.

- The factory has three suggestion boxes that are located in the canteen, bathroom and clinic room.

FINDING NO.7

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Review Process (Macro)

Finding Explanation

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

Local Law or Code Requirement

Attachment PP No 50 Year 2012 Section C.2.3; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.29, ER.30, and ER.31)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory needs to develop a review process for policies and procedures based on employee functions.

Planned completion date

12/13/18

Company Action Plan Update

1. The factory management and HRD have developed a process to periodically review and update its policies and procedures on any of the employment functions.

FINDING NO.8

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. The solid waste generated by production and domestic activity are not stored behind a lockable fence or door. [HSE.1]
2. There is no segregated stream for leachate at the solid waste temporary storage area. [HSE.1]

3. The system to respond to any unexpected environmental emergencies such as a chemical spill is not adequate. For example:
 - a. The chemical storage room floor is not sloped one degree towards the sump;
 - b. There is no clear guidance on what needs to be done with the contaminated absorbents once they have been used to absorb chemicals. [HSE.9]
4. Chemicals are not properly stored. For example:
 - a. Empty containers of acetone are stored in the same area as the full chemical containers of acetone;
 - b. The chemical storage area is not well maintained. It is dirty from solid domestic waste and smells bad as it is located next to the solid waste storage area. [HSE.9]
5. Some of the factory's practices do not comply with their Environmental Protection policy. For example:
 - a. The factory does not report to the local government (DKI Jakarta Governor c.q. DKI Jakarta Province Environment Bureau Head and North Jakarta Mayor c.q. North Jakarta Environment Bureau Head) every three months regarding their inventory and disposal records;
 - b. The factory still uses R22 as a cooling agent in 20 out of 39 air conditioner units. R22 has been banned since it is considered an Ozone Depleting Substance (ODS). [HSE.1, HSE.2]
6. The factory does not communicate its Environmental Protection policies, procedures, and updates to the general workforce. [ER.1, ER.16]

Local Law or Code Requirement

Public Works Minister Regulation No 26 Year 2008 article 7.2.4.4.2.; Public Works Minister Regulation No 03 Year 2013 Article 37 (3) b-c; Safety Act No 1 Year 1970 Article 3.1.h.; The Manpower and Transmigration Minister Regulation No.KEP.187/MEN/1999 Article 2; Act No. 18 year 2008, article 29 (1) c; PP No 101 Year 2014 Article 12.1-2; DKI Jakarta PMPTSP Bureau Head Decree No 125/K.5.1/31/-1.774.15/2018 Point 4. 1-2; Permen LH No 12 Year 2009. Article 3 (1) c; Act No 32 Year 2009 Article 65 (2); FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.2, and HSE.9)

Recommendations for Immediate Action

1. Store the solid waste properly inside a secured and protected room with a lockable fence or door.
2. Provide a segregated stream for leachate at the solid waste temporary storage.
3. Slope the chemical storage room floor towards sump.
4. Provide clear guidance on what to do with contaminated absorbents.
5. Store empty chemical containers in the hazardous waste storage area.
6. Regularly clean the chemical storage area and remove any waste.
7. Submit a report to the local government every three months regarding inventory and disposal records.
8. Establish a rain water management system at the factory.
9. Replace the R22 cooling agent.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Store the solid waste properly inside a secured and protected room with a lockable fence or door. 2. Provide a segregated stream or leachate at the solid waste temporary storage. 3. Slope the chemical storage room floor towards sump. 4. Provide clear guidance on what to do with the contaminated absorbents. 5. Store empty chemical containers in the hazardous waste storage area. 6. Regularly clean the chemical storage area and remove any waste. 7. Submit a report to the local government every three months regarding inventory and disposal records. 8. Establish a rain water management system at the factory. 9. Replace the R22 cooling agent.

Planned completion date

12/13/18

Company Action Plan Update

1. Factory installed a lockable fence/door to the solid waste storage area on July 3, 2019.
2. Factory provided a segregated stream for leachate at the solid waste temporary storage area by August 2, 2019.
3. a. Factory sloped the chemical storage room floor towards the sump on July 8, 2019.
- b. Factory has a procedure for absorbing chemical spills and what to do with absorbents afterwards. They've provided training on the procedures.
4. a. Factory provided training for PIC of chemical storage on how to store empty chemical containers in the hazardous waste

storage area on June 17, 2019.

b. Factory provided training for PIC of chemical storage on how to clean the waste regularly on June 17, 2019.

5. a. Factory submitted inventory and disposal records to the local government and will continue to do so every three months.

b. Factory has not purchased any new equipment in the past several years that uses R22. All pre-existing equipment that uses R22 will be replaced according to local law (Industry Minister No. 41/M-IND/PER/5/2014).

6. The factory communicates its environmental protection policies, procedures and updates to the general workforce through annual training.

FINDING NO.9

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. There are no eye guards installed on several bar tack sewing machines in the production area. [HSE.14]
2. The Personal Protective Equipment (PPE) available does not protect workers from all identified hazards. Workers in the fabric warehouse have only been provided lifting belts, not safety shoes, hard hats, or cotton gloves. [HSE.7]
3. At the time of the assessment, four fabric warehouse workers were not wearing their lifting belts and two spot cleaners were not wearing their chemical masks. [HSE.8]
4. During the assessment, one cutter was wearing damaged chain gloves. [HSE.7, HSE.8]
5. A chemical mask located in the hazardous waste storage area was not stored in a bag to preserve the mask's shelf-life when not in use. [HSE.6, HSE.8]
6. The factory is not taking steps to reduce repetitive-motion stress and injuries. There are no anti-fatigue mats for workers who work standing up, and the workers chairs are not adjustable to fit individual workers. [HSE.17]
7. The ongoing training provided to workers on Personal Protective Equipment (PPE) is inadequate. The training material does not cover PPE maintenance (how to clean and store PPE, how to record PPE use, and how to identify damaged or expired PPE) or the job hazards of each position. Furthermore, not all workers have received the training. [ER.1, HSE.8]
8. Not all workers who use machinery have received safety training. [ER.1, HSE.14]

Local Law or Code Requirement

Safety Act No 1 Year 1970 article 3.1.r, Regulation of the Minister of Labor No.4 / MEN / 1985. Article 4; Manpower Minister Regulation No 8 Year 2010. Article 7.2.c.a - b; Manpower Minister Regulation No 7 Year 1964 Article 9.4, PP No 50 Year 2012 Article 7.7.2.2., Manpower Minister Regulation No 7 Year 64 Article 9; Manpower Minister Regulation No.8 Year 2010 Article 7.2.c; FLA Workplace Code (Employment Relationship Benchmark ER.1; Health, Safety & Environment Benchmarks HSE.6, HSE.7, HSE.8, HSE.13, HSE.14, and HSE.17)

Recommendations for Immediate Action

1. Monitor production machinery daily and replace guards when necessary.
2. Select Personal Protective Equipment (PPE) based on identified hazards. Provide fabric warehouse workers with safety shoes, hard hats, and cotton gloves.
3. Train workers on PPE use. Monitor workers to ensure consistent, proper use of PPE.
4. Replace damaged PPE immediately.
5. Train worker on PPE storage. Monitor the PPE storage areas to ensure compliance.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Monitor production machinery daily and replace guards when necessary. 2. Select Personal Protection Equipment (PPE) base on identified hazards. Provide fabric warehouse workers with safety shoes, hard hats and cotton gloves. 3. Train workers on PPE use. Monitor workers to ensure consistent and proper use of PPE. 4. Replace damaged PPE immediately. 5. Train workers on PPE storage. Monitor the PPE storage areas to ensure compliance.

Planned completion date

12/13/18

Company Action Plan Update

1. Machine guarding is checked by the supervisor of each department. The factory has also provided a machine guarding checklist for daily use.
2. Factory already provided fabric warehouse workers with safety shoes, hard hats, and cotton gloves on July 3, 2019
3. Factory provided PPE training for spot cleaning workers on October 31, 2018. Factory provided PPE training for fabric warehouse workers on July 3, 2019.
4. Factory replaced damaged chain gloves.
5. Factory provided PPE maintenance training for PIC of hazardous waste storage on June 17, 2019.
6. Factory provided anti-fatigue mats for standing workers and provided chair cushions for seated workers on July 3, 2019.
7. Factory conducted PPE maintenance training (how to clean and store PPE, how to record PPE use and how to identify damaged or expired PPE) and job hazard training to spot cleaner workers on October 31, 2018 and embroidery workers on January 29, 2019.
8. Factory provided safety training for all workers who use machinery on July 3, 2019.

FINDING NO.10

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Assessors observed cables spliced with non-electrical tape as permanent connection. [HSE.14]
2. There is no documentation that electrical problems are fixed in a timely manner or that when equipment has electrical problems it is immediately removed from service until properly repaired. The factory does not keep repair records and does not have an established maximum repair time. [ER.2]
3. The factory does not have a proper management system for confined spaces:
 - a. There are no signs such as "Confined Space", "Do Not Enter", or "Only Authorized Persons Allowed" or identification numbers posted on or near the water tanks and diesel fuel tanks;
 - b. There is no atmospheric test equipment available at factory to ensure safe air quality before people enter a confined space;
 - c. There is no appropriate rescue equipment available at the factory such as a pulley to retract people from confined spaces;
 - d. Two of the maintenance staff members who are responsible for confined spaces have not been certified by the government or other authorized training organizer. [HSE.6, HSE.13]
4. There is no evidence that the factory has implemented a lockout-tagout (LOTO) system as there is no LOTO log book. [ER.2, HSE.1, HSE.14]
5. The safety cage for the water tank tower near the loading area is damaged. [HSE.1, HSE.14]
6. There is no safety information provided for contractors prior to entering the facility. [ER.31]
7. Safety rods are not provided in every electrical panel to push an electrocuted person from the electrical source. [HSE.6, HSE.13]
8. There is no anti-explosive lighting installed in the compressor room, boiler room, generator room, spot clean room, hazardous waste room, or chemical storage room. [HSE.13]
9. The Safety Act No. 01 of 1970 is not posted on the announcement board for workers to read. [HSE.2, ER.1, ER.16]

Local Law or Code Requirement

Safety Act No 1 Year 1970 Article 3.1.q.; PUIL 2000 Article 2.5.4.3, Article 9.9.1.1, Article 9.12.1.3.1, Section E.10; SNI – 0229 1987 E; Government Regulation No 50 year 2012 Article 6.5.7, Attachment II of PP No 50 Year 2012 Section A.1.d and A.6.5.7.; Permenaker No 9

year 2016. Article 6.2; Environmental Impact Controller Bureau (Bapedal) Head Decree No 1 Year 1995 Article 3.2. b.1.; Safety Act No 1 Year 1970 Article 14.a; FLA Workplace Code (Employee Relationship Benchmarks ER.2 and ER.31; Health, Safety & Environment Benchmarks HSE.1, HSE.6, HSE.13, and HSE.14)

Recommendations for Immediate Action

1. Use electrical tape for temporary cable splices and replace as soon as possible with permanent connections.
2. Establish a maximum repair time and record all electrical repairs and instances of equipment being removed from service.
3. Post signs and identification numbers on or near all confined spaces.
4. Purchase atmospheric test equipment and test the air before workers enter confined spaces.
5. Purchase rescue equipment and ensure that it is available whenever someone enters a confined space.
6. Ensure that all workers who work with confined spaces have the appropriate training and certification.
7. Implement a LOTO system and keep a LOTO log book.
6. Repair or replace the broken safety cage.
8. Provide safety information to contractors.
9. Install safety rods in every electrical panel.
10. Install anti-explosive lighting in the compressor room, boiler room, generator room, spot clean room, hazardous waste room, and chemical storage room.
11. Post the Safety Act No. 01 of 1970 on the announcement board for workers to read.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Use electrical tape for a temporary fix of cable splices and replace as soon as possible with permanent connections.
2. Establish a maximum repair time for electrical repairs and record all repairs and instances of equipment being removed from service.
3. a. Post signs and identification numbers on or near all confined spaces.
- b. Purchase atmospheric test equipment and test the air before workers enter confined spaces.
- c. Purchase rescue equipment and ensure that it is available whenever someone enters a confined space.
- d. Ensure that all workers who work with confined spaces have the appropriate training and certification.
4. Implement a LOTO system and keep a LOTO log book.
5. Repair safety cage for the water tank tower.
6. Provide safety information to contractors.
7. Install safety rods in every electrical panel.
8. Install anti-explosive lighting in the compressor room, boiler room, generator room, spot cleaning room, hazardous waste room and chemical storage room. 9. Post the Safety Act No. 01 of 1970 on the announcement board for workers to read.

Planned completion date

02/13/19

Company Action Plan Update

1. Factory replaced cable splices with permanent connections. They have an internal certified electrician that is responsible for ensuring all electrical work is done properly.
2. Factory established a maximum repair time and are recording all electrical repairs and instances of equipment being removed from service.
3. a. Factory posted signs and identification numbers near all confined spaces.
- b. Factory has provided atmospheric equipment for confined spaces.
- c. Factory has provided appropriate rescue equipment, such as a pulley to retract people who have entered the confined space.
- d. Factory conducted internal training of confined space on July 3, 2019. See Confined Space Certificate attached.
4. Factory has provided a LOTO log book.
5. Factory repaired the safety cage for the water tank tower near the loading area on July 3, 2019.
6. Prior to entering the facility, contractors are given safety information on emergency evacuation and assembly points, fire alarm and extinguisher locations, PPE, safe use of chemicals, etc.
7. Factory purchased and installed safety rods for every electrical panel on July 9, 2019.
8. Factory installed anti-explosive lighting in the compressor room, boiler room, generator room, spot cleaning room, hazardous waste room and chemical storage room on August 27, 2019.
9. Factory posted Safety Act No. 01 of 1970 on the announcement board for workers to read.

FINDING NO.11

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. There is inadequate fire risk assessment conducted as
 - a. Only fire risks for the boiler area was identified
 - b. The fire risks focused on workers who worked at the boiler instead of including fire risks for the whole building and related machinery/equipment.
 - c. Also, there was no control measure established yet to address the identified fire risks. [HSE.1, HSE.5]
2. The factory's fire hydrant that was provided by the bonded zone organiser was blocked with road construction hence factory's access to it is hindered. Furthermore, water reservoir for hydrant was managed as well by bonded zone, hence factory does not have control over it. [HSE.1, HSE.6]
3. The light fire extinguisher located in the chemical storage room is not inspected regularly. [HSE.6]
4. There is inadequate sprinkler installation at factory since there was only one sprinkler at the boiler room instead of throughout the factory building. While thermatic used as sprinkler replacement also inadequate in number compare to space where it is installed. Such as: there were two thermatics in the fabric warehouse, one thermatic in the packing area, one thermatic in the accessories warehouse, and one thermatic in the embroidery area, while the space the thermatic should cover is too wide. (Each thermatic with 12 kgs weight only able to spray 3 m² from 2.5 m height when it is triggered). [HSE.6]
5. There is only one emergency assembly area and it is also used as a container loading area. [HSE.5]
6. There is no system in place to account for all workers during an emergency evacuation. The last evacuation drill was conducted on August 14, 2018 and there are no records reflecting that workers were called out, identified, and counted after the drill was completed. [HSE.5]
7. The emergency alarm is only inspected every eight months instead of being tested weekly, monthly, and annually. [HSE.5]

8. Assessors could not determine whether the parameters used to test the emergency alarm are based on the manufacture's recommendations since the factory does not have a copy of the alarm manual. [ER.2, HSE.5]
9. There is no evidence that the emergency alarm is at least 15 decibels above the average ambient sound level or five decibels above the maximum sound level lasting at least 60 seconds, whichever is greater. [ER.2, HSE.5]
10. The exhaust fans installed in the mezzanine cutting area are dusty, posing a fire risk. [HSE.13]
11. Only 18 out of 1,181 workers received fire-fighting training and the training material did not raise awareness of fire hazards in the workplace or cover what to do in the case of a fire. [ER.1, HSE.5, HSE.6]
12. There is no specific training for workers with special responsibilities in the case of a fire or emergency evacuation to enable them effectively execute their duties. [ER.1, HSE.5, HSE.6]

Local Law or Code Requirement

Public Work Minister Regulation No 26 Year 2008 Article 11;
 Minister Instruction No 11 Year 1997 Article 3, SNI 03-1735- 2000 Article 5.3.;
 Manpower Minister No 4/80 Article 11 (1) a-b;
 Health Minister Regulation No 48 Year 2016 Article 14 (5) f, SNI 03-3989-2000;
 Public Work Minister Regulation No 26 Year 2008 Article 3.14.1.1.;
 Labor minister decision KEP.186/MEN/1999. Article 2.2.e;
 Manpower Minister Regulation No 2 Year 1983 Article 57 (1);
 SNI 03-3985-2000 Article 10.1.2; The National Fire Alarm Code (NFPA 72),
 Government Regulation No 50 Year 2012. Article 11. 3, Article 11.4;
 FLA Workplace Code (Employee Relationship Benchmarks ER.1 and ER.2; Health, Safety & Environment Benchmarks HSE.1, HSE.5, HSE.6, and HSE.13]

Recommendations for Immediate Action

1. Conduct a proper fire risk assessment that covers every area and process in the factory.
2. Ensure that the factory has its own water reservoir for the fire hydrant system.
3. Regularly inspect all light fire extinguishers at least every six months.
4. Install an adequate sprinkler system that is able to cover every area in factory.
5. Designate an assembly area that is not used for any other purpose.
6. Establish a system to account for all workers during an emergency.
7. Inspect the emergency alarm weekly, monthly, and annually.
8. Obtain a copy of the emergency alarm manual. Ensure that emergency alarm inspections are based on the manufacture's recommendations, including sound testing to ensure that people in the farthest and most secluded areas of the factory can hear the emergency alarm.
- 9 Clean the exhaust fans regularly to prevent dust buildup.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Conduct a proper fire risk assessment that covers every area and process in the factory.
2. Ensure that the factory has its own water reservoir for the fire hydrant system.
3. Regularly inspect all light fire extinguishers every six months.
4. Install an adequate sprinkler system that is able to cover every area in the factory.
5. Designate an assembly area that is not used for any other purpose.
6. Establish a system to account for all workers during an emergency.
7. Inspect the emergency alarm weekly, month and annually.
8. Obtain a copy of the emergency alarm manual. Ensure that emergency alarm inspections are based on the manufacture's recommendations, including sound testing to ensure that people in the farthest and most secluded areas of the factory can hear the emergency alarm.

9. Clean the exhaust fans regularly to prevent dust buildup.

Planned completion date

12/13/18

Company Action Plan Update

1. Factory completed fire risk assessment to cover every area and process. Factory established control measure to identify the fire risks.
2. Factory has installed the water reservoir for the fire hydrant system.
3. Factory inspected all light fire extinguishers and updated the checklist. Factory is checking the fire extinguisher monthly as shown on the provided checklist.
4. Factory has installed additional thermatics in areas throughout the factory.
5. Factory re-arranged and relocated the assembly point in front of the security post on the west side and left side, instead of parking area.
6. Factory established a procedure to account for all workers during an emergency.
7. Factory inspected the emergency alarm and provided a checklist to check the alarm weekly, monthly and annually.
- 8&9. Factory has installed all emergency alarms and tested emergency alarms in accordance with the alarm manual on July 31, 2019.
10. Factory cleaned the exhaust fan April 13, 2019 and plans to clean it quarterly.
11. The factory conducted fire-fighting training in April of 2019.
12. Factory conducted evacuation drill for workers with special responsibilities, such as fire fighting teams, how to use hydrant facility and how to evacuate the victim of emergency case.

FINDING NO.12

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Policies & Procedures (Macro)

Finding Explanation

1. The factory does not have policies or procedures on Retrenchment or Industrial Relations. [ER.1, ER.19, ER.25, ER.32]
2. The factory does not have procedures on Personnel Development. [ER.1, ER.28, ER.29, ER.30]
3. The factory's Industrial Relations procedures do not cover Freedom of Association. [ER.1, ER.25]
4. The factory's Environmental Protection procedures do not include a statement of the factory management's general support of energy and water efficiency or a commitment to minimize impacts with respect to air emissions, waste, hazardous materials and other applicable environmental risks. [ER.1, ER.31]
5. The factory does not have any written procedures for managing environmental impact within the factory or on its surroundings. [ER.1, ER.31]

Local Law or Code Requirement

Government Regulation No 70 Year 2009 Article 7.1. a-c; Act 32 Year 2009 Article 13.1-2, PP No. 50 Year 2012 Article 11.2.c and g and h; Attachment PP No 50 Year 2012 Section. A.6.5.7., Section C.2.3. a, Section C.2.2.1.; Health Act No.36 Year 2009 Article 47 and Article

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory needs to establish policies/procedures on retrenchment and industrial relations. Industrial relations policies/procedures need to cover freedom of association. 2. Factory needs to establish procedures on personal development. 3. The factory needs to establish procedures for managing environmental impact within the factory and its surroundings. These procedures need to include a statement from the factory's general management in general support of energy and water efficiency and their commitment to minimize impacts with respect to air emissions, waste, hazardous materials and other applicable environmental risks.

Planned completion date

12/13/18

Company Action Plan Update

1&3. Factory established policies/procedures for retrenchment and industrial relations that covers freedom of association.

2. Factory established procedures for personal development.

4. Factory created procedures that include management support of energy and water efficiency and a commitment to minimize impacts with respect to air emissions, waste, hazardous materials and other applicable environmental risks. Related to air emission and waste water, management conducts testing of air and waste water emissions every 6 months and ensures the test results are in accordance with applicable laws. If the test results show a level above the set limit, the company will consult with the third party to make improvements.

5. Factory came up with written procedures to manage environmental impact within its factory and its surrounding.

FINDING NO.13

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. The factory has not identified whether its on-site operations generate any negative environmental impacts. [ER.31]
2. The factory has not established a system to reduce environmental impact. There are no targets in place related to waste water, green house gas emissions, ground water utilisation, and rain water management to ensure the environmental impact reduction program is effectively implemented. [ER.31, HSE.1]
3. The last Environmental Protection training was conducted on November 15, 2017. Only 1,072 out of 1,372 workers received this training. [ER.1, ER.15]

Local Law or Code Requirement

Act No. 32 Year 2009. Article 47.1, Article 47.2, Article 53.1-2, Article 54.1, Article 67; Government Regulation No. 81 Year 2012 Article 10 (1) a, Article 10 (2); FLA Workplace Code (Employee Relationship Benchmarks ER.1, ER.15, and ER.31; Health, Safety & Environment Benchmark HSE.1)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory will need to analyze on-site operations to determine if they generate any negative environmental impacts. 2. Factory will need to establish a system to reduce their environmental impact. 3. Factory needs to conduct current environmental protection training and each employee needs to attend.

Planned completion date

12/13/18

Company Action Plan Update

1. Factory has analyzed their on-site operations to determine which generate negative environmental impacts. They will analyze operations every six months to monitor negative environmental impacts.

2. Factory has established a system to reduce environmental impact pertaining to waste water management, green house gas emissions, ground water utilization and rain water management.

3. Factory conducted environmental protection training on September 14, 2018.

FINDING NO.14

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

1. The orientation training for new workers does not cover Personnel Development, Industrial Relations, Termination and Retrenchment, or Environmental Protection. [ER.1, ER.15]
2. The factory does not provide ongoing training to workers on any of the Employment Functions except for Grievance System and Environmental Protection [ER.1, ER.15, ER.28]
3. The factory does not provide specific training to the relevant supervisors and managers on any of the Employment Functions. [ER.1, ER.17, ER.27]
4. The factory does not provide training to HR personnel and administrative staff on Workplace Conduct & Discipline. [ER.1, ER.17, ER.27]

Local Law or Code Requirement

Act No 32 Year 2009 Article 65 (2); Industrial Minister Decree No. 148 Year 1985 Article 4.c; Manpower Regulation No 8 Year 2010 Article 7.2; Manpower Minister Regulation No 01 Year 1980 Article 44; Industrial Minister Decree No. 148 Year 1985 Article 4.c; Safety Act No 1 Year 1970 article 9 (3); Manpower Minister Regulation No 186 Year 1999. Article 2.2.e; Public Works Minister Regulation No 26 Year 2008 Article 9.5.5.1-2; Safety Act No 1 Year 1970 Article 9 (3); Labor Minister Regulation PER-03/MEN/1982 Article 2.h; Manpower Minister Decree 186 Year 1999 Article 2.c, Article 8.1.c; Manpower Minister Decree No 18 Year 1999 Article 9.2.d.; FLA Workplace Code (Employee Relationship Benchmarks ER.1, ER.15, ER.17, ER.27, and ER.28)

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Revise orientation training to include Personnel Development, Industrial Relations, Termination and Retrenchment and Environment Protection. 2. Provide ongoing training to workers beyond training on the grievance system and environmental protections. 3. Providing training to supervisors and managers on Employment Functions. 4. Provide training to HR personnel on Workplace Conduct and Discipline.

Planned completion date

03/13/19

Company Action Plan Update

1. Factory will provide new employees with revised orientation material that will include Personnel Development, Industrial Relations, Termination and Retrenchment and Environmental Protection.

2. Factory has provided training to workers beyond the Grievance System and Environmental protections and has provided a training schedule for ongoing training. Ongoing training will include job function/description and working instructions for workers who handle machinery.

3. Factory has provided training to supervisors and managers on Employment Functions.

4. Factory has provided training to HR personnel on Workplace Conduct and Discipline.

FINDING NO.15

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory is not clean or sanitary. The factory yards (sides and back of the factory) is littered with solid waste and stagnant water. [HSE.19]
2. Assessors found a crack in the wall at the back of the factory near the domestic waste storage area. The factory does not conduct an annual building inspection to identify any damage to the factory building and repair it immediately in order to prevent the damage from spreading to other sections. [HSE.19]
3. The current risk assessment report is inadequate. For example:
 - a. Hazard Identification Risk Analysis (HIRA) has included toxic and hazardous waste storage and chemical storage;
 - b. Hazard Identification Risk Analysis (HIRA) has not combined between warning sign and PPE providing as part or risk control measures, as well as ergonomic management. Also, there is incompatible area identified since iron glue and pregnant worker were put into part of work process column, instead of classified into column of material and or condition;
 - c. Chemical management does not function properly since no risk identified for it hence, there is no monitoring upon risk control such as related PPE maintenance and awareness of workers regarding this matter. [HSE.1]
4. The factory does not track all illnesses. Furthermore, the factory does not conduct root cause analysis for illnesses and accidents and establish what actions are necessary to prevent re-occurrences. [HSE.3]
5. There is no appropriate medicine inventory in the factory's first aid room. [HSE.2, HSE.18]
6. Workers are reusing disposable plastic bottles made out of PET 1 instead of using refillable plastic bottles made out of PET 5. [HSE.23]
7. Workers park their motorcycles in the walking paths. [HSE.1]
8. Only 19 out of 1181 received basic first aid training and the training material did not cover who to contact in the case of a medical emergency, the location of first aid equipment, how to report a work-related incident which requires first aid or other medical assistance, or the proper use of eyewash stations and showers. [ER.1, HSE.6]

Local Law or Code Requirement

Act 28 Year 2002. Article 24 (1); Labor Regulation No 4 Year 1964 Article 4.1; Government Regulation No 50 Year 2012. Article 11. 3, Article 11.4; Health Minister Regulation No 56 Year 2016 Article 3, Manpower Minister Regulation No 04 Year 1987. Article 4. 2. a. & c.1-4; Health Minister Regulation No 35 Year 2014 Chapter II D. Storage Point 4.; Decree of the Minister of Industry and Trade No. 705 of 2003 Article 9. 1. c. Transportation Minister Regulation No PM 34 Year 2014 Article 1.1.; Safety Act No 1 Year 1970 article 9 (3), Labor Minister Regulation PER-03/MEN/1982 Article 2.h: FLA Workplace Code (Employment Relationship Benchmark ER.1; Health, Safety & Environment Benchmarks HSE.1, HSE.2, HSE.3, HSE.6, HSE.18, HSE.19, and HSE.23)

Recommendations for Immediate Action

1. Establish a sanitation program. Clean up the factory yards.
2. Repair the cracked wall immediately. Inspect the factory yearly and fix any issues in a timely manner.
4. Track all illnesses.
5. Keep the appropriate medicine inventory in the first aid room.
6. Prohibit the parking of vehicles in walking paths. Monitor to ensure compliance.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Establish a sanitation program and clean up the factory yards.
2. Repair the cracked wall immediately and inspect the factory yearly and fix any issues in a timely manner.
3. Update the HIRA to include warning signs, PPE and ergonomic management and rework chemical management.
4. Track all illnesses and accidents to prevent re-occurrences.
5. Keep the appropriate medicine

inventory in the first aid room. 6. Prohibit and monitor the parking of vehicles in walking paths.

Company Action Plan Update

1. Factory conducted annual training of sanitation on June 17, 2019 and conducted full cleaning of factory including factory yard. Factory will continue to conduct training annually and has a cleaning service to ensure sanitation requirements are continuously met.
2. Factory repaired the cracked wall at the back of the factory near the domestic waste storage area on July 3, 2019. Regular building inspections are scheduled monthly.
3. Revised HIRA to incorporate warning signs, PPE and all other risk control measures as applicable, including ergonomic and chemical management. Separate provisions included for pregnant workers.
4. Factory has begun to track all illnesses and will conduct root cause analysis going forward to establish what actions are necessary to prevent re-occurrences.
5. Factory has posted the medicine inventory list in the first aid room and inventory will be checked monthly.
6. Factory distributed plastic bottles made out of PET 5 to all workers on August 19, 2019.
7. Security guard has stand beside parking lot and monitors the parking lot in the morning and throughout the day to ensure all walking paths are clear.
8. Factory conducted first aid training to all workers on July 16, 2019. They will continue to conduct training annually.

FINDING NO.16

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. There is no emergency alarm system installed in the chemical storage room, hazardous waste storage area, or solid waste storage area. [HSE.5]
2. The eye wash station is not maintained according to the manufacturer's recommendations:
 - a. The water inside is not replaced with hot potable water every week;
 - b. The eye wash station is not cleaned every month;
 - c. The water in the eyewash station is not treated with an anti-bacterial preservative every time it is replaced. [HSE.6]
3. There are no showers installed in the chemical storage room or the hazardous waste storage area. [HSE.6]
4. The factory has not provided specific training on the tasks and functions of chemical tank management for those workers working with chemical tanks in any manner, such as maintenance and generator operators. [ER.1, HSE.9]
5. Not all workers who work with chemicals have been trained on proper chemical handling. [ER.1, HSE.9]

Local Law or Code Requirement

Environmental Impact Controller Bureau (Bapedal) Head Decree No 1 Year 1995 Article 3.2.b.g.1.; ANZI/SEA Z.358.1-2014; Manpower Minister Regulation No 15 Year 2008 Article 8.1.d.3.; Industrial Minister Decree No. 148 year 1985 article 4.c.; FLA Workplace Code (Employment Relationship Benchmark ER.1; Health, Safety & Environment Benchmarks HSE.5, HSE.6, and HSE.9)

Recommendations for Immediate Action

1. Install an emergency alarm system in the chemical storage room, hazardous waste storage area, or solid waste storage area.
2. Replace the water inside the eyewash station with hot potable water each week, clean the eyewash station each month, and treat the water with an anti-bacterial preservative each time it is replaced.
3. Install showers in the chemical storage room and the hazardous waste storage area.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Factory needs to install an emergency alarm system in the chemical storage and hazardous waste areas. 2. Factory needs to replace the water inside the eyewash station with hot potable water each week, clean the eyewash station each month and treat the water with an anti-bacterial preservative each time it is replaced. 3. Factory needs to Install showers in the chemical storage room and the hazardous waste storage area.

Company Action Plan Update

1. Factory installed emergency alarm system in the chemical storage area and hazardous waste storage area on July 9, 2018.
2. Factory conducted training of eyewash for PIC on January 30, 2019. Factory takes steps according to the provided checklist every week to maintain eyewash station.
3. Factory installed the showers in the chemical storage room and the hazardous waste storage area on July 3, 2019.
4. Factory conducted chemical tank management training on July 11, 2019.
5. Factory conducted chemical handling training on October 31, 2018 and July 11, 2019.