



2011

## FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

**COMPANY:** Nike, Inc.  
**COUNTRY:** Indonesia  
**FACTORY CODE:** 070033435J  
**MONITOR:** Donny Triwandhani  
**AUDIT DATE:** December 20 – 22, 2011  
**PRODUCTS:** Shoes  
**PROCESSES:** Preparation, Cutting,  
Stitching, Press Outsole, Assembly, Packing  
**NUMBER OF WORKERS:** 12,228

**FLA Comment:** This IEM was originally conducted at the request of Nike, Inc. to assess the working conditions at the company's supplier PT. Glostar, a factory owned and operated by Pou Chen Group. Since then, Pou Chen has become an affiliate of the FLA as a Participating Supplier. As a result, henceforth Pou Chen will be directly responsible for the implementation of corrective actions and their reporting to the FLA.



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## **Wages, Benefits and Overtime Compensation: General Compliance Wages, Benefits and Overtime Compensation**

WBOT.1 Employers shall comply with all local laws, regulations and procedures concerning the payment of wages and benefits, including overtime compensation. In any case where laws and the FLA Code are contradictory, the standard that provides the greatest protection for workers shall apply. Where provisions are lacking, employers shall take measures to reasonably accommodate matters concerning the payments of wages and benefits, including overtime compensation. (S)

### **Noncompliance**

**Explanation:** The factory has its own JPK (health care program) through an agreement with healthcare insurance provider. Approval from the local labor department has been obtained to show that the service is better than the healthcare security of Social Security Scheme (JAMSOSTEK). However, the factory does not maintain report to the local labor office every 3 months for the implementation of health care program.

Sources: document review, management interview

Legal reference: PER 01/MEN/1998 Art. 16 stipulates that companies with their own JPK (health care program) must report to the local labor office every 3 months.

**Plan Of Action:** To ensure consistent reporting of factory healthcare program (JPK) to the local labor office, the following actions are to be taken:

1. Factory communicated with a nearby factory on January 5, 2012, informing them to provide the report immediately and on time. The October – December JPK 2011 Report was sent on January 17, 2012.
2. For January – March 2012, the report is scheduled to be sent April 20, 2012.
3. Dr. [Name] from the clinic will be the person in charge of sending the JPK report per the local law.

**Deadline Date:** 04/20/2012



**Supplier  
CAP:**

**Supplier  
CAP Date:**

**Action Taken:** The Factory maintains the report of JPK (Healthcare Program) periodically to the local labor office as per regulation.

**Plan Complete:** Yes

**Plan Complete  
Date:**

**Action Verified:** Yes

**Action Verified  
Text:** Completed: Based on document review and management interview, it was noted that the report for implementation of health care program has been maintained every 3 months. The last report was submitted to local labor department on January 13, 2013 for the period of October, November and December 2013.

**Action Verified  
Date:** 02/25/2013

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## Wages, Benefits and Overtime Compensation: Other - Wages, Benefits and Overtime Compensation

Other

### Noncompliance

**Explanation:** Based on document review, canteen workers work on a weekly rotating shift system. The 1st shift is from 4:00am – 12:00pm and the 2nd shift is from 11:00am – 7:00pm. However, female canteen workers who work the 1st shift are not provided with transportation to the factory as per local law.

Sources: time records; work schedule; management and canteen worker interviews

Legal reference: Law No. 13 (2003), Art. 76(4) stipulates that entrepreneurs are under an obligation to provide return/round trip transport for female workers/laborers who work between 11pm until 5 am.

**Plan Of Action:** Factory reviewed and revised current female worker schedule and policy to ensure safety. Factory rescheduled canteen shift for employees on January 1, 2012:

1. Local employee canteen: 1st shift work hours rescheduled to 6am – 2pm; according to local law, transportation is not required.

2. Expatriate employee canteen: Canteen workers live in the dormitory, so no transportation is needed.

**Deadline Date:** 05/01/2012

**Supplier CAP:**

**Supplier CAP Date:**



**Action Taken:** Factory has rescheduled the shift for the female staff of canteen department in accordance with local labor law.

**Plan Complete:** Yes

**Plan Complete Date:**

**Action Verified:** Yes

**Action Verified Text:** Completed: Based on document review, management and employee interviews, it was confirmed that the shift schedule for female canteen workers had been changed to start working from 6:00am to 2:00pm and no female canteen workers work between 11:00pm to 5:00am. Majority of female canteen workers voluntarily choose to stay in dormitory.

**Action Verified Date:** 02/25/2013

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## Forced Labor: Other - Forced Labor

Other

### Noncompliance

**Explanation:** Some applicants have paid money to a broker/illegal agency in order to get a job at the factory. Reportedly, a female worker had to pay approximately IDR 700,000 to this broker in the past 2 months; some male workers reported they had to pay between IDR 600,000 – 1,000,000. Among sample records of suggestion/grievance boxes, at least 3 complaints were found regarding recruitment fees.

Sources: grievance records; management, worker and union representative interviews

### Plan Of Action:

Factory revised recruitment standard operating procedure as follows:

1. Developed Zero Tolerance Policy in May 2011 and communicated policy to all expatriate leaders, local leaders and employees.
2. Developed Corrective and Preventive Action in recruitment system monitored by the Logistics Manager and Operation Manager. Recruitment staff will meet the candidates in front of the gate and provide recruitment notification documents to avoid illegal external agent fees. [Factory Name], accepts candidate referrals and resumes only from internal employees and recognized external agents. Referral Employee Identification Card will be filed upon application to ensure future tracking.
3. Revised recruitment procedure in January 2012: a) Operation Manager monitors recruitment system by personally approving recruitment needs; b) Logistics Manager of Administration Center controls recruitment documents and signs recruitment test notification forms; c) Resume control system: i) On normal days: Limited to internal employees and GSI-recognized external referrals. Every resume will have attached a copy of the Referral's Identification Card for tracking; ii) Mass recruitment needs: Will directly recruit in front of main gate.
4. In parallel, implement preventive measures in the disciplinary system: If employees are found to charge new employees for entering GSI, they will receive a termination letter and no longer work for the company. If external agencies are found to charge a recruitment fee, GSI will terminate the business/contract.
5. For any reported and confirmed recruitment fee cases, GSI will compensate the worker for the equal amount of money they paid. Reimbursement will be documented.

**Deadline Date:** 03/30/2012

**Supplier CAP:**

**Supplier CAP Date:**

**Action Taken:** Please see Plan of Action above.

**Plan Complete:** No

**Plan Complete Date:**

**Action Verified:** No

**Action Verified Text:** ONGOING. The factory provides an office for recruitment division that is located next to security post in main gate. The purpose of having recruitment office near the main gate is to make recruitment staff easily greet the candidates in front of the gate and provide recruitment notification documents to avoid illegal external agent fees. The factory accepts candidate referrals and resumes only from internal employees and recognized external agents. However, some applicants paid a broker or illegal agency in order to get the job at the factory. Based on a survey held by CR to new workers on September 20 2012, 2 workers admitted that they paid some money to someone outside the factory with a promise that they get a job at the factory. The 1st worker had paid IDR 2,700,000 and the 2nd worker had paid IDR 3,000,000. The CR had made an investigation for this issue and there was no evident that internal staffs involved and the company (Converse) had been informed regarding the survey and investigation.



**Action  
Verified  
Date:** 02/25/2013

**Follow-up  
Plan of  
Action:** October 21, 2013 Factory has taken the following additional measures:

1. Added Workforce Planning to ensure that recruitment number is as per required;
2. New employee, upon acceptance, needs to sign Anti-Corruption and -Nepotism Letter;
3. Conduct personal survey through iCare for newly recruited employees ( $\pm$  5% out of new employees);
4. Increase awareness on no-recruitment fee policy to existing employees through factory magazine; and weekly Broadcast
5. Build secure recruitment box in the factory entrance/exit (employee only) made from iron and permanently attached to the ground before end of June 2013
6. Assign a recruitment team to collect the application on a daily basis.
7. Centralized test document in the SMP Office on 15 June 2013
8. Seal tests in envelopes and assign authorized persons for distribution. (Make sure no one can open the envelope before the test).
9. Form up 4 to 6 teams to receive the resume in the main gate. Each team with 2 persons and selected from factory HR/CR and current recruitment team
10. Trainings to all recruitment staffs regarding no recruitment fee policy on 24 May 2013;
11. Lift the banners higher near entrance/exit to make them more visible to potential candidates;
12. Include "no-recruitment fee policy" in interview notification letter in May 2013
13. For internal communication: Build up internal communication platform in July (including Mobile News, Corporate Video, Video Platform, Magazine/Newspaper), launch CSR events by end 2013 and offer training on how to deal with local media starting from 2014;
14. For external communication: to release CSR update from July 2013 on, to communicate with brands about CSR/crisis issues starting from October 2013 as requested;

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## Harassment or Abuse: Violence/Harassment/Abuse

H&A.13 Employers shall ensure that the workplace is free from any type of violence, harassment or abuse, be it physical, psychological, sexual, verbal, or otherwise. Employers shall refrain from any action – and shall take all appropriate action to ensure that all workers refrain from any action – that would result in an intimidating, hostile or offensive work environment for workers. (S)

### Noncompliance

**Explanation:** Based on record review, there was a Harassment and Abuse worker training, including supervisory level (local, expatriate, team and group leaders). However, the following confirmed harassment, verbal and physical abuses were noted in the past 3 months:

1. December 17, 2011: A 6-months pregnant worker had a headache while working and put her head down to rest for a minute. Upon noticing this, Ms. [Name], her expatriate leader, sternly expressed her anger, and then threw a handy talky at her, grazing the worker's chin.
2. November 9, 2011: When a worker asked for a reject product from cutting to be used in sewing, they were kicked by the expatriate supervisor, Mr. [Name].
3. November 11, 2011: A new worker complained about her leader (local staff) for using foul language (Sudanese slang, rude language).
4. November 18, 2011: Mr. [Name] (local staff at Production Planning Center), was reported to have committed sexual harassment against some female workers (e.g., touching their bodies, using improper language).
5. October 6, 2011: A leader of Converse Assembling Line filed a complaint about an expatriate leader, Mr. [Name], who often yelled and threw shoes/lasting during leader briefings. He was also reported to have cut the leader's hat for not wearing it.

Note: All the persons above who committed the harassment and abuse in question have been dismissed by factory management.

Sources: harassment and abuse incident report records; grievance records; management, worker, and union representative interviews

Legal reference: Constitution of Indonesia (1945), Art. 28G (1) stipulates that every person shall have the right to protection of him/herself, family, honor, dignity, and property, and shall have the right to feel secure against and receive protection from the threat or fear to do or not do something that is a human right.



**Plan Of  
Action:**

To maintain a work environment free from harassment and abuse, following are to be followed:

1. Established Zero Tolerance Policy in May 2011, including Harassment & Abuse handling system. Will disseminate Zero Tolerance Policy to expatriate supervisors and local leaders during regular meetings. In order to ensure proper conduct by factory leaders, factory will provide capacity building, including leadership development and cross cultural training. In addition, factory has integrated Key Performance Index (KPI) to track leaders' performance. KPI is meant to provide additional incentive to local and expatriate leaders to comply with CSR policy, including Pou Chen's Code of Conduct (COC), Nike CLS, and local legal regulations. Leaders who observe these regulations will be eligible for a bonus.

2. Assigned Labor and Industrial Relations teams in charge of Harassment & Abuse issues since April 2011. These 2 teams are the sub-groups of Human Resource Management team and are composed of 1 coordinator, 2 Industrial Relations members and 4 Labor members. Among the 4 Labor team members, 2 are from Corporate Responsibility (CR) Station (Grievance and Counseling Center) and 2 are from regular CR office. These members report directly to the head of HR Management. Labor team conducted monthly Harassment & Abuse training for local leaders and line workers on: a) January 31, 2012: Cutting, Sewing, Assembling Team Leader (12 attendees) b) February 6, 2012: Assembling A1 and Assembling A2 Team Leader and operator (2 attendees) c) March 10, 2012: Employee Participant Group member, Production Team Leader, Human Resource staff HSE staff (10 attendees) d) March 19, 2012: Assembling A8, Assembling B1, Preparation, Sorting and Warehouse Team Leader and Operator (18 attendees) e) After the FLA employee satisfactory survey in May and FLA management survey in July 2011, HRM team conducted Harassment & Abuse and Zero Tolerance training in May, June and September in factories A, B, and C f) Factory will conduct refresher training on Harassment & Abuse and Zero Tolerance Policy once a month May – December 2012. Factory aims to communicate Zero Tolerance Policy to all employees through unofficial morning briefings, surveys, bi-monthly Operation Manager meetings, weekly Operation Manager briefings and occasional internal self-auditing in 2012. For all new employees, orientation, Zero Tolerance policy and Harassment & Abuse policy will be instructed within 3 days of hire.

3. Conduct cross-cultural training for all expatriate and key local leaders by 2 third-party consultants and [Nearby Factory], starting from April 2012. a) Consultants focus more on trainings to expatriate leaders and involves several local leaders. There will be 4 rounds of training, 2-day sessions with 45 attendees in each. b) [Nearby Factory] focuses primarily on local leaders' capacity building and will cooperate with local leaders and internal facilitators to conduct cross-cultural activities: Stage 1 (April 9 – 10): Train 6 local leaders on counseling, communication and basic management skills, to be facilitators for future internal cross-cultural events starting from June 2012. Stage 2 (April, May, June, July): Train all 600 local leaders (in 24 batches) on understanding and observing; active listening; empathy; and positive attitude. Stage 3 (Once monthly from June 2012): Conduct monthly internal cross-cultural events with 160 expatriate leaders (30 per session), internal facilitators, and local leaders.

4. Conduct continuous leadership training for both expatriate and local leaders all year long. Leadership training schedule in 2012 is as follows: a) By June 30, 2012, all expatriate leaders and local facilitators/leaders will participate in training module regarding subordinate development, conflict management and stress-release programs to develop their capabilities in leading employees. b) By September 30, 2012, all expatriate leaders and local facilitators/leaders will be trained in supervisory roles, time management, management concept sharing. c) By December 31, 2012, all expatriate leaders will be trained on management by objective and goal setting. These expatriate leaders will share best practices with local leaders.

**Deadline Date:** 06/30/2012

**Supplier CAP:**

**Supplier CAP Date:**

**Action Taken:** Please see the Plan of Action above.

**Plan Complete:** No

**Plan  
Complete  
Date:**

**Action  
Verified:** No

**Action  
Verified  
Text:** ONGOING. Based on record review, the factory provided training sessions on Harassment and Abuse, cross-cultural issues, and leadership for all expatriate and key local leaders. However, the following incidents that lead to abuse/threats were still noted:

1. October 29, 2012: CR pos (I-care) received reports from 3 workers in the QC [Brand Name] department. These workers complained about the bad attitude of one of expatriate supervisors, Ms. [Name]. Ms. [Name] reportedly got angry and threw a pair of shoes onto the conveyer belt. The factory conducted an investigation and found that there was a miscommunication between Ms. [Name] and the workers. Both parties reached an amicable settlement and resolved this matter.

2. December 5, 2012: The union (SPSI) received a complaint report from the BOPG employee department. One expatriate factory leader, Mrs. [Name], reportedly threw the upper sole of a shoe at a worker and then yelled at worker. Mrs. [Name] has since been given a Type II warning letter.

3. February 26 2013: During the assessment, a complaint letter from a worker in the computer-stitching department was found in a suggestion box in Factory B. Mrs. [Name], the expatriate factory leader of the computer-stitching department, reportedly kicked things and threw the material on the floor in front of the workers. Management stated that this case will be investigated for further remediation.

It was noted that the management has made efforts to reduce the number of harassment and abuse incidents. The number of incidents observed in the factory has been significantly reduced since the last visit.



**Action Verified Date:** 02/25/2013

**Follow-up Action Plan:** The factory will take the following actions to improve the implementation of Harassment and Abuse regulations:

1. Review grievance procedure and develop H&A procedure in November 2013.
2. Build the capability of Internal Team by sharing best practices (benchmarking) of the factory's Industrial Relations team with another factory's Industrial Relations team.
3. Map and identify potential H&A issues in December 2013.
4. A H&A team will be formed with members from CR, HR, production lines and the union in January 2014.

UPDATE June 3 2014:

1. On February 17<sup>th</sup> 2014, the H&A team was formed. The H&A team's responsibility is to prevent harassment / abuse in the workplace through clearly communicating the consequences of harassment / abuse behaviors.
  2. On February 25<sup>th</sup> 2014, the iCARE Team had a meeting to identify underlying and potential issues, so the factory can take the remedial action preventing harassment and abuse.
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## **Non-Discrimination: Recruitment and Employment Practices (Job Advertisements, Job Descriptions, Evaluation Policies)**

D.3 Recruitment and employment policies and practices, including job advertisements, job descriptions, and performance/job evaluation policies and practices shall be free from any type of discriminatory bias. (S)

### **Noncompliance**

**Explanation:** The hiring banner posted on the main security gate showed gender preference. Banner indicated that the factory was looking only for female workers.

Sources: observation; management and worker interviews

Legal reference: Law No. 13 (2003), Art. 5 regulates that every worker has the same opportunity to obtain a job without discrimination.

**Plan Of Action:** 1. Removed banner immediately on December 23, 2011 and reviewed other recruitment banners, notification and posters.

2. New recruitment banner posted in January 2012 is compliant with NIKE CLS and local law.

3. Train all staff regarding recruitment procedure about the No Discrimination policy by May 3, 2012.

**Deadline Date:** 05/03/2012

**Supplier CAP:**

**Supplier CAP Date:**

**Action Taken:** Please see the Plan of Action above.

**Plan Complete:** No

**Plan Complete Date:**

**Action Verified:** Yes

**Action Verified Text:** Completed. Based on observation, management and employee interviews, it was noted that the posted recruitment banners, notification and posters do not indicate gender preference. All female and male applicants have the same opportunity to obtain a job without discrimination.

**Action Verified Date:** 02/25/2013

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### Non-Discrimination: Health Status

D.10 Employers shall not, on the basis of a person's health status, make any employment decisions that negatively affect the persons employment status, including decisions concerning recruitment, termination, promotion, or assignment of work, unless such decision is dictated by the inherent requirements of the job or a medical necessity to protect the worker and/or other workers. (S)

#### Noncompliance

**Explanation:** There is a question about marital status on the pre-employment Medical Check-Up (MCU) form. MCU is done as part of the hiring process (before being accepted as a new worker). Based on management interview, pregnant workers are discouraged from applying on grounds that MCU process involves an X-ray which can be harmful to unborn babies. It was found that pre-employment MCU form is kept in workers' personnel files.

Sources: medical check-up form and procedures; management, worker and security guard interviews

**Plan Of Action:** Revised recruitment SOP and removed Medical Check-Up (MCU) from the recruitment decision procedure. Improved recruitment and MCU procedure are to abolish practice of discouraging pregnant employees.

1. MCU records will be shared only with medical agency, clinic, and employee personally. No records are to be kept in personnel files for confidentiality reasons.

2. Medical Surveillance program is part of a legal requirement to ensure new employees are screened for any pre-existing conditions that may pose occupational health risks that may require special job placement. MCU is only required if worker passes the entrance exam, so it is not part of the hiring process and will not affect the hiring decision. Revised policy will exempt X-ray requirement for new and existing pregnant employees. Policy has been communicated to recruitment front liner in HR Department. The regional Corporate Social Responsibility assistant manager in [City Name], at Pou Chen Group will monitor the policy implementation and ensure both implementation and compliance.

3. Educate all HR staff that a) MCU reports, including pregnancy status, are not to affect hiring decision-making processes and b) no MCU records should be kept in personnel files to ensure confidentiality.



**Deadline Date:** 04/20/2012

**Supplier CAP:**

**Supplier CAP Date:**

**Action Taken:** Factory has eliminated the practice of discrimination for pregnant employee in MCU Procedure and ensure that procedure is monitored.

**Plan Complete:** Yes

**Plan Complete Date:**

**Action Verified:** Yes

**Action Verified Text:** Completed. Based on document review, management and employee interviews, it was noted that Medical Check-Up (MCU) record is maintained only in the clinic, not in the personal file of the employees. The new female employees have an option whether they agree or not to have X-ray by filling option "Not agree" in the form before MCU is conducted

**Action Verified Date:** 02/25/2013

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**Code Awareness:**

GEN.3 Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.

**Noncompliance**

**Explanation:** The company's (Nike Inc.) COC posters are posted in production buildings. However, the company has not developed a secure communication channel to enable workers to report noncompliances directly to company. According to management, when company representatives visited factory, they interviewed workers directly and provided their business cards to workers. Sources: observation; worker and management interviews

**Plan Of Action:** It is Nike's objective to strengthen contract manufacturers' internal grievance systems. Nike is researching solutions to provide a secure communication channel that would enable workers to report noncompliances directly to company. The following actions are to be taken to strengthen factory's interval grievance systems:

1. Build up communication channels between employees and management team, such as Short Message Service, CR hotlines, Employee Participant Group, CR station (Grievance and Counseling Center), bi-monthly Operation Manager meetings (where management has direct dialogue with employees and union representatives on a monthly basis).
2. Disseminate communication channels to all employees and update management team on information received through these channels during Operation Manager Briefing every Friday.
3. Posters have been posted since March 10, 2011, in public to inform all employees of the factory's communication channels.
4. Review grievance cases every month to see which channels are mostly favored by employees starting from March 2012.

**Deadline Date:** 04/30/2012

**Supplier CAP:**

**Supplier CAP Date:**

**Action Taken:**

**Plan Complete:** No

**Plan Complete Date:**

**Action Verified:** No

**Action Verified Text:** PENDING. The company (Converse) still has not developed a secure communication channel to enable workers report noncompliance directly to the company. According to the management, the company encourages factory to solve any issues through internal grievance systems.

**Action Verified Date:** 02/25/2013

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## Health and Safety: General Compliance Health and Safety

H&S.1 Employers shall comply with all local laws, regulations and procedures concerning health and safety. (S)

### Noncompliance

**Explanation:** 1. Based on document review, factory identified and conducted risk (hazard) assessment of particular work areas and provided appropriate personal protective equipment (PPE). However, risk assessment is not conducted in some work areas, such as embroidery, rubber, mold service, technical foxing, punching machines and engineering workshop.

Sources: document review, management interview

Legal reference: Labor Ministry Circular No. SE-05/BW/1997 states that the factory shall maintain hazard assessments to determine that personal protective equipment is sufficient for working conditions.

2. Factory has provided occupational medical examinations (pre-employment medical examinations, periodic medical examinations) to all workers. However, the last medical examinations for workers in Blocks A and B were conducted from October 6 – November 18, 2010. Annual (periodic) medical examinations for 2011 have not been conducted.

Sources: medical examination record, management interview

Legal reference: Regulation of the Minister of Manpower and Transmigration No. PER-02/MEN on Medical Examination (1980), Art. 3(1) regulates that any undertaking as defined in Art. 2 (2) shall provide periodical medical examination to workers at least once a year, except otherwise determined by Director General for Development of Labor Relations and Protection of Manpower.

3. Factory has maintained environmental management plan and environmental monitoring plan (UPL & UKL) report since December 2009. Last update of UPL & UKL was in April 2010. However, factory does not maintain UPL & UKL reports for 1st and 2nd semesters of 2010 and 1st semester of 2011.

Sources: environmental management plan and environmental monitoring plan (UPL & UKL) reports; management interview

Legal reference: Government Regulation No. 27 of 1999 regarding analysis of environmental impact, Art. 32 states that company shall submit the evaluation report of UKL & UPL to the environmental impact control agency every 6 months in June and December.

4. No smoke detectors observed in carton warehouses of unit C. In addition, exhaust fans on washing lines A, B, C in B3 building are not functioning.

Source: observation

Legal reference: Regulation of the Minister of Manpower No. PER-02/MEN on Automatic Fire Alarm Installations (1983), Art. 11 states that each floor of a building containing a ducted air-handling system shall be protected by at least one smoke detector or a sampling device associated therewith, which shall be located in the duct opening as close as practicable to the vertical riser.

5. Wastewater test result in July 2011 showed BOD and COD levels higher than legal limits for Printing Converse, Cutting Converse and printing. Moreover, air level (SO<sub>2</sub>) in Converse Assembling line on July 12, 2011 exceeded the legal limit.

Sources: wastewater test reports, management interview

Legal references: Decision of Minister of Environment No. 142 on Amendment to Decision of Minister of Environment No. 111 on Guidelines Requirement and Procedures for License for Waste Water Disposal (2003), Art. 3 stipulates that (1) Every business or activity that will dispose their waste water to water or water source is obliged to obtain a written permit from Regent/Mayor. (2) The permit application referred to in paragraph (1) is based on results of Environmental Impact Assessment study or Document of Environmental Management Efforts and Document of Environmental Monitoring Efforts. (3) Terms of waste water discharge permits to water or water source shall comply with the requirements referred to in Art. 38 paragraph (2) Government Regulation Number 82 Year 2001 on the Management of Water Quality and Water Pollution Control.

**Plan Of  
Action:**

1. Define risk management strategy; identify and analyze risks; and handle identified risks, including implementation of risk mitigation plans when needed.
2. Conducted Risk Assessment to following workers' areas: Embroidery, Rubber, Mold Service, Technical Foxing, Punching Machines and Engineering Workshop from December 27, 2011 – February 13, 2012.
3. Factory will perform root cause analysis and identify hazards related to chemical use, and implement engineering system to reduce emission to PEL (permissible exposure limit) in May 2012, by applying engineering control. Extraction system will be reviewed to improve the extraction rate to reduce SO2 emissions to a level within the legal limit, with further control of PPE use to reduce worker exposure to SO2.
4. Maintain periodical MCU for employees exposed to hazardous material. Factory conducted first batch of periodical MCUs in March 2012, to be finished by August 2012 in batches of 300 workers every month.
5. Maintain environmental management plan and environmental monitoring plan (UPL & UKL) report to local authority. Conducted field inspection March 12, 2012. Scheduled another set of environmental tests: Water and Ambiance Management in April 2012 by local Health Department; Environment Analysis Report scheduled to be sent in June 2012.
6. WWTP has been constructed since 2011 and will be activated before May 30, 2012. HSE Administration Center is appointed to maintain the environment report and manage WWTP after being trained in WWTP management. Until WWTP is activated, wastewater generated from silkscreen will be collected and treated by external-licensed contractor.
7. Established Fire Safety Management System.
8. Factory C has been provided with fire extinguishers in the warehouse for fire protection; CR Officer is assigned to manage factory's Fire Safety Program.
9. Smoke detector request order was submitted to procurement department in April 2012 and detector is expected to be installed before July 30, 2012.

**Deadline Date:** 08/30/2012

**Supplier CAP:**

**Supplier CAP Date:**

**Action Taken:** 2012 Update

1. Completed Risk Assessment for all activities in February 2012
2. Conducted first batch of periodical MCU on March 21, 2012; scheduled to finish before August.
3. Maintain the unfinished UPL & UKL report before April 2012.
4. Conducted field inspection on March 12, 2012 and installed smoke detector in C area warehouse by 30th July.
5. HSE Team conducted Risk Assessment of activity and process in Canteen area on Nov 25, 2011.
6. Replaced the waste filter preventatively in Dec 2011. 7. To schedule another environmental test on April 2012 by local Health Department.
8. Environment Analysis Report is scheduled to be sent on June 2012.
9. New WWTP facility which covers A,B & C 3 factories scheduled to start running by April 2012.



**Plan Complete:** Yes

**Plan Complete Date:**

**Action Verified:** Yes

**Action Verified:** Completed.

**Text:**

1. Risk assessments had been conducted in embroidery section on February 9, 2012 and February 14, 2013; rubber section on February 4, 2012, February 10, 2012 and October 11, 2012, February 11, 2013; mold service section on December 30, 2011 and February 14, 2013; Technical foxing section on December 30, 2011, February 17, 2012, August 7, 2012; punching machine section on October 12, 2012 and engineering workshop on October 18, 2011, January 5, 2012, February 9, 2012, November 5, 2012.
2. Employees in Block A and Block B had been provided with medical examination (MCU). The MCU for Block A was conducted on March 20 to November 30, 2012 for 1,640 employees and MCU for Block B was conducted on May to June 2012 for 1,173 employees.
3. The environmental management plan and environmental monitoring plan (UPL & UKL) report for the latest semester had been maintained.
4. 89 smoke detectors had been installed on June 18, 2012.
5. Waste-water test result on February 19, 2013 showed BOD and COD levels within the limit, with result of below 40 for COD and 2.5 for BOD. Wastewater test is conducted at least once a month by external and once a week by internal inspectors.

**Action Verified Date:** 02/25/2013

**Follow-up** 2013 Update Medical Examination

**Plan of**

**Action:**

1. Factory to maintain the periodical Medical Examination as per regulation. 2. In 2013 factory has provided 717 employees who are exposed to hazardous materials with Medical Examination. Environmental Management Report (UPL/UKL): Factory to provide the Periodical Environmental Management Report accordingly (every 6 months) to the local Department of Environment. Fire Safety 1. Factory conducted fire drill training for dormitory on 30 Dec 2012.
2. Fire Drill Training has been scheduled and conducted as per local law (twice a year) on March 30 and Aug 30, 2013
3. HSE and Fire Fighter Team to conduct monthly inspection of fire safety equipment (Hydrant, Fire Distinguisher, Smoke Detector, Sprinkler)
4. Factory to schedule the inspection of fire equipment with Fire Fighter Team on regular basis.
5. Emergency Response Team has been formed for each building by June 2013.

Wastewater Management

1. Factory to have appropriate treatment of wastewater--including physical, chemical and biological processes--to reduce the environmental impact of wastewater. All sampling and wastewater analysis to be conducted by a certified third-party laboratory two times per calendar year to ensure the integrity of the samples and the analysis.
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**Health and Safety: Health and Safety Management System**

H&S.5 The health and safety policy shall contain the framework for a comprehensive health and safety management system within which employers' responsibilities and workers' rights and duties, various responsibilities of designated personnel, procedures that enable workers to raise health and safety concerns and procedures for reporting death, injury, illness and other health and safety issues (for instance, near-miss accidents) are clear and regularly tested and reviewed. (P)

**Noncompliance**

**Explanation:** Observed that Lock Out Tag Out (LOTO) devices are not being properly installed. The factory places pieces of paper to mark broken machines.

Sources: Observation

- Plan Of Action:**
1. Factory has developed Hazardous Energy Control Procedure in October 2010; reviewed and revised in April 2012.
  2. Posted label of broken and unused equipment in technical area in March 2012.
  3. Engineering Team put in a request for LOTO Tool and Device with the Procurement Department on March 21, 2012; the engineering leaders trained the subordinates on LOTO maintenance and safety tools on April 9, 2012.
  4. LOTO devices are not back yet and will be used by engineering team starting May 20, 2012.
  5. Schedule trainings to affected employees on LOTO procedure, e.g., sign, meaning of tags and locks.

**Deadline Date:** 05/20/2012

**Supplier CAP:**

**Supplier CAP**

**Date:**

**Action**

**Taken:**

**Plan Complete:** [No](#)

**Plan Complete Date:**

**Action Verified:** [Yes](#)

**Action Verified Text:** [Completed.](#) Based on observation, it was noted that Lock Out Tag Out (LOTO) devices have been maintained and properly installed to the equipment.

**Action Verified Date:** [02/25/2013](#)

**Follow-up Plan of Action:**

1. Started to post label of broken and unused equipment in Technical area in March 2012 and provided training on LOTO system for GA engineering staff in April 2012.
2. HSE Team has been performing weekly inspection on LOTO system.
3. Factory conducted the mapping of LOTO requirement by October 2013.
4. Factory placed all the identification of PIC and Sign of the Box by October 2013.

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## Health and Safety: Permits and Certificates

H&S.8 The employer shall at all times be in possession of all legally required and valid permits and certificates related to health and safety issues, such as those related to the purchase and storage of chemicals, fire safety inspections, inspection of machinery, and (chemical) waste disposal. (P)

### Noncompliance

**Explanation:** There is no certified operator for Electrical Hoist Chain/Lift.

Sources: document review, management interview

Legal reference: Regulation No. PER-09/MEN (2010), Art. 5 regulates that (1) Lift and freight transport must be operated by operators that have a lift and haul License K3 and workbook according to type and qualifications. (2) Lift and freight transport operators referred to in paragraph (1) include lift equipment operators, tape transport, freight transport over the runway and on the surface, and rail transportation equipment.

### Plan Of Action:

Develop and implement procedures to reduce or eliminate risk of equipment failure or exposure to hazards associated with lift maintenance and repair activities:

1. Sent engineering team to obtain Material Lift Operator Certificate on January 24 – 26, 2012.
2. Provided Safety Lift Awareness Training to lift operator on February 7, 2012.
3. Factory will develop Power Motor Vehicle Procedure by May 30, 2012.
4. Factory C conducted Safety Talk with Forklift Operator about Safety Awareness in December 2011.
5. Posted capacity limit identification at Factory C on November 24, 2011.
6. General Affairs Department monitors bookkeeping of Health, Environment and Safety Department every month.



**Deadline**      [05/30/2012](#)  
**Date:**

**Supplier**  
**CAP:**

**Supplier CAP**  
**Date:**

**Action**      [Please see the Plan of Action above.](#)  
**Taken:**

**Plan**      [Yes](#)  
**Complete:**

**Plan**  
**Complete**  
**Date:**

**Action**      [Yes](#)  
**Verified:**

**Action**      [Completed.](#) All electrical hoist chain/Lift operators have obtained valid certification with  
**Verified**      following details: 3 lift operators in Block A had obtained certification on January 24,  
**Text:**      2012 and February 14, 2013 1 lift operator in Block B had obtained certification on  
January 24, 2012 2 electric forklift operators have valid certification.

**Action**      [02/25/2013](#)  
**Verified**  
**Date:**

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## Health and Safety: Evacuation Requirements and Procedure

H&S.9 All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, the installation and maintenance of an employee alarm and emergency lighting systems, ensuring aisles/exits are not blocked and that workers are not blocked within their workstations, employee education, evacuation procedures, etc.) shall be complied with. Workers shall be trained in evacuation procedures. Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually. (S)

### Noncompliance

**Explanation:** No evacuation plan posted in building block C (box/carton factory).

Sources: observation, management interview

**Plan Of  
Action:**

1. Evacuation plan posted on December 24, 2011.
2. Factory C provided fire extinguishers at warehouse for fire protection and CR Officer is assigned to manage factory's Fire Safety Program.
3. Conducted field inspection on March 12, 2012. Factory will install smoke detectors in C area warehouse by July 30, 2012.
4. Conducted Fire Safety evacuation training in C area in January 2012

**Deadline  
Date:** 07/30/2012

**Supplier  
CAP:**

**Supplier  
CAP Date:**

**Action  
Taken:**

**Plan  
Complete:** Yes



**Plan  
Complete  
Date:**

**Action Verified:** No

**Action Verified Text:** [Completed](#). Based on observation during factory walk-through, evacuation plan had been posted in building block C (box/carton factory)

**Action Verified Date:** 02/25/2013

**Follow-up Plan of Action:** [Factory C is currently empty and unoccupied since June 2013. Factory will ensure that the facility follows the fire safety procedure.](#)

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## Health and Safety: Chemical Management and Training

H&S.13 All chemicals and hazardous substances shall be properly labeled and stored in accordance with applicable laws. Labels shall be placed in the local language and the language(s) spoken by workers, if different from the local language. Workers shall receive training, appropriate to their job responsibilities, concerning the hazards, risks and the safe use of chemicals and other hazardous substances. (S)

### Noncompliance

**Explanation:** Chemical containers in [Section Name] A are missing chemical labels and secondary containment cover is smaller than the container. Moreover, secondary containment is missing for chemicals stored in inner-box printing area and inside boiler of unit C.

Source: observation

Legal reference: Decree No. KEP-01/BAEPEDAL/09 on storage of hazardous materials (1995) Appendix 5D, Art. 2.2 (b5) states that to prevent release of hazardous and toxic waste into the environment, tank shall be equipped with secondary collection system; (iv) designed to collect and store liquids originating from leakage, spills, or contaminated rain water. (b)(6) Owner or operator shall inspect tank system at least once a day while it is in operation. Inspection shall include (ii) detection of corrosion or spills from the tank

### Plan Of Action:

1. Developed Material Safety Data Sheet and Chemical Labeling Procedures on March 26, 2011.
2. Developed Chemical Handling Procedure on November 16, 2011.
3. Container label posted on January 17, 2012.
4. Developed Spill Response Plan Procedure on March 9, 2012.
5. Factory C has provided cover and secondary containment March 17 and 23, 2012; conducted chemical management training February 24, March 20, and March 22, 2012.
6. Conduct routine inspection on monitor secondary containment and labeling system starting from 2011 in Factories A and B and in February 2012 for Factory C.

**Deadline Date:** 04/30/2012

**Supplier CAP:**

**Supplier CAP Date:**

**Action Taken:**

1. We have updated MSDS list in January 2012.
2. Schedule routine monitoring on MSDS and make sure PPEs are provided in accordance with MSDS.
3. Conducted training on MSDS and Spill Response Plan to related employee (Mixing and Chemical Glue Dept) on 25 Nov 2011
4. Container label was posted in January 2012.
5. Factory to review the MSDS in February 2013 and ensure that employees are provided with the most current version and communicate the regulation to Chemical Supplier, Purchasing Team, Warehouse and Chemical Rubber Team/

**Plan Complete:** No

**Plan Complete Date:**

**Action Verified:** Yes

**Action Verified Text:** Completed. Based on observation, all chemical containers including chemicals in [Section Name] A, inner-box printing area and boiler of unit C had been provided with adequate secondary containment and properly labeled.

**Action Verified Date:** 02/25/2013

### Health and Safety: Bodily Strain

H&S.20 Workstations, including seating and standing arrangements and reach required to obtain tools, shall be designed and set-up in such a manner as to minimize bodily strains. Employers shall train workers in proper lifting techniques and items such as belts shall be provided. (S)

#### Noncompliance

**Explanation:** There are chairs missing backrests in Assembling area A (40% of chairs) and Building B6 (20% of chairs).

Source: observation

Legal reference: Regulation of Minister of Labor No. 7 (1964), Art. 9(1) (2) regulates that (1) Workers who work seated shall be provided with seating facilities; (2) Seating facilities shall fulfill the following requirements: a) correspond with physical attributes of the average Indonesian person and by otherwise suitable use by the worker; b) be comfortable and not give rise to muscle strain; c) facilitate work movements; and d) have a backrest for support.

**Plan Of Action:** Factory to provide a safe, hygienic and healthy workplace setting and to take necessary steps to prevent accidents and injuries. Chairs with backrests will be provided in Assembling area by April 30, 2012; completion to all line workers is expected by November 30, 2012.

**Deadline Date:** 11/30/2012

**Supplier CAP:**



**Supplier**  
**CAP Date:**

**Action Taken:** 1. Conducted ergonomic Assessment on January 2012.  
2. Backrest chairs were provided in Assembling area by March 2012 3. Factory to (i) improve the risk assessment process to determine risk sources and categories; (ii) to establish the strategy to be used for Prevention of occupational risks and (iii) provide information to workers by June 2013.

**Plan Complete:** Yes

**Plan Complete Date:**

**Action Verified:** Yes

**Action Verified Text:** Completed. Based on observation during factory walk-through, all chairs in assembling area A and building B6 had been equipped with a backrest for support.

**Action Verified Date:** 02/25/2013

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