



FAIR LABOR
ASSOCIATION_®

INDEPENDENT EXTERNAL ASSESSMENT REPORT



Verification Assessment

COMPANIES: adidas

Nike, Inc

COUNTRY: Indonesia

ASSESSMENT DATE: 06/16/17

ASSESSOR: Donny Triwandhani

PRODUCTS: Apparel

NUMBER OF WORKERS:

FLA Comments

This SCI is a verification assessment of assessment AA0000000583. All corrective action plan updates for AA0000000583 will be published in this report.

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.

Previous Report Findings and Verification Results

PREVIOUS FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. The environmental procedures do not include procedures enabling workers to raise environmental concerns or for reporting environmental emergencies. The factory does not have an appropriate system to respond to environmental emergencies. [ER.31.2.4 ER.31.2.5, HSE.5.4]
2. The factory does not use an authorized waste collector to dispose of hazardous waste. [HSE.1]

Local Law or Code Requirement

Government Regulation No. 74 on Management of Hazardous and Toxic Materials (2001), Art. 19; Government Regulation No. 18 on Management on Hazardous and Toxic Waste (1999), Art. 40 (1), (3); FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.5.4; Employment Relationship Benchmarks ER.31.2.4 and ER.31.2.5)

Recommendations for Immediate Action

Arrange for an authorized waste collector to dispose of hazardous waste.

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status: Partially Remediated

Explanation:

Based on document review and management interview, it was found that the environmental procedures do not clearly state step-by-step action for workers to raise or report environmental concerns. Furthermore, there is no evidence that there has been training on environmental procedures conducted for all workers at the factory, to ensure they are aware that they can raise and report environmental emergencies. ER.31, HSE.5,

Root Causes:

The person in charge of the environmental protection does not have clear idea on how to remediate findings. The person does not know to create a flow chart or step-by-step action on raising concerns on environmental matters, they also do not know who the appointed person is for each concern is or how long it should take for an issue to be addressed, implemented, and communicated.

2. Finding Status: Remediated

Explanation: The factory has an agreement with a government-authorized company for the waste collector.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmark HSE.5.4; Employment Relationship Benchmarks ER.31.2.4 and ER.31.2.5)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Original Action Plan

1. a. Factory is to develop procedures that include step by step instructions to report environmental concern by workers.
- b. Factory is to conduct training to all workers about Environmental Procedure to ensure workers aware and know who to raise and report environmental emergencies.

Progress Updates

February 2018:

1. a. Completed. In addition to Environmental Policy and Procedure, procedures that include step by step instructions to report environmental concern by workers

August 2018:

- b. Completed - Factory has conducted training regarding hazardous waste handling on April

20, 2018 for the workers that handle chemical in the production i.e. pad print, washing, mechanic, and waste storage. In addition, the factory also provided briefing or socialization regarding environmental emergency response to the supervisors on Aug 14, 2018.

PREVIOUS FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

There are no procedures and measures to protect workers' reproductive health. [ND.8, HSE.12]

Health and Safety procedures do not allow workers to raise health and safety concerns. [ER.31.2.4]

There are no written procedures for ensuring special categories of workers, visitors, contractors, and service providers are safely evacuated during an emergency.

There is no procedure outlining the right of workers to refuse to work under unsafe conditions and protecting workers from retaliation when they refuse to work under unsafe conditions. [ER.31.2.6]

Local Law or Code Requirement

FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.5.1 and HSE.12.1; Employment Relationship; Benchmark ER.31.2.4 and ER.31.2.6; Nondiscrimination Benchmark ND.8)

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status: Remediated

Explanation:

Procedures for Reproductive Health were created January 2, 2015. This is supported by the risk analysis HIRA (Hazard Identification Risk Analysis) which has been conducted every year in December. The last HIRA was conducted in December 2016.

2. Finding Status: Remediated

Explanation:

The factory has established a procedure for workers to raise concerns and grievances regarding Health & Safety to the factory's occupational Health & Safety Team. The concerns are discussed in the occupational health & safety meetings conducted every month.

3. Finding Status: Remediated

Explanation:

There is a procedure for the evacuation of workers, supplier, vendors, contractors, visitors, and other third parties. The procedures state they are directed to a formally established assembly area.

4. Finding Status: Remediated

Explanation:

The Health & Safety procedures include a policy of non-retaliation for workers who either refuse to work in dangerous situations or who raise Health & Safety concerns.

PREVIOUS FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

There is no eyewash station in the chemical storage area. [HSE.6]

There is no material safety data sheet (MSDS) for a chemical named "Barudan." [HSE.10]

Workers in the spot cleaning area are using cotton mask beneath chemical mask as a cover. However, the cotton masks are bigger than the chemical masks and protrude from underneath the chemical mask, rendering the chemical masks ineffective and creating discomfort for the workers. [HSE.7, HSE.8]

The mesh metal cutting gloves used by cutting operators are too large for the workers' hands. [HSE.7]

Safety instructions are not posted near machines. [HSE.14.3]

Two bar tack machines in sewing line 7 do not have plastic eye guards. [HSE.14.1]

Local Law or Code Requirement

Manpower Minister's Regulation No. PER- 15 /MEN/VIII/ on first aid in workplace (2008), Art. (8); Decision of the Minister of Labor No.187 on Hazardous Chemicals Control at Work (1999), Art. 6; regulation No. PER-08/MEN/VII on Personal Protective Equipment (2010), Art. 6; Regulation No. PER-01/MEN on Safety and Health in The Building Construction (1980), Art. 42; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.6, HSE.7, HSE.8, HSE.10.1, HSE.14.1, and HSE.14.3)

Recommendations for Immediate Action

1. Provide an eyewash station in the chemical storage area.
2. Ensure that MSDS are available for all chemicals.
3. Ensure that personal protective equipment (PPE) is correctly fitted and effective.
4. Ensure safety instructions are posted near the machines.
5. Ensure all bar tack machines are equipped with plastic eye guards.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Partially Remediated

Explanation:

Based on the factory tour, an eyewash station in the chemical storage area has been installed; however, there is no basin on the ground with proper drainage for the waste water. As a result, water sprays all over the place which poses a slipping risk. [HSE.1]

Root Causes:

There is no proper risk identification for installing a functioning eye wash station. Risk assessment should include defining where it is appropriate to place an eye wash station, taking into consideration water pressure, height of installation, and if installation will cause other problems.

2. Finding Status: Not Remediated

Explanation:

Based on the factory tour, the factory has provided the material safety data sheet (MSDS) for "Barudan"; however, there is no MSDS for either the diesel fuel on the diesel fuel tank or for the dry solvent and lubricant stored in the temporary storage area for hazardous waste. [HSE.10]

Root Causes:

There is inconsistency in chemical management. The internal audit conducted by the Occupational Health & Safety Team at the factory does not focus on chemical handling. Also, the Occupational Health & Safety Team has inadequate knowledge regarding toxic and hazardous waste handling.

3. Finding Status: Not Remediated

Explanation:

Workers in the spot cleaning area use an N95 mask which are not appropriate for chemical exposure. [HSE.7, HSE.8]

Root Causes:

The Occupational Health & Safety Team is not aware of the types of masks needed for chemicals.

4. Finding Status: Not Remediated

Explanation:

The mesh metal cutting gloves used by cutting operators are too large for the workers' hands. [HSE.7]

Root Causes:

Currently there are no customized mesh gloves sold at the market which can be adjusted to worker's hands. The factory has provided a generic size mesh glove which the workers wear over cotton gloves when they work.

5. Finding Status: Remediated

Explanation:

Safety instructions have been posted on or near machines.

6. Finding Status: Remediated

Explanation:

Eye guards have been installed on all bartack machines.

Local Law or Code Requirement

Manpower Minister's Regulation No. PER- 15 /MEN/VIII/ on first aid in workplace (2008), Art. (8); Decision of the Minister of Labor No.187 on Hazardous Chemicals Control at Work (1999), Art. 6; regulation No. PER-08/MEN/VII on Personal Protective Equipment (2010), Art. 6; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.7, HSE.8, and HSE.10.1)

Recommendations for Immediate Action

1. Install basin with a pipe to relay waste water generated from eye washing process in chemical storage.
2. Post MSDS for every chemical that includes toxic and hazardous waste.
3. Provide at least P95 chemical mask for workers who work with chemicals and control the utilization through shelf life identification and recording.
4. Find a way to provide mesh gloves with adjustable width and length as per worker's hand size.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Original Action Plan

1. a. Factory is to provide basin in eye wash station, on the ground with proper drainage for waste water.

b. Factory is to conduct weekly inspection for eye wash station to ensure that the condition area surrounding eye wash station are good.

2. a. Factory is to provide MSDS for diesel fuel, dry solvent and lubricant that stored in in the temporary storage area for hazardous waste.

b. Factory is to coordinate with related department who using chemical substance to ensure that all chemicals used have proper MSDS.

c. Factory is to check production area and other related department weekly to ensure that proper MSDS are posted in respected area.

3. a. Factory is to provide carbonized mask for workers in spot cleaning area.

b. Factory is review PPE Procedure and ensure the implementation are proper.

c. Factory is to train the respected workers to increase their awareness about PPE for their safety.

4. a. Factory is to provide the appropriate size of metal glove with the workers hands.

B. Factory is review PPE Procedure and ensure the implementation are proper e.g. GA department must consult with HSE Department and get approval prior to purchase PPE for workers.

Progress Updates

February 2018:

1. a. Completed. Factory has provided basin in eye wash station with the proper drainage for waste water.

b. Completed. Factory has conducted weekly inspection to check eye wash condition.

2. a. Completed - Factory has provided MSDS for diesel fuel, dry solvent and lubricant and posted in respected area.

b. Completed - Factory has coordinated with related department who using chemical substance to ensure that all chemical have proper MSDS

c. Completed - Factory has conducted weekly inspection for all chemical uses in production and supporting area.

3. a. Completed - Factory has provided the carbonized mask (Mask N95) to replace Mask 3M R95 type special for chemical use

b. Completed - Factory has revised PPE Procedure and state that GA Department should consult first with HSE Department and get approval before purchase PPE for workers.

c. Completed – PPE procedure has been well review and Factory has trained the respected workers about PPE and kept the record accordingly.

August 2018:

4. a. Completed - Factory has contacted the metal glove supplier regarding the minimum size available. Currently the size glove that is used by the workers is the smallest size and it fits workers when they use the additional cotton glove. It makes the operator more comfortable when operating the cutting machine.

b. Completed. Prior to providing the PPE (metal glove) to the operator, safety team conducts assessment to ensure metal glove is suitable for the hand of the operator so that when the operator use the metal glove. Also, General Affair team has asked HS team approval prior to the purchase of PPE. This has been stated in the PPE procedure.

PREVIOUS FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory does not provide lifting belts for workers who lift heavy goods. [HSE.17.2]2. Ten seats for workers in the cutting and quality control sections do not have backrests for support. [HSE.17]

Local Law or Code Requirement

Regulation of the Minister of Labor No. 7 (1964), Art. 9(1) - (2); FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.17.1 and HSE.17.2)

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation:

Workers in the finished goods and fabric warehouse who lift heavy goods do not wear lifting belts. Lifting belts have been provided and the relevant workers have been trained on their use. However, it was not recorded in the PPE log book and there is no receipt of PPE acceptance maintained as evidence that the factory has provided lifting belts. [HSE.17.2]

Root Causes:

There is no robust internal audit from the current Occupational Health & Safety Team to regularly assess PPE use and there are no positive reinforcements to incentivize workers to wear the provided PPE.

2. Finding Status: Remediated

Explanation:

The seating in the cutting area, which are provided for quality controllers, now have backrests for support.

Local Law or Code Requirement

Manpower Minister Regulation No 8-year 2010. Obligation to provide PPE. Article 2 (1); FLA Workplace Code (Health, Safety & Environment Benchmark HSE.17.2)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Original Action Plan

1. a. Factory is to provide Log Book and receipt record for PPE distribution.
- b. Factory is to conduct daily safety inspection to ensure the workers in finished goods & fabric warehouse are wearing the lifting belt.

Progress Updates

August 2018:

1.a Factory had developed procedure regarding the Personal Protective Equipment (PPE) which manages the PPE from the identification need of PPE until the disposal of PPE. The socialization of the PPE procedure had been conducted to related departments as well.

- b. Daily inspection have been conducted to make sure the implementation of PPE procedure.

PREVIOUS FINDING NO.5

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

The factory does not have a list of confined spaces within the factory. [HSE.2]

The factory does not post signs marking confined spaces. [HSE.2]

Confined spaces do not have appropriate protections to ensure that no one enters accidentally. No appropriate measures have been taken to protect workers from physical hazards. No air testing is conducted before workers enter confined spaces. [HSE.13]

There is no rescue equipment for confined space areas. [HSE.6]

Based information from a maintenance supervisor, the workers do not know safety procedures for confined space areas. [ER.31.1]

The factory does not have specific employees trained for maintenance work in dangerous areas. [HSE.6.2]

Local Law or Code Requirement

Regulation No. PER-08/MEN/VII on Personal Protective Equipment (2010), Art. 4; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.2 and HSE.13; Employment Relationship Benchmark ER.31.1)

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Remediated

Explanation: A list of confined spaces has been created (23 water tanks and 1 diesel tank).

2. Finding Status: Remediated

Explanation:

The factory has installed a padlock for confined spaces on the ground level to prevent accidental falls and to restrict access to the confined spaces.

3. Finding Status: Not Remediated

Explanation:

The factory has established procedures to regulate workers' entrance into confined spaces. In the event there is an emergency in a confined space, it shall be handled by a third party who has been government certified, who has their own protective gear as well as air testing equipment. However, the factory does not regulate the inspection of the third party's air testing equipment to ensure it properly functions nor does it have the means to calibrate the air testing equipment. [ER.31.2, HSE.13]

Root Causes: Factory management is not aware that the PPE and equipment used by a third party should be tested.

4. Finding Status: Remediated

Explanation:

The factory has established procedures that forbid people to enter confined spaces; there are warning signs on confined spaces.

5. Finding Status: Remediated

Explanation:

The factory conducted a training on confined spaces June 22, 2015 for 11 relevant workers who were hired under the general affairs department.

6. Finding Status: Remediated

Explanation:

One general affair worker has been appointed as the responsible person for confined spaces and was trained on June 22, 2015.

Local Law or Code Requirement

Manpower Supervisory Management General Director Decree No. KEP. 113/DJPPK/IX/2006, Confined space. Section 1; FLA Workplace Code (Employment Relationship Benchmark ER.31.1; Health, Safety & Environment Benchmark HSE.13)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Original Action Plan

3. a. Factory is to revise Confined Space Procedure to regulate inspection of air testing equipment that is used by third party and requirement for the calibration certificate.

b. Factory is to communicate this procedure clearly to the 3rd party and conduct monitoring for the implementation.

Progress Updates

3.a Completed - Factory had revised & updated the Confined Space Procedure which regulates inspections of air testing equipment that is used by the third party and requirement for the calibration certificate.

b. Completed - Factory has one water tank as confined space which is used to collect the rain water to supply to the toilets. In the revised procedure of confined space mentioned to inform 3rd party about preparation need prior monitoring. Also, there is a warning sign posted in the water tank that no one is not allowed to enter the water tank. The worker only checks the level of water through the indicator level.

PREVIOUS FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

There are no “no smoking” signs posted in the boiler room, chemical room, and maintenance area. [HSE.2, HSE.9.1]

There is an insufficient number of fire extinguishers in the heat transfer room and embroidery building; there is only 1 fire extinguisher in each area. The heat transfer room has 30 employees working with flammable materials, and the embroidery building has 16 workers. [HSE.6]

The factory does not provide PPE, breathing apparatus, and axes/hammers for the fire brigades. [HSE.1 HSE.7]

Local Law or Code Requirement

Regulation No. PER-08/MEN/VII on Personal Protective Equipment (2010), Art. 7; Regulation of the Minister of Manpower and Transmigration No. PER-04/MEN (1980), Art. 4(5); FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.6.1 and HSE.7)

Recommendations for Immediate Action

1.
Post “no smoking” signs in the boiler room, chemical room, and maintenance area.
2.
Provide sufficient number of fire extinguishers in heat transfer room and embroidery building and ensure that the distance between fire extinguishers does not exceed 15 meters.
3.
Ensure PPE, breathing apparatus, and axes/hammers are provided for the fire brigades.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status: Remediated

Explanation:

No-smoking signs have been posted in front of the boiler room, chemical room, and maintenance room.

2. Finding Status: Remediated

Explanation:

Two fire extinguishers each have been installed in the heat transfer label room and the embroidery room.

3. Finding Status: Remediated

Explanation:

The factory provides SCBA (Self Contained Breathing Apparatus) and PPE for current fire brigade members (1 coordinator and 5 fire action officers).

PREVIOUS FINDING NO.7

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

One of the two exits in the embroidery building is locked. According to the responsible staff, they are aware that the door should be open during production, but this procedure is not consistently implemented. [HSE.1, HSE.5]

Three aisles in sewing area are obstructed by additional sewing machines. [HSE.5]

One of the two exit signs in the embroidery building is not an illuminated sign. [HSE.1, HSE.5]

One of the two emergency lights above the exit doors in the embroidery building did not function when tested. The light is not on when the main power source is turned off. The emergency light uses the main factory power source instead of a battery. [HSE.1, HSE.5]

One of the two exit doors in the heat-press room is not equipped with an exit sign and emergency light. [HSE.1, HSE.5]

Local Law or Code Requirement

Regulation of The Minister of Labor No.7 on Health Condition, Cleanliness and Lighting in Work Place (1964), Art. 13.4; Regulation No. PER-01/MEN (1980), Art. 6; Ministerial Decree of Public Works No. 10/KPTS on Technical Security Provisions of Fire Hazard in Buildings and Environment (2000), Annex Chapter V, Art. 7 (6); FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.5.1)

Recommendations for Immediate Action

1. Ensure that secondary exits are not locked during working hours.
2. Clear all aisles of obstructions.
3. Ensure that all exit signs are illuminated.
4. Ensure that emergency lights are in working condition with a backup battery.
5. Ensure that all exit doors are equipped with exit signs and emergency lights.

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Remediated

Explanation:

Every exit in the embroidery room is now unlocked.

2. Finding Status: Remediated

Explanation:

All aisles in the production areas are now unobstructed.

3. Finding Status: Not Remediated

Explanation:

One out of two exit signs installed on the doors in the embroidery room does not function when the cable for the main power source was unplugged (done to check functionality of the backup battery). [HSE.1, HSE.5]

Root Causes:

There is no inspection of the functionality of the illuminated exit sign.

4. Finding Status: Not Remediated

Explanation:

The emergency light in the mechanic room does not function when the cable for the main power source was unplugged (done to check functionality of the backup battery). [HSE.1, HSE.5]

Root Causes:

The factory does not test the emergency light power sources.

5. Finding Status: Remediated

Explanation:

Every exit in the heat transfer rooms are now equipped with emergency lights and illuminated exit signs.

Local Law or Code Requirement

Regulation of the Minister of Labour No. 7 (1964), Art. 13(2); FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.5.1)

Recommendations for Immediate Action

Ensure all emergency light power sources are checked and tested from time to time.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Original Action Plan

- 3. a. Factory is to replace the broken exit signs in the embroidery room.
- b. Factory is to conduct weekly inspection to ensure all exit signs is in a good condition.

- 4. a. Factory is to replace broken emergency light in the mechanic's room with the new ones. b. Factory is to conduct weekly inspection to ensure all emergency lights are in good condition.
- c. Results of emergency lights, including findings, remediation needed and verification of such to be documented.

Progress Update

February 2018:

- 3. a. Completed - Factory has replaced the broken exit signs in the embroidery room
- b. Completed - Factory has conducted weekly inspection to check the condition of all exit signs.

- 4. a. Completed - Factory has replaced the broken emergency light in the mechanic room b. Completed - Factory has conducted weekly inspection to check the condition of all emergency lights.

Completed - Factory has documented the results of inspection of emergency lights.

PREVIOUS FINDING NO.8

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The first aid team that is responsible in case of an emergency does not have first aid certification. [HSE.18.2]
2. The onsite clinic only operates from 7:30 AM to 16:00, and the clinic is not open when there are overtime hours worked. [HSE.18.2.1]

Local Law or Code Requirement

Manpower Minister's Regulation No. PER- 15 /MEN/VIII/on first aid in workplace (2008), Art. 5; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.18.2, and HSE.18.2.1)

Recommendations for Immediate Action

1. Ensure that the first aid team has first aid certification.
2. Ensure that the clinic is operational during overtime hours.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

1. Finding Status: Remediated

Explanation:

Factory has enrolled first aid team members (12 people) as certified first aid officers by the government.

2. Finding Status: Remediated

Explanation:

The onsite clinic has followed working hours at the factory therefore, if there is overtime conducted then the onsite clinic will be opened.

PREVIOUS FINDING NO.9

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

If a worker becomes sick during working hours, they are only paid for the hours already worked, rather than a full day's wage, as it is required by local law. For example, one worker asked permission to go home at 10:40 AM on October 17, 2014 due to illness, but she was only paid for the 3 hours she worked that day (7:30 AM to 10:40 AM).

Local Law or Code Requirement

Recommendations for Immediate Action

Ensure that workers are compensated for the full day if they must take sick leave for part of the day.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

All sick leave is included when workers ask for permission to go home due to illness and are compensated their full wages.

PREVIOUS FINDING NO.10

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

From Monday through Thursday break time is provided after the workers work 4.5 consecutive hours instead of 4 hours, in violation of local law. Regular hours are 7:30 to 16:30 from Monday to Thursday with a break time from 12:00 to 13:00 (and 7:30 to 17:00 on Friday with a longer break from 11:30 to 13:00, which is in compliance with the local law).

Local Law or Code Requirement

Law No. 13 on Manpower (2003), Art. 79(2a); FLA Workplace Code (Hours of Work Benchmark HOW.3)

Recommendations for Immediate Action

Ensure that the workers are provided with a break after four consecutive hours of work.

VERIFICATION RESULT

Finding Status

Remediated

Remediation Details

Since October 17, 2016, the scheduled break time has changed. The break time is from 11:30 to 12:30 (after four continuous hours of work), which is in compliance with local law.

PREVIOUS FINDING NO.11

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

All 17 male security guards are hired and paid through a contracted security agency. Based on pay slips and information from security guards and the factory, the 17 contracted security guards are paid basic wage of IDR 2,423,300 per month instead of the legal local minimum wage of IDR 2,442,000 per month. [C.2]

Overtime hours of the contracted security guards are not paid at the legal overtime rate; they are paid an overtime incentive of IDR 217,116 per month, instead of the overtime rate based on hours worked. [C.7.1, C.5]

The contracted security guards are not regularly provided with a copy of their pay slips when receiving their salary through bank deposit. [C.13, C.15]

There are no accurate time records for the contracted security guards. Their working time is written manually on time cards with uniform time in and time out. [ER.2, ER.23.3, C.15]

Local Law or Code Requirement

Law No. 13 on Manpower (2003), Art. 90(1); 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 (Compensation Benchmarks C.2, C.7.1, and C.13; Employment Relationship Benchmark ER.23.3)

Recommendations for Immediate Action

1. Ensure that the contracted security guards are paid the correct minimum wage and overtime compensation.
2. Ensure all contracted security guards receive a copy of pay slip on monthly basis.
3. Keep accurate time records for all contracted security guards

VERIFICATION RESULT

Finding Status

Not Remediated

Remediation Details

1. Finding Status: Not Remediated

Explanation:

The basic wages of outsourced security guard are IDR 3,270,936 (USD 245.49) per month while the Decision of Banten Governor No: 561/Kep.553-Huk/2016 states that the 2017 minimum wage for Tangerang Regency is IDR 3,270,936.13 (USD 245.49) per month. The security labor agency rounded down the minimum wage instead of rounding up. [C.2]

Root Causes:

The management of the outsourced company thinks that IDR 0.13 is insignificant and that the security personnel under their payroll would not notice and/or care about a difference of IDR 0.13. Furthermore, the factory's HR does not rigidly check the pay slips of each security personnel to ensure the outsource company pays the wages to the cent.

2. Finding Status: Not Remediated

Explanation:

There are two sets of pay slips for outsourced security guards. The first set of pay slips reflect lower overtime wages and include the security guards' signature while the second set reflects higher overtime wages with falsified signatures. Outsourced security guards received the same overtime compensation of IDR 264,700 (USD 20) from April 14 to May 13, 2017 which is considered deficient overtime wage as at least two security guards worked on three public holidays (April 14 and 24, and May 1, 2017). They are entitled to overtime wages of at least IDR 794,100 (USD 60). About two hours after assessor reviewed the first set of pay slips, the security labor agency provided a second and different set of pay slips that showed higher overtime wages. The second set of pay slips is not consistent with actual security guards' signature or the net amount reported by them. [C.5, C.7, C.16]

Root Causes:

Factory management said that they pay the wage as per legal overtime calculation to the outsourced company. However, they do not check whether the company in turn pays the relevant security workers are paid the correct overtime wage rate.

3. Finding Status: Not Remediated

Explanation: Based on interview with security guards, it was noted that the outsourced security guards are not provided with a copy of their pay slips on monthly. The chief of security guards makes a copy of the pay slip only when the guard requests one, or the guard can take a photo of the original pay slip using his mobile phone. [C.13, C.15]

Root Causes: The factory HR lacks manpower to be able to check the wage system implemented by the outsourced security company. Also, factory management does not consider pay slips to be important enough to be consistently checked.

4. Finding Status: Not Remediated

Explanation: All outsourced security guards have been provided with timecards to record their working hours. However, there are many manual corrections on the time cards on the time-out section. The security guards do not always punch out the timecards themselves, especially when they work extra time after their shifts end, to reduce the traffic of workers leaving the factory. Other security guards punch out for them. [ER.2, ER.23, C.15]

Root Causes: Factory management does not ensure working hours recorded on time cards is consistently implemented by security personnel. Factory management is paying more attention to the workers than the security personnel.

Local Law or Code Requirement

Law No. 13 on Manpower (2003), Art. 90(1); Decision of the Minister of Manpower and Transmigration No. KEP 102/MEN/VI on Overtime work and Overtime pay (2004), Art. 11; Regulation of the Minister of Manpower No. KEP- 06/MEN (1990); FLA Workplace Code (Compensation Benchmarks C.2, C.5 C.7.1, C.13. C.15 and C.16; Employment Relationship Benchmarks ER.2, ER.23.2 and ER.23.5)

Recommendations for Immediate Action

1. Ensure outsourced security guards are paid the correct minimum wage.
2. Ensure outsourced security guards are paid correctly for all overtime hours at the legal rate. Maintain only one set of accurate wage records.
3. Ensure all contracted security guards receive a copy of their pay slips, monthly.
4. Ensure the time records of outsourced security guards are a complete and accurate recording of hours of work, and ensure timecards are punched-in and -out by each security guard, themselves.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Original Action Plan

1. a. Factory is to provide the back payment for lack minimum wage given to respected security guard (IDR 0.13).
b. Factory to develop written contract with outsourcing company which includes the requirement to comply with wage, legal benefit and other requirement for the outsourcing employees.
c. Factory is to conduct regular audit to outsourcing company to ensure that they give salary for those security guards are follow the regulation, rounded up the minimum wage.

2. a. Factory is to communicate and brief clearly to outsourced company about the Factory's regulation regarding transparency.
b. Factory to develop written contract/MoU with outsourcing company that includes requirements to comply with wage, legal benefits and other rights for the outsourced employees. Factory is to verify the continuous and sustainable implementation of proper payment of wages and benefits (including OT) and hours of work through internal monitoring. c. Factory is to monitor the implementation of the payment process for outsourced workers by checking the calculation of OT Hours, OT wages, and other payment of outsourced workers prior to their payment. Factory is to check the payment received by outsourced workers, after the payday.

3. a. Factory to develop written contract/MoU with outsourcing company that includes the requirement to comply with wage, legal benefits and to provide payment document to the outsourced employees for all wages/benefits paid.
b. Factory is to brief outsourced company to ensure they provide pay slip to respected security guard.

- c. Factory is to appoint one person as PIC to monitor labor practice for outsourced security guard and keep a copy of pay slip.

4. a. Factory to include security guards in its working hours policy which includes the requirement to punch in and out their time card on daily basis; Communicate the policy to the security guard.
b. Factory is to conduct regular monitoring to ensure that the working hours record/time card of security guard are completed and based on actual working hours.

Progress Updates

February 2018:

- . a. Completed - Factory has provided the back payment for IDR 0.13 shortage of minimum wage to those security guard, started from January 2017. This back payment also included the shortage for social security (BPJS Ketenagakerjaan), overtime wage and health insurance (BPJS Kesehatan).

2. a. Completed - Factory has already conducted briefing with management of outsourced company (Damarindo Mandiri) to discuss about FLA Audit finding.
b. Completed - Factory has amended the contract to cover requirement for outsourced company to comply with wage, legal benefits and other rights for outsourced workers. Factory has observed the payment of Security Guards for period of May-Jun 2017, and all the security guards have already received amount of their salary as it supposed to be.

- c. Completed. Factory has verified the calculation of OT hour and OT wage with the outsourced company prior to pay day. The Factory has checked the payment received for outsourced workers after the payday. Now, all OT work have been calculated and paid as per local regulation.

3. a. Completed - Factory has renewed the MoU with outsourced company in October 2017, and now all security guard have received pay slip for all pay periods.
b. Completed - Factory has briefed the outsourced company to provide pay slip to security guards.

- c. Completed - Factory (HR Team) has monitored the labor practice for security guard and kept a copy of pay slip given to all security guards.

4. a. Completed - Factory has briefed all security guards to punch in and out their time card based on actual working hours in every day.
b. Completed - Factory has conducted monitoring to check the implementation and now all timecards are completed and reliable.

August 2018:

1.b. Completed - Factory has revised & updated the contract agreement with the security agent which already included requirements to provide legally required wages & benefits

c. Completed - Factory conducted monitoring audit to the security agent on May 9, 2018. There were two findings related the enrollment of social insurance and contract agreement. Those findings had been followed up and closed on June 4, 2018

PREVIOUS FINDING NO.12

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

Supervisors are not trained on Recruitment, Hiring & Personnel Development, Hours of Work, Compensation, Termination & Retrenchment, and Industrial Relations. [ER.17.1]

There is no ongoing training to employees on Recruitment, Hiring & Personnel Development and Termination & Retrenchment. [ER.1]

The orientation for new employees does not include Industrial Relations. [ER.15.1]

Training on discrimination, harassment, and abuse is not conducted for local or foreign managers. The last harassment and abuse training for supervisors was on May 4, 2012. [ER.27]

There is no specific training for human resources personnel, supervisors, and managers on Workplace Conduct & Discipline. [ER.27]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.15.1, ER.15.2, ER.17.1, and ER.27)

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status: Partially Remediated

Explanation:

Based on training records, it was noted that two out of 35 supervisors have not been trained on Recruitment, Hiring & Personnel Development, Hours of Work, Compensation, Termination & Retrenchment, and Industrial Relations. This training for supervisors was conducted recently, on June 12, 2017. [ER.17]

Root Causes:

There is no system to check whether all intended persons have been trained and whether the remaining people are scheduled for the next training. There is also the problem of arranging this training as only two supervisors missed it.

2. Finding Status: Remediated

Explanation:

The factory conducts ongoing training to workers on Recruitment, Hiring & Personnel Development and Termination & Retrenchment. The last training was on June 13, 2017.

3. Finding Status: Remediated

Explanation:

Orientation training for new workers now covers Industrial Relations. The last orientation for new workers was conducted on June 8, 2017.

4. Finding Status: Partially Remediated

Explanation:

The factory has conducted training on discrimination, harassment, and abuse for supervisors and local managers. However, training has not been conducted for foreign managers. [ER.27]

Root Causes:

Foreign managers are mostly upper level management while the person who conducts the training is at a lower level in management (mid-level), hence when foreign managers refuse to be included in for training, the person in-charge is unable to enforce it.

5. Finding Status: Partially Remediated

Explanation:

The factory has conducted training on Workplace Conduct & Discipline for human resources personnel and supervisors; however, the managers were not invited to attend the training. [ER.27]

Root Causes:

The person in-charge who did the training was the manager himself hence he could not do the training for himself. Managers from other departments simply refused to attend due to their workload.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.17.1, and ER.27)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Original Action Plan

1. a. Factory is to conduct training on Recruitment, Hiring & Personnel Development, Hours of Work, Compensation, Termination & Retrenchment, and Industrial Relations, for all supervisors.
- b. Factory's HR Team to verify supervisors are taking all required training; Supervisors should be provided with sufficient time to take all needed training.
- c. Factory is to keep training record and evaluation properly.

4. a. Factory is to conduct training on discrimination, harassment, and abuse to all expatriate managers.
- b. Factory's HR Team is to check regularly expat staff is taking all required training and communicate to Top Management to ensure that all expatriate managers join those training.
- c. Factory is to keep training record and evaluation properly.

5. a. Factory is to conduct training on Workplace Conduct & Disciplinary Practice to all managers.
- b. Factory's HR Team is to check regularly and keep communicate to management to ensure that all managers join those training.
- c. Factory is to keep training record and evaluation properly.

Progress Updates August 2018:

1. Completed

1.
Factory conducted training on Recruitment, Hiring & Personnel Development, Hours of Work, Compensation, Termination & Retrenchment, and Industrial Relations, for supervisors on May 5, 2018.
2.
Factory developed tracking list for the training to track attendance.
3.
Training record & evaluation is available based on the training procedures.

4. Completed

- a. Training on discrimination, harassment, and abuse was conducted specifically for all expatriate managers on July 12, 2018.
- b. 2 training have been conducted to all expatriates in 2018 and factory has developed tracking list for all expatriates which are then reported to top management for review.
- c. Training record & evaluation is available based on the training procedure.

5. Completed

- a Training on Workplace Standard & Disciplinary Practice was conducted on May 5, 2018 for all managers.
- b. 2 training have been conducted to all Manager in 2018 and factory has developed tracking list for all Manager which are then report top management for review.
- c. Training record & evaluation is available based on the training procedure.

FINDING TYPE: Health & Safety

Finding Explanation

There is no personal protective equipment (PPE) training for cutting operators and embroidery workers. [HSE.8]

There is no training for employees who work in confined spaces, high-level areas, and dangerous areas. [ER.31.2, HSE.14.2]

Orientation training for new workers does not include information regarding the environmental program. [ER.15, HSE.2]

Local Law or Code Requirement

Act No. 1 on Safety (1970), Art. 9(1) - (2); FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.2, HSE.8, and HSE.14.2; Employment Relationship Benchmarks ER.15.1, and ER.31.2)

VERIFICATION RESULT

Finding Status

Partially Remediated

Remediation Details

1. Finding Status: Partially Remediated

Explanation:

The last PPE training was conducted on June 22, 2015 to six cutters and on September 9, 2015 for nine embroidery workers. However, the training material did not include how to wear and maintain the provided PPE. Furthermore, there was a briefing on PPE for cutters on March 24, 2017 and for embroidery workers on March 16, 2017. However, there is no detailed information on the training materials, who attended the briefing, who did the briefing, or whether the workers understood the information. [HSE.8, HSE.2]

Root Causes:

The factory does not consistently conduct training as management considers the training in 2015 to be sufficient, and that brief PPE refresher trainings suffice for full refresher trainings.

2. Finding Status: Partially Remediated

Explanation:

Training on confined spaces was conducted in 2015 without any annual refresher training since. [HSE.14.2]

Root Causes:

The factory management thought that dangerous areas and processes only include confined spaces, they did not consider other types of work as dangerous, such as work at heights and the handling of electrical equipment.

3. Finding Status: Remediated

Explanation:

Orientation training for new workers now includes training on basic environmental protection program.

Local Law or Code Requirement

Act No. 1 on Safety (1970), Art. 9(1) - (2); FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.2, HSE.8 and HSE.14.2)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Original Action Plan

1. a. Factory is to develop comprehensive material topic for PPE Training, including how to wear and maintain the PPE.
- b. Factory is to have proper record for PPE Training, complete with attendance sheet, materials, evaluation record.

2. a. Factory is to conduct refresher training for confined space procedure in year 2017 to General Affair Department
- b. Factory is to ensure the confined space procedure are included on the next Training Need Assessment

Progress Updates

February 2018:

1. a. Completed - Factory has developed comprehensive material topic for PPE Training, including how to wear and maintain the PPE.

- b. Completed - Factory have proper record for PPE Training, complete with attendance sheet, materials, evaluation record.

August 2018: 2.Completed

- a Factory conducted refresh training for General Affairs Department workers regarding the Confined Space procedure on April 19, 2018.

- b. Training or communication regarding confined space procedure has been included in the Training Needs Assessment and training program for 2018.

New Findings and Action Plans

NEW FINDING NO.1

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

There is no training conducted in regard to work at heights or in dangerous areas, such as lockout-tagout training work for relevant workers. [HSE.6.2, HSE.14]

The worker who is responsible for handling toxic and hazardous waste is not trained. [HSE.9.2]

The factory does not provide general first aid training to all workers in the factory. [HSE.6.2]

There is no sanitation training for the five workers who are responsible. [HSE.19]

The current worker who uses compressed gas has not been government-certified as an expert welder. [HSE.4]

The factory has not implemented a lockout-tagout procedure. [HSE.14]

The factory does not have a record of the potable water laboratory tests for February and April 2017. [HSE.23]

Local Law or Code Requirement

Permenaker No 9 year 2016. Regarding work in-height, article 6.3; Safety Act 1 year 1970 regarding Health and Safety, article 9; Manpower Regulation No. 02 year 1982 regarding welder, article 3.1; Health Minister Regulation No. 736/2010 regarding potable water laboratory test, article 7.3; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.6.2., HSE 9.2, HSE.19, and HSE.23.1.2)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Original Action Plan

1. a. Factory is to conduct training regarding work at heights and Lockout Tagout (LOTO) to related workers in General Affair and Mechanic Department
- b. Factory is to conduct training evaluation to ensure that workers from GA and mechanic department follow the procedure for work at height and LOTO.
- c. Factory management to schedule LOTO training to any new workers from GA upon hire and at least once annually as a refresher course.

2. a. Factory is to conduct Chemical Handling training for person in charge of handling toxic and hazardous waste.
- b. Factory is to conduct training evaluation to check whether the respected person who handle toxic and hazardous waste follow the procedure.
- c. Factory management to schedule training on toxic/hazardous waste to all new workers from upon hire and at least once annually as a refresher course.

3. a. Factory is conduct general first aid training to all workers in an annual basis.

b. Factory is to keep training record and evaluation properly.

4. a. Factory is to conduct sanitation training to respected workers in annual basis.

b. Factory is to keep training record and conduct refresher training if any changes of workers.

5. a. Factory is to register the welder operator to join certification training that conducted by authorized 3rd party (PJK3) to obtain government license.

b. Factory is to check/go through the local regulation to ensure that all type of work/operator who are being required for the government license, receive it.

6. a. Factory is to conduct refresher training for lockout-tagout procedure to Mechanic and General Affair Department

b. Factory is to provide the appropriate equipment regarding LOTO procedure

c. Factory is to ensure that related person from mechanic and GA department get Work Permit from HSE Department, prior to do LOTO. Factory is to check it during HSE Internal audit and keep the audit report accordingly.

7. a. Factory is to conduct laboratory testing for potable water on a monthly basis. b. Factory is to keep and post laboratory test results.

Progress Updates

February 2018:

7. a. Completed - Factory has conducted laboratory test for potable water in every month and test result are good.

b. Completed - Factory has kept and posted laboratory test record for potable water in monthly basis.

August 2018:

1.a Completed - Factory conducted training for Mechanic & General Affairs workers on LOTO procedures on Aug 2018.

b. Completed - Training evaluation is available based on the training procedure.

c. Completed - Factory has developed training matrix for new workers based on the department to ensure the new workers received all necessary training topics.

2.a. Completed - Chemical handling training was conducted for workers who handle the chemical materials in April 2018.

b. Completed - Training evaluation is available based on the training procedure.

c. Completed - Factory developed training matrix for new workers based on the department to ensure the new workers received the basic training topic.

3.a. Completed - First aid training/briefing for general workers has been provided to all workers. b. Completed - Training record and evaluation are available based on the training procedure.

4.a Completed - Sanitation training had been conducted for General Affairs workers in Aug 2018.

b. Completed - Training record and evaluation are available based on the training procedure.

5. Completed - Factory has not used internal welder anymore and welding activity is conducted outside the factory by the 3rd party.

6. a Completed - Factory conducted training for Mechanic & General Affairs workers regarding LOTO procedure in Aug 2018.

a. Completed - Factory provided equipment tools for implementation of LOTO procedure i.e. lock, safety sign tag.

b.Completed - Work permit procedure has been implemented. The Last implementation of work permit form was for the construction of the chemical waste storage in April 2017.

Company Action Plan Update

NEW FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

The fire brigade has only one coordinator and five fire action officers, while the factory has a total of 1,048 workers. There should be at least two fire action officers for every 25 people, or 84 fire action officers for the number of people at the factory. [HSE.5]

There is no training conducted for workers appointed as fire brigade members, including positions like the fire acting officer, fire squad, and unit coordinator. [HSE.5]

There is no fire emergency plan or book established. [HSE.5]

There is no proper fire risk assessment conducted internally. Factory needs to strengthen the team's capability and internal process in order to perform the fire risk assessment. [HSE.5]

There are no sprinkler and hydrant system installed. [HSE.5]

The factory has not obtained an automatic fire installation permit for the installation of the firefighting system at the factory. [HSE.4]

There is no fire alarm installed in chemical storage, temporary storage of toxic and hazardous waste, solid waste or general rubbish storage and compressor room. [HSE.5]

There is no smoke detector in the temporary hazardous waste storage area, solid waste and general rubbish storage, or the compressor room. [HSE.5]

The fire alarm is not automatic. [HSE.5]

The fire alarm is powered by the main electrical panel and is powered with a generator during electrical black outs, instead of back-up battery. [HSE.5]

Eighty percent (80%) of the doors in the factory are sliding doors or doors that pull inwards, rather than outward-opening swinging doors. [HSE.5]

Local Law or Code Requirement

Kepmenaker No 186/1999 regarding firefighting unit article 2.2.f , article 3, article 6.1 – 6.3 ; INS 11 M BW year 1997 Attachment Section III regarding automatic fire installation permit, article 1.3, article 5; PUIL 2000 regarding power supply, article 4.11.4.1.d.; PP No 36 year 2005 regarding door opening direction, Article 56 (3) ; Permen PU No 26 year 2008 regarding type of door, Article 3.7.1.1; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.4, HSE.5.1 and HSE.5.3)

Recommendations for Immediate Action

1.
Establish a fire brigade with adequate number of fire action officers, as per regulation.
2.
Enroll fire brigade members for government-certification as fire experts.
3.
Establish fire emergency plan or book.
4.
Conduct fire risk assessment internally then commission it to a third party.
5.
Install sprinkler and hydrant systems at the factory.
6.
Obtain automatic fire installation permit for firefighting system installation at the factory.

7. Install fire alarms in the chemical storage, temporary hazardous waste storage area, solid waste and general rubbish storage and compressor room.
8. Install smoke detectors in the temporary hazardous waste storage area, solid waste and general rubbish storage area, and compressor room.
9. Replace the current fire alarm with an automatic fire alarm.
10. Provide back-up batteries for the fire alarm system.
11. Change inward swinging doors to outward swinging doors throughout the factory.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Original Action Plan

1. Factory is to set up the fire brigade based on local regulation/requirement. It will be around 84 workers as fire brigade.
- 2 a. Factory is to put the required training for fire brigade in their TNA (Training Need Assessment), hence top management is aware of it.
b. Factory is to enroll all fire brigade members (including positions like the fire acting officer, fire squad, and unit coordinator), to respected training based on regulation.
3. Factory is to set up the fire emergency plan or book. The content of the book should refer to local regulation, e.g.
 - a. information about potential hazard and preventive action
 - b. type, maintenance and use of fire protection facilities in workplace.
 - c. Procedures related to fire hazard prevention
 - d. procedures for the implementation of work related to the prevention of fire hazard; e. procedures for dealing with emergency hazards.
4. a. Factory is to conduct proper Fire Risk Assessment based on regulation.
b. Factory is to enroll team for related Fire Safety training, as well as, do briefing for the team about adidas Fire Safety Guidance, to enhance their capacity to perform the proper fire risk assessment.
5. a. Factory is to install sprinkle and hydrant system in facility.

b. Factory is to check regularly to ensure that sprinkler and hydrant are properly functioning. c. Factory to document internal audits of sprinkler and hydrant systems along with review all other fire safety equipment (i.e. fire alarms, em. lights, extinguishers, etc.).

6.a. Factory is to obtain automatic fire installation permit for firefighting system installation at the factory.

7. a. Factory is to install fire alarms in the chemical storage, temporary hazardous waste storage area, solid waste and general rubbish storage and compressor room.

b. Factory is to do regular checking the fire alarm in respected area to ensure all are in good condition.

c. Factory to document internal audits of fire alarm systems along with review all other fire safety equipment throughout the factory.

8. a. Factory is to Install smoke detectors in the temporary hazardous waste storage area, solid waste and general rubbish storage area, and compressor room.

b. Factory is to do regular checking the smoke detectors in respected area to ensure all are in good condition.

c. Factory to document internal audits of smoke detector along with review all other fire safety equipment throughout the factory.

9. a. Factory is to install automatic fire alarm in their facility.

b. Factory is to check regularly automatic fire alarm to ensure in a good condition.

c. Factory to document internal audits of fire alarm systems along with review all other fire safety equipment throughout the factory.

10. a. Factory is to provide back-up batteries for the fire alarm system to ensure it continues working during black outs.

b. Factory is to check regularly back up batteries for fire alarm.

11. a. Factory is to keep open those sliding doors during working hours.

b. Factory is to provide clear and illuminated exit signs.

c. Factory is to check regularly to ensure that no obstruction in front of sliding doors.

d. Factory is to provide readily visible, durable sign in letters not less than

1 in. (2.5 cm) high on a contrasting background that reads as follows: "THIS DOOR TO REMAIN OPEN WHEN THE BUILDING IS OCCUPIED"

Progress Updates August 2018:

1. Completed - Factory developed Fire Brigade based on local regulation requirement which requires 84 workers in the fire brigade.

2.

a. Completed - Training Needs Assessment for fire brigade has been developed.

b. In progress - Factory is still looking for the training service provider for the fire brigade

certification level B & C.

3. Completed - Factory has developed fire emergency plan which has been included in emergency plan procedure. The procedure includes information on the potential hazard information, fire protection facilities, and dealing with fire emergency hazards.

4.

- a. In progress - Factory is still waiting for the schedule from the local fire brigade to conduct fire risk assessment in the factory.
- b. Completed - Fire safety training for fire brigade team was conducted in Aug 2018.

5.

- a. Completed - Factory has installed hydrant
- b. Completed - Factory conducted regular inspection for the fire protection.
- c. Completed - Record of regular inspection for fire protection is available and based on

the internal audit result, it is not any finding related fire protection.

6.Completed - Permit for fire protection installation is available and still valid until June 2019.

7.

- a. Completed - Fire alarms in the chemical storage, temporary hazardous waste storage area, solid waste and general rubbish storage and compressor room have been installed.
- b Completed - Regular inspection checklist for the alarm system is available.
- c Completed - Fire protection evaluation has been included in the internal audit check list.

8.

- a. Completed - Smoke detector in the chemical storage, temporary hazardous waste storage area, solid waste and general rubbish storage and compressor room have been installed.
- b. Completed - Regular inspection checklist for the smoke detector system is available.
- c. Completed - Fire protection evaluation has been included in the internal audit check list

9.

- a. Completed – Factory has installed integrated fire alarm system.
- b Completed - Regular inspection checklist for the alarm system is available.

c Completed - Fire protection evaluation has been included in the internal audit check list.

10 a. Completed - Factory has provided back-up batteries for the fire alarm system. b Completed - Factory has provided regular checklist for the back-up batteries.

11 a. Completed - Factory has been maintaining all sliding doors type and posted the warning sign.

b. Completed - Factory has provided illuminated exit sign in all exit doors.

c. Completed - Factory is conducting regular housekeeping inspections to make sure no obstructions are found in the exit doors.

d. Completed - Factory has posted safety sign for the sliding door that states, "The door is kept remain open when the building is occupied".

NEW FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

There is inadequate electrical management in place. [HSE.13]

There are no rubber mats placed beneath every electrical panel as isolation tools. [HSE.13]

The switches inside the electrical panel are not labeled or identified. For example, there is no label for the switch for "sew line 1". [HSE.13]

There are no arrow markings to show the turn-off and -on direction of the electrical panel switches. [HSE.13]

There is no electrical diagram that shows the function of each switch posted at the back of the electrical panel door. [HSE.13]

Local Law or Code Requirement

PUIL 2000 regarding electrical safety, article 2.1.6.1., article 2.5.2.3; Article 9.2 1; FLA Workplace Code (Health, Safety & Environment Benchmark HSE.1, HSE.13)

Recommendations for Immediate Action

1.
Place rubber mat beneath every electrical panel.
2.
Identify every switch along with its direction of on and off.
3.
Post electrical diagram and only use electrical tape for electrical isolation.
4.
Hire a government-certified electrician.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Original Action Plan

1. a. Factory is to improve electrical management in their facility and only use electrical tape for electrical isolation.
b. Factory is to conduct regular checks for electrical installation and safety.
c. Factory management to document results and remediation of internal electrical installation inspections.
2. a. Factory is to provide rubber mats in every electrical panels.
b. Factory is to conduct regular checking for rubber mats availability and condition.
c. Like with other internal checks, factory management to document results and remediation completed.
3. a. Factory is to provide label and identify the switches inside the electrical panel.
B. Factory is to conduct regular checking for label and identification switches in every electrical panel.
c. Like with other internal checks, factory management to document results and remediation completed.
4. a. Factory is to Identify every switch along with its direction of on and off in each electrical panel.
b. Factory is to conduct regular checking the arrow marking in each electrical panel.
c. Like with other internal checks, factory management to document results and remediation completed.
5. Factory is to Post electrical diagram that shows the function of each switch posted at the back of the electrical panel door

Progress Updates

February 2018:

1. a. Completed - Factory has improved electrical management and only use electrical tape for electrical isolation.
- b. Completed - Factory has conducted regular inspection for electrical installation and safety. c. Completed - Factory has

documented the inspection record for electrical installation.

- 2.a. Completed - Factory has provided rubber mats in every electrical panels.
- b. Completed - Factory has conducted regular checking for rubber mats availability and condition.
- c. Completed - Factory has documented the inspection result of rubber mats checking for availability and condition.

August 2018:

- 3. a. Completed - Factory has provided label and has identified the switches inside the

electrical panel.

- b. Completed - Factory had conducted regular inspection for electrical panel. c. Completed - Records of regular inspection on electrical panel are available.

- 4. a. Completed - Factory has provided identification of switch along with its direction of "on" and "off" in each electrical panel.

- b. Completed - Factory has conducted regular inspection for electrical panel. c. Completed - Record of regular inspection on electrical panel is available.

- 5. Completed - Factory had posted the electrical diagram that shows the function of each switch at the back of the electrical panel door.

NEW FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

The factory does not adequately manage the PPE since as there is no PPE log book that records the shelf-life of each PPE (the expiration date), when PPE is provided, used, replace and/or damaged.

Local Law or Code Requirement

Permenaker No.8/2010, regarding PPE management, article 7.1, article 8.1 and 8.2; FLA Workplace Code (Health, Safety & Environment Benchmark HSE.1, HSE.7)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Original Action Plan

1. a. Factory is to provide log book and receipt records for the PPE acceptance including expiration date, when PPE is provided, used, replace and/or damaged
- b. Factory is to conduct regular monitoring to ensure that workers wear PPE in a good condition. c. Like with other internal checks, factory management to document results and remediation completed.

Progress Updates

August 2018:

1. a. Completed. Factory has provided PPE log book with expiration date and other necessary

information as date of issued, used, replace/damaged.

- b. Completed. Daily inspection is being conducted to ensure PPE procedure is being implemented.
- c. Completed. Regular daily inspections are being conducted and recorded.

NEW FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. There are no handrails installed on the platform in the diesel fuel tank storage. [HSE.14, HSE.1]
2. The two exhaust fans used for ventilation in the pad printing room are installed on the same wall instead of opposite or on different walls. Additionally, most of the exhaust fans throughout the factory are dirty and have accumulated dust due to lack of sanitation. [HSE.13, HSE.19]
3. The embroidery building and carpenter room have damaged ceilings with potential damage to the roof; light could be seen coming through the roof in these areas. There are also missing window panes on the jalousie windows in these two areas. [HSE.25]
4. Windows at the fabric warehouse are dirty and have accumulated dust. [HSE.19]

Local Law or Code Requirement

SNI 03 – 1746 - 2000 regarding handrail article 5.2.4.2; Labour Minister Regulation No 01/1982 regarding ventilation, article 35.1 – 2; Act 28/02 regarding building, article 22.1 – 3; Manpower Minister Regulation No 7/64 regarding roof condition, article 5.6; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.13, HSE.14.1, and HSE.19)

Recommendations for Immediate Action

1.
Install hand rails for the safety guard at the diesel fuel tank storage.
2.
Provide ventilation on different sides of the pad printing room to ensure air circulation. Additionally, regularly clean the exhaust fans.
3.
Repair any building damage and replace necessary fixtures.
4.
Clean the building (wall, ceiling, floor) and record cleaning. Conduct frequent inspections to ensure its implementation.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Original Action Plan

1. Factory is to install hand rails for the safety guard at the diesel fuel tank storage
2. a. Factory is to install ventilation on different sides in the pad printing room to ensure air circulation.
b. Factory is to clean regularly the exhaust fans
c. Factory is to inspect regularly the air velocity and cleanliness of each exhaust fan.

d. Like with other internal checks, factory management to document results and remediation completed.
3. a. Factory is to repair the damage ceiling in embroidery room and carpenter room.
b. Factory is to install missing window panes in embroidery and carpenter area.
c. Factory is to conduct regular checking for building structure.
d. Like with other internal checks, factory management to document results and remediation completed.
4. a. Factory is to clean the building (wall, ceiling, floor) and record cleaning. b. Factory is to conduct frequent inspections to ensure its implementation

Progress Updates August 2018:

1.
In progress - installation of handrails scheduled on September 2018.
2.
 - a. Completed - Factory has installed ventilation in the different sides of the pad print room
 - b. Completed - There is cleaning schedule for all department twice a day
 - c. Completed - Factory conducts daily safety and 6 S inspection
 - d. Completed - Regular inspections are already conducted and record of such are available.
3.
In progress – Reparation of damaged ceiling in embroidery & carpenter room is scheduled for September 2018.
4.
 - a. Completed - There are cleaning scheduled for all department twice a day; such are being recorded.
 - b. Completed - Factory conducts daily safety and 6 S inspection

NEW FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

The floor in the temporary hazardous waste storage area does not have a one-degree slope or a sump to collect any spillage and/or leakage. [HSE.9]

The factory has not installed a leachate drain in the rubbish waste storage. [HSE.9]

Solid waste is placed outside the solid waste storage area, additionally, the solid waste storage area is not secured with a lock. [HSE.1]

The factory has no eye wash station, or first aid box installed in the temporary hazardous waste storage area. [HSE.6, HSE.9]

The lighting installed in the spot cleaner and compressor rooms is not explosion-proof. [HSE.13]

The factory has not conducted any lighting intensity inspections which would include the intensity level of emergency lights. [HSE.13]

Local Law or Code Requirement

Permen PU No 03 year 2013 Article 37 (3); FLA Workplace Code (Employment Relationship Benchmark ER.31.3; Health, Safety & Environment Benchmarks HSE.6.1, HSE.9, and HSE.13)

Recommendations for Immediate Action

1.
Ensure the floor in the temporary storage area for toxic and hazardous waste is built with a one-degree slope and equipped with a sump to collect any spillage and/or leakage.
2.
Install a leachate drain in the rubbish waste storage area.
3.
Ensure solid waste is stored within the solid waste storage area and secured with a lock.
4.
Install an eye wash station and first aid box in the temporary hazardous waste storage area.
5.
Replace lighting in the spot cleaner and compressor rooms with explosion-proof lighting.
6.
Conduct lighting intensity level inspections for the light installations at the factory.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Original Action Plan

1.Factory is to provide a one-degree slope and equipped with a sump to collect any spillage and/or leakage in hazardous waste storage.

2. a. Factory is to install a leachate drain in the rubbish waste storage area.

b. Factory is to manage the leachate to ensure it is not going to drainage directly

3.Factory is to manage solid waste that can be stored within the solid waste storage area and secured with a lock.

4. a. Factory is to Install an eye wash station and first aid box in the temporary hazardous waste storage area.

b. Factory is to check regularly the eye wash station condition and first aid completeness in all area.

c. Like with other internal check factory management to document results and remediation completed.

5.Factory is to replace lighting in the spot cleaner and compressor rooms with explosion-proof lighting

6. a. Factory is to check light intensity of emergency lights.

b. Factory is to check regularly the lighting intensity in all area.

Progress Updates

1.

Completed - Hazardous waste storage has provided a one-degree slope, sump and spill kit

to handle any spillage or leakage.

2.

a. Completed - Factory has provided a leachate drain in the rubbish waste storage area.

c. Completed - Leachate drain is separated from general drainage.

3 Completed - All solid waste is being placed in solid waste storage and secured with

padlock

4 a. Completed - Factory has provided eyewash station and first aid box in the temporary hazardous waste storage area.

- b. Completed - Weekly inspection checklist has been provided
- c. Completed - Record of regular inspection on temporary hazardous waste area is now available.
- 5. Completed - Factory has provided explosion proof lighting in spot lifter and compressor rooms
- 6. a. Completed - Factory has checked light intensity of emergency lights

- b. Completed - Regular checking of lighting intensity has been conducted in all areas

NEW FINDING NO.7

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

The factory does not record daily its ground water extraction from their two ground wells or report monthly to the local Banten governor and the local ESDM head.

Local Law or Code Requirement

Banten Province BKPM Head Decree No.570/438-DU-SIPA/BKPMT/IX/2016 and 570/437-DU-SIPA/BKPMT/IX/2016 point 12 and section a; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.4)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Original Action Plan

1. Factory is to arrange daily records for ground water extraction and report to the local

governor and the local ESDM head monthly.

Progress Updates August 2018:

1. Completed – Factory had recorded water consumption and report to the local government monthly.

NEW FINDING NO.8

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. According to management, there are five workers with disabilities out of a total 1,052 workers which is not in full compliance with the local law that requires the factory to hire one person with disabilities per 100 workers. Thus, for a factory with a total of 1,052 workers, the factory has to hire at least 11 workers with disabilities to meet the legal requirements. The factory has not established a program to hire and train more workers with disabilities. [ER.3 ND.2, ER.14]

2. Based on factory procedures on demotion, point 4.1.19, a supervisor or management proposes demotion to a worker who has repeatedly made mistakes in his/her work and resulted in corporate losses by giving a warning letter and evaluation of performance appraisal results. Point 4.1.20 states that Human Resource Department is responsible for collecting evidence of the point above before submitting demotion form/letter and doing further processes. However, there was one case on October 12, 2016 of a demotion of an administrative production staff member that not follow the factory's internal procedures. There was no record that this administrative staff member had been given warning letters for mistakes or had poor performance based on their performance appraisal. [ER.30]

Local Law or Code Requirement

Law No. 4 of 1997 concerning persons with disabilities. Article 14; FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.14, ER.30); Nondiscrimination Benchmark ND.2)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Original Action Plan

1. Factory is to coordinate with related institution (e.g. BPJS Ketenagakerjaan Program - Return to Work) to hire more disabled workers, to meet local regulation (1 disable worker per 100 workers).
2. a. Factory is to complete performance appraisal (PA) record for one administrative staff who have been demoted in Oct 12, 2016.
b. Factory is to conduct training for Supervisor and Manager level about Promotion, Job Transfer, and Demotion Procedures to ensure that they understand and follow procedure accordingly.
- c. Factory is to conduct regular reviews of the implementation of procedure and keep the related record accordingly.

Progress Updates

February 2018:

2. a. Completed. Based on PA result, it is confirmed that the performance of respected worker was below expectation. The PA results showed that she could not calculate production target data properly.
HR team also revised the Demotion Procedure itself, by saying that the demotion can be implemented based on PA result OR Warning Letter received. Factory will revise the Demotion Procedure again. It should be based on PA result. HR Team agreed that demotion case should be solely based on worker's capacity/capability.
- b. Completed - Factory (HR Team) has conducted training for Supervisor and Manager level about Promotion, Job Transfers, and Demotion Procedures to ensure that they understand and follow procedure accordingly.
- c. Completed - Factory (HR Team) has conducted regular checks on the implementation of procedure and keep the related record accordingly.

August 2018:

1. Completed - Currently the number of disability workers meets the requirement (factory has 10 disability workers out of 1,007 total workers). In addition, factory has developed a policy regarding the disability workers which includes the Factory's commitment to employ with disabilities and accommodate the facility to support the disabled workers.

NEW FINDING NO.9

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

As per law, workers may be terminated if they are absent for five consecutive days if they do not submit a written statement explaining why they are absent from work. However, the factory does not adequately follow the termination process as regulated by local law such as sending an official notification letter at least twice to summon the workers to clarify the case before termination is executed. The HR department only issued a notification letter through administrative staff or sent a text message to worker's mobile number. ER.32

Law No. 13 on Manpower (2003), Art. 168(1;) FLA Workplace Code (Employment Relationship Benchmarks ER.32.1 and ER.32.2)

COMPANY ACTION PLANS

Action Plan no 1.

Description

Original Action Plan

- 1.a. Factory is to revise related procedures to mention that factory will send notification official letter twice to workers for being absent for five consecutive days as according to the law.
- b. Factory (HR Team) is to conduct regular checks of the implementation of this policy.

Progress Updates

February 2018:

- 1.a. Completed - Factory has revised related procedures to indicate that factory will send notification letter two times to workers who are absent for five consecutive days as according to the law.
- b. Completed - Factory (HR Team) has conducted regular checking the implementation for this.