

WORKER RIGHTS CONSORTIUM FACTORY ASSESSMENT

*PT Pungkook Indonesia One Co., Ltd. (Indonesia)
Findings, Recommendations, and Company Response*



February 18, 2025



WORKER RIGHTS
CONSORTIUM

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I. Introduction and Executive Summary

This report details the findings of an investigation by the Worker Rights Consortium (WRC) of violations of freedom of association at Pungkook Indonesia One Co., Ltd. (“Pungkook Indonesia One”), located in Grobogan, Indonesia, and owned by Pungkook Corporation.

Pungkook Indonesia One is disclosed by lululemon as a producer of university-licensed bags and, therefore, subject to the labor codes of conduct of universities and colleges that are affiliated with the WRC.¹ The factory also supplies bags to adidas, REI, VF Corporation (The North Face), MUJI, Tapestry (Coach), L.L.Bean, and Michael Kors.

In June 2023, the WRC received a complaint from the Pungkook-Grobogan United Workers Union (“SP PUBG”)² regarding violations of freedom of association at Pungkook Indonesia One. The WRC found Pungkook Indonesia One violated Indonesian law, international labor standards, and university codes of conduct by:

- Terminating the secretary of SP PUBG;
- Discriminatorily transferring the job tasks of three union representatives; and
- Constructively terminating one of the three transferred union representatives.

While the factory denied these allegations, claiming the actions were based on production needs, the WRC determined that the evidence provided by the company was insufficient to refute the findings. In addition, testimonies from affected workers indicated targeted actions by management aimed at undermining union activities.

The WRC contacted the licensee, lululemon, as well other brand customers of Pungkook Indonesia One, including adidas, VF Corporation, REI, and L.L.Bean, to address these issues. While lululemon, adidas and VF Corporation conducted investigations and identified areas for improvement, REI, and L.L.Bean acknowledged our communication and provided a limited response to the WRC.

Subsequent to our communication with the company and its brand customers, Pungkook Indonesia One, to its credit, has taken steps to improve its practices, including updating its freedom of association (FOA) policy and introducing anti-retaliation training for supervisors.

In November 2024, the factory offered reinstatement and compensation to the terminated union leaders, both of whom declined reinstatement in favor of financial settlements to support personal business ventures. In cases of unlawful termination of worker union leaders, the preferred remedy is to reinstate the worker union leaders with full back pay to counter the chilling effect on workers’ associational rights. However, since the workers, who faced discriminatory treatment and harassment from factory management for their union activities, of their own volition decided not to return to the factory but instead accept compensation, the WRC finds that the violations of unlawful

¹ Collegiate Licensing Company, Standard Retail Product License Agreement (2023), Article 14 “Code of Conduct” (“CLC Code of Conduct”).

² Serikat Pekerja Pungkook Bersatu Grobogan.

and constructive termination of the worker who was elected as the union secretary and worker union officer are remedied.

II. Methodology

The findings outlined in this report are based on the following sources of evidence:

- Interviews with 38 former and current workers employed by Pungkook Indonesia One;
- Written communications from representatives of Pungkook Indonesia One;
- A review of relevant documentation provided by workers, including letters and video footage;
- A review of relevant documentation provided by Pungkook Indonesia One, including warning, resignation, and termination letters, manpower data, policies related to the termination, reassignment, and training of the union leaders, agreements signed with the two union leaders, other training outlines and materials, the freedom of association policy, meeting minutes from a freedom of association meeting held on October 23, 2024, a union leader's resignation letter, resignation letters from employees who decided to leave the SP PUBG, and a list of transferred employees;
- A review of the decision of the Department of Manpower;
- A review of written communications with factory buyers; and
- A review and analysis of applicable Indonesian law, international labor standards, and university and buyer codes of conduct.

III. Findings of Violations of Freedom of Association

The WRC’s investigation found that Pungkook Indonesia One’s management engaged in an escalating campaign of reprisals against worker union leaders since the SP PUBG’s establishment in April 2020, consisting of discriminatory job transfers of union representatives, retaliatory termination of the worker who served as the union secretary, and constructive termination of a union officer. The following sections provide details of our findings.³

This campaign of reprisals consists of transfers of union representatives to other job functions at building D, a facility which workers say is dedicated to the production of bags for adidas and, according to worker testimony, includes a production line to which workers with “disciplinary issues” are transferred by management. Some of the workers on this line have their stations marked with a purple flag. Workers told the WRC this flag is a signal by management to other workers that these workers are “troublemakers” and that workers with a purple flag on their machines were closely monitored by factory management.

A. Discriminatory Targeting and Harassment of Union Secretary

Under Indonesian law, the employer is prohibited from considering a worker’s union membership when transferring or terminating their employment.⁴ The law also prohibits employers from hindering union members’ activities or intimidating them.⁵ The WRC found that Pungkook Indonesia One disciplined and ultimately terminated the SP PUBG secretary to prevent her from engaging in and facilitating union activities, in violation of Indonesian law.

Efa Anista, employed at Pungkook Indonesia One as a sewing operator on the second floor of building D since 2017, assumed the role of SP PUBG secretary in January 2021. In her four years of employment prior to her election as union secretary, Ms. Anista reported that she faced no retaliation from factory management. However, as detailed below, once Ms. Anista became the union secretary, management verbally harassed her and discriminatorily targeted her in retaliation for her union activities, and whenever she made a mistake or requested sick leave, eventually culminating in her termination on July 24, 2023.

³ The fact that the WRC’s investigation, as reported in this document, did not yield findings of violations in any particular areas of the factory’s labor practices should not be construed as an affirmation of the factory’s overall compliance with respect to its practices in those general areas.

⁴ Indonesia, Act no. 21 Concerning Trade Unions. 2000 (“Act no. 21”). Article 28 (a) (“Everybody is prohibited from preventing or forcing a worker/laborer from forming or not forming a trade union/labor union, becoming union official or not becoming union official, becoming union member or not becoming union member and/or carrying out or not carrying out trade/labor union activities by: a) Terminating his employment, temporarily suspending his employment, demoting him, or transferring him to another post, another division or another place in order to discourage or prevent him from carrying out union activities or make such activities virtually impossible;”).

⁵ Act no. 21, Article 29 (1) (“The employer must provide opportunity to the officials and members of a trade/labor union to carry out trade/labor union activities during working hours that are agreed upon by both parties and or arranged in the collective labour agreement;”); Article 28 (c) (“Everybody is prohibited from preventing or forcing a worker/laborer from forming or not forming a trade union/labor union, becoming union official or not becoming union official, becoming union member or not becoming union member and or carrying out or not carrying out trade/labor union activities by: c) intimidating him or subjecting him to any other forms of intimidation;”).

Ms. Anista told the WRC that Pungkook management intimidated and harassed her for requesting time to carry out her union duties. In February 2022, the union appointed Ms. Anista to represent the union in a meeting with adidas auditors, who were conducting meetings with worker representatives as part of their factory inspection. When Ms. Anista asked for permission from the Head of Production Dwi Natalismi, her request was met with hostility. Ms. Natalismi shouted at her, “You just ask for permission, always! Just ask permission from Mr. Chow [the production manager]!” Although Mr. Chow gave her permission to attend the meeting, Ms. Natalismi’s behavior clearly demonstrates management’s hostility toward Ms. Anista because of her associational activities.

On another occasion, Ms. Anista sought permission to attend a union workshop in Bogor in June 2023, but she was required to follow a complicated permission process, which resulted in her not obtaining permission to attend the training. According to the union, the normal process is to request permission from the worker’s two immediate supervisors (in Ms. Anista’s case, the line leader and the chief supervisor), then the worker submits these approvals to the Human Resources Department. In contrast, Ms. Anista was required to obtain approval from the head of production and the production manager in an attempt to discourage her from her union activities and to prevent her from attending the union workshop.

Ms. Anista further testified that after she was appointed as the union secretary, management also denied her opportunities to engage in union activities. For example, on one occasion Ms. Anista asked for permission to skip overtime to attend a union meeting. The Head of Production, Ms. Natalismi angrily shouted at her in front of her coworkers, saying “Permission, permission, always asking for permission!...There is no substitute!...I will not give you overtime anymore, ever!” Ms. Anista was then discriminatorily denied overtime work for one year in retaliation for her union activities, violating Indonesian law and international labor standards.⁶ Prior to becoming a union secretary, Ms. Anista told the WRC that she could occasionally skip overtime work by simply informing her line leader.

Management’s targeting of Ms. Anista is further demonstrated by the marking of her workstation with a purple flag. Workers told the WRC that this flag is a signal by management to other workers that these workers are “troublemakers”. Workers also reported that factory management closely monitored workers whose stations are marked with a purple flag. One other worker union leader was also similarly targeted by management (See section C of this report).

Management also discriminatorily increased Ms. Anista’s workload by assigning her another machine, the chorong machine, which requires special skills, in addition to the madom machine she

⁶ Act no. 21. Article 28 (a) (“Everybody is prohibited from preventing or forcing a worker/laborer from forming or not forming a trade union/labor union, becoming union official or not becoming union official, becoming union member or not becoming union member and or carrying out or not carrying out trade/labor union activities by: a). Terminating his employment, temporarily suspending his employment, demoting him, or transferring him to another post, another division or another place in order to discourage or prevent him from carrying out union activities or make such activities virtually impossible;”), *and* Freedom of Association. Compilation of decisions of the Committee on Freedom of Association /International Labour Office – Geneva: ILO, 6th edition, (2018) para 1088 (“Acts of anti-union discrimination may vary in nature and are not confined to discharge, dismissal, retrenchment or termination of service, but also include all actions taken in retaliation against a worker exercising trade union activities, such as suspension.”)

already was operating, in retaliation for her union activities.⁷ Ms. Anista testified that in the four years of her employment at the factory prior to her appointment as the union secretary, she only had to operate one machine, the madom machine. She explained that she could not leave her workstation, even go to the restroom, as her workload greatly increased after she was assigned an additional machine to operate. She said, “There was no chance for me to stop working and that was very unnatural in my opinion.” While other workers are occasionally assigned to operate two machines simultaneously, according to Ms. Anista, these machines do not require special skills to operate.

Discriminatorily targeting a worker for their union activities by increasing their workload, increasing surveillance of their actions, and intimidating them violates Indonesian law and international standards on freedom of association.⁸

B. Retaliatory Termination of Union Secretary

On November 8, 2022, Ms. Anista received her first warning letter concerning a production line issue. Although several workers throughout the entire line made errors that day, only Ms. Anista received a warning letter. Even those workers who made more serious production errors were not issued with warnings. This discriminatory application of discipline indicates that factory management issued a warning letter to Ms. Anista in retaliation for her union activities.

On January 2, 2023, management issued Ms. Anista a second warning letter for failing to request leave a week in advance of the start of the leave. Ms. Anista reported to the WRC that her supervisors had approved her leave, but the Head of Production, Ms. Natalismi, later denied her request on the basis that she did not follow company procedures. While workers told the WRC that the established procedure requires workers to complete a leave form request seven days in advance and that the leave must be approved by their immediate supervisor and the supervisor above the immediate supervisor (in Ms. Anista’s case, the line leader and chief supervisor), it is common for supervisors to grant workers leave on short notice, and most workers are not required to follow company procedures.

The WRC found that factory management discriminatorily applied company regulations to rescind approval of Ms. Anista’s leave in order to justify management’s issuance of a second warning letter.

⁷ The chorong and madom sewing machines are specialized, heavy-duty machines that require more physical strength and concentration than standard sewing machines. The madom machine is the largest machine on the production line and is used for processes that involve combining different garment parts and matching colors, which can be time-consuming and technically demanding. This machine also requires operators to meet strict production targets. The chorong machine, typically used for tasks like attaching waistbands and hems, also involves a different technique and requires advanced skills and precision.

⁸ Act no. 21. Article 28 (a) (“Everybody is prohibited from preventing or forcing a worker/laborer from forming or not forming a trade union/labor union, becoming union official or not becoming union official, becoming union member or not becoming union member and or carrying out or not carrying out trade/labor union activities by: a). Terminating his employment, temporarily suspending his employment, demoting him, or transferring him to another post, another division or another place in order to discourage or prevent him from carrying out union activities or make such activities virtually impossible;”), and International Labour Organization, Convention 98, Right to Organise and Collective Bargaining Convention, 1949, Article 1 (“Workers shall enjoy adequate protection against acts of anti-union discrimination in respect of their employment.”).

On March 27, 2023, Ms. Anista missed work due to illness and after receiving approval from her supervisor, Ms. Heni Kusirini, to do so. However, Ms. Endang, the chief supervisor, refused to approve her leave, citing an order from Ms. Natalismi to reject leave requests from union officials. Denial of leave and other benefits on the basis of workers' union membership or activities is discriminatory and, therefore, violates Indonesian law.⁹

When Ms. Anista arrived at work the following day, the Deputy Head of Production Suci Indrawati told her to meet with Mr. Rizal, the human resources (HR) officer. Mr. Rizal issued her a third warning letter (which is typically issued before a worker is terminated), despite Ms. Anista's explanation that she had obtained permission for her absence from her supervisor. In contrast, another worker who similarly took unanticipated leave that same week received approval rather than a warning for taking this leave. Management's actions strongly indicate that disciplinary action was discriminatorily applied to Ms. Anista and was a pretext to justify her ultimate termination.

In July 2023, Ms. Anista decided to take an additional day off due to illness. When she returned to work the following day, she, along with other workers who had missed work the previous day, were forced to stand in front of the production line for about 30 minutes and explain their reasons for missing work to Ms. Suci, Deputy Head of Production. Once the workers shared their reasons for missing work, they were allowed to return to their workstations. After Ms. Anista returned to her workstation, Ms. Suci took her to HR on the orders of Ms. Natalismi. After two hours, Murtiningrum Anggorowati, the Head of HR, arrived. She informed Ms. Anista that her leave was not approved by her supervisor, stating that company policy requires employees to submit requests for leave a week in advance of taking such leave. Ms. Anista tried to explain that she was still sick and that she had annual leave remaining, but Ms. Anggorowati stated that annual leave can only be granted by the "boss" (Ms. Natalismi) and since she did not approve, Ms. Anista had violated company rules and would face termination.

On July 20, 2023, Ms. Anista and a union leader met with the Head of the HR Department to discuss the possibility of Ms. Anista retaining her employment at the factory, including by transferring to another department. Ms. Anggorowati continued to express concerns about Ms. Anista's frequent absences, making it clear that she violated company rules and that she had received three warning letters. Ms. Anggorowati also claimed that it would not be possible for Ms. Anista to transfer to another department as both department managers would need to approve her transfer. This claim is not plausible given the fact that—as noted later in this report—workers were transferred to other departments and job assignments without following the necessary procedures and without the approval of department managers.

Four days later, on July 24, 2023, the company issued Ms. Anista a termination letter, which she refused to sign.

On August 10, 2023, Ms. Anista received a bank transfer totaling IDR 10.4 million (US\$683.9)¹⁰ in wages and severance. Ms. Anista informed the WRC that on August 16, 2023, she rejected the

⁹ Act no. 21, Article 28.

¹⁰ The exchange rate of US\$1: IDR 15,188.7 is based on OANDA data as of August 10, 2023, the date on which Ms. Anista received the bank transfer.

unilateral layoff and offered to return the money, but the company refused, noting instead that she has the right to pursue legal action.

Several months later, but only two weeks after the WRC's initial communication with Pungkook Indonesia One, the factory filed a dispute resolution request concerning Ms. Anista's dismissal on February 29, 2024, with the Manpower Office at Grobogan Regency.

The mediation decision, dated April 23, 2024, concluded that the dismissal was justified based on repeated violations of company policies as evidenced by the warning letters.¹¹ Consequently, the mediators recommended terminating Ms. Anista's employment and paying her IDR 11.4 million (US\$701.7)¹² in severance. Despite this decision, Pungkook had not paid the amount remaining based on the Manpower Office's calculation.

The decision was solely based on a review of the company's regulations and the warning letters issued to Ms. Anista. The mediators did not investigate Ms. Anista's testimony of targeting by management or management's discriminatory application of company rules to her because of her union activities.

In addition, the fact that the request was filed seven months after the termination, but only two weeks after the WRC's first communication to Pungkook Indonesia One, indicates that the company filed the complaint in an attempt to gain a veneer of legality for her dismissal.

Therefore, the WRC concludes that, despite the outcome of the mediation, Ms. Anista's termination is unlawful¹³ and motivated by anti-union animus.

C. Retaliatory Transfers of Three Worker Union Leaders

Indonesian law prohibits the employer from taking into account a worker's union membership when making decisions on assignment of work.¹⁴ The WRC found Pungkook Indonesia One transferred the job assignments of three worker union leaders in retaliation for their union activities, following the establishment of SP PUBG in April 2020. As a result, one of the workers was constructively terminated. As detailed in the sections below, these reassignments are inconsistent with the factory's established guidelines. According to standard factory procedures, any job task reassignment should be accompanied by a transfer letter, which the employee must sign. Moreover, such position transfers should only occur if they do not lead to the demotion of the worker or permanent elimination of the worker's original position. None of the workers received a formal transfer letter, and, in all cases, the reassignment resulted in the workers having to operate machines for which they did not have the necessary skills or had their workload greatly increased due to the transfer.

Additionally, Pungkook reported to the WRC that from 2019 to 2023, a total of 359 workers were reassigned to other tasks. However, most of these employees were reassigned as part of a group

¹¹ Mediation decision on file with the WRC.

¹² The exchange rate of US\$1: IDR 16,231 is based on OANDA data as of April 23, 2024, the date on which the mediation decision was issued.

¹³ Act no. 21, Article 28.

¹⁴ Act no. 21, Article 28.

rather than individually. According to the factory, only six workers of the 359 employees were individually reassigned. In other words, essentially no workers, apart from these three union leaders, were transferred on an individual basis.

Discriminatorily transferring workers because of their associational activities is a serious violation of Indonesian law¹⁵ and university codes of conduct.¹⁶

1. Retaliatory Transfer and Constructive Termination of First Worker Union Leader

One worker union leader told the WRC that, since 2021, he has been transferred several times to different production lines, sometimes staying on one line for as little as three days before being transferred to another. He also reported that he felt targeted by management for his union activities since the machines he operated were marked with a purple flag, which workers assert is a symbol used by management to mark workers who are active union members and who are more heavily monitored. Workers told the WRC that the only workers in building D operating machines displaying these flags are two union officers.

The worker told the WRC that he began working at Pungkook Indonesia One in 2018 as a mechanic in building C (which is where bags for Under Armour and lululemon are produced). In 2020, he joined SP PUBG and became an active leader in the union's advocacy and information division. In this role he often spoke out against management's use of verbal abuse and promoted union participation among his colleagues. Consequently, he found himself singled out by management in a deliberate effort to force him to resign.

In November 2021, he was asked to repair broken machines for trainees. After he repaired one of the machines, a piece of thread got stuck in the machine, causing it to stop working. While he was repairing another machine, the previously repaired machine broke down once more. Mr. Cho Sang Sik, the production manager, confronted the worker in his office and informed him that because of his poor performance as a mechanic he would be reassigned as a sewing operator on the second floor of building D, effective from the following day. Also, during the meeting, Mr. Sik asked a staff member from the HR department about the worker's union membership status. The HR staff confirmed the worker's union affiliation and displayed the list containing the names of SP PUBG's members.

The worker told the WRC that he was assigned to perform a challenging sewing task called "funnel/corong" after just one day of his transfer and despite having no prior sewing experience, given his background as a mechanic. Without receiving training for this new position, he was expected to meet the same production targets as other operators in the line.

From that day onward, the worker reported to the WRC that he was repeatedly called to Mr. Sik's office whenever he fell short of his targets. During these meeting, Mr. Sik would angrily berate him, saying, "Why [can you] not [reach] the target? Can you not work?"

¹⁵ Act no. 21, Article 28.

¹⁶ CLC Code of Conduct, Article 14 (I) ("Licensees shall recognize and respect the right of employees to freedom of association and collective bargaining.")

The worker reported to the WRC that on Thursday, September 21, 2023, at around 3:35 p.m., he was captured on CCTV not doing any sewing work due to a lack of available materials. The video footage was shared through management's WhatsApp group and later seen by the WRC. The worker told the WRC that he often had to wait for others to finish their assignments before he could proceed with his own tasks, a fact of which his supervisors were well aware.

Mr. Sik called the worker, along with more than 50 other workers and supervisors, to a meeting room to view the recording. Mr. Sik accused him of bribing his supervisor to allow him to work less and gave him a warning letter stating that he “works less efficiently, is passive and chats with friends...and does not immediately complete the work when he gets the goods.” Following this meeting, the recording was further distributed in various WhatsApp groups resulting in some of his coworkers bullying him.

Management's wide distribution of the video through WhatsApp and public issuance of the warning to the worker amounts to public humiliation of the worker, violating Indonesian law, which requires employers to treat workers with respect and accord them dignity.¹⁷

In March 2024, citing that the worker appeared “idle” or “lazy” while on production line 3, Mr. Sik then instructed the chief supervisor and deputy head of production to relocate the worker to the training lines. As a result of the transfer, he lost the opportunity to earn additional income from overtime.

On April 26, 2024, the worker submitted his resignation. He informed the WRC that his resignation was driven by Mr. Sik's discrimination against him and inhumane treatment, resulting in him feeling uncomfortable and humiliated at work.

The WRC finds the worker's transfer is in retaliation for his union activities and that the justification of “poor performance” for his transfers and warnings is pretextual. First, in the three years of employment at the factory and prior to his leadership role within the union, he had never been issued a verbal or written warning concerning poor performance. Second, Indonesian law prohibits employers from making decisions about a worker's assignment or employment based on their union affiliation. In violation of the law, Mr. Sik asked about the worker's union membership during a meeting in which Mr. Sik cited the worker's poor performance as the reason for his transfer to another job assignment. Third, this reassignment, like that of the other union leaders described in the following sections of this report, deviated from the factory's established protocols, as no official transfer letter was issued to the worker. According to standard factory procedures, any job task reassignment requires the issuance of a transfer letter, which the employee must sign. The worker testified that no such letter was issued. Moreover, management reassigned him from his position as a mechanic to a sewing operator, despite having no experience as an operator nor the necessary skills. Such a deliberate mismatch of the employee's skills and assigned work makes no sense if productivity optimization was a consideration, indicating that his transfer was motivated by anti-union animus and a desire to pressure the worker to resign. Finally, workers and supervisors interviewed by the WRC said the second floor of building D, responsible for producing bags under

¹⁷ Indonesia, Act no. 13, 2003. Concerning Manpower. Article 86 (1) (“Every worker/laborer has the right to receive protection on: a. Occupational safety and health; b. morality and decency; and c. treatment that shows respect to human dignity and religious values”).

the adidas brand, has gained a reputation as a “dumping” ground for workers who actively engage in union activities and are considered “rebels” by the management. Workers in this section are subjected to increased surveillance, including monitoring by CCTV.

2. Retaliatory Transfer and Intimidation of Second Worker Union Officer

Another worker union officer testified he was discriminatorily targeted by management for his union activities through threats, intimidation, and job transfers. The worker initially worked as a computer sewing operator on the first floor of building D. However, around May 2022, he was ordered by Ms. Natalismi, the Head of Production, to relocate to the second floor. According to the worker, this was in retaliation for encouraging his friends to join SP PUBG. He was assigned to operate the madom sewing machine, for which he lacked the necessary experience and which, according to workers, is the most difficult process in bag sewing. Any minor errors made while sewing results in rejection of the bag for not meeting quality standards. Normally, only very experienced workers are tasked with using the madom machine.

Management also threatened the worker with legal action for his union activities. In addition to the transfer, the worker informed the WRC that he faced intimidation and threats, including demands to rescind workers’ union membership. For example, during the Eid holiday in 2022, Ms. Natalismi told him “You are the culprit in this factory! You have to get rid of the members who joined the union.” In another instance, Ms. Natalismi threatened him with legal action by the company, suggesting that he could be imprisoned for inviting workers to join the union and allegedly “manipulating data” by completing union registration forms on the behalf of workers without their consent.

Under this persistent pressure, the worker testified to the WRC that he eventually removed several workers’ enrollment to pay union fees through payroll, effectively discontinuing their union membership fees.

Discriminatorily targeting a worker for their union activities by transferring their job assignments, increasing surveillance of their actions, and intimidating them violates international standards on freedom of association.¹⁸

3. Retaliatory Transfer and Intimidation of Third Worker Union Officer

Another union officer, who joined the union before becoming a member of the company’s freedom of association committee, told the WRC that on July 10, 2023, he submitted a request for sick leave and provided a doctor’s note certifying that he was ill. Rather than accept this, Ms. Natalismi accused him of pretending to be sick, repeatedly calling him a liar. She then directed the deputy head of production to transfer him to production line five on the second floor of building D, saying, “Don’t give him an easy job!”

¹⁸ Act no. 21. Article 28 (a) *and* International Labor Organization, Convention 98, Right to Organise and Collective Bargaining Convention, 1949, Article 1 (“Workers shall enjoy adequate protection against acts of anti-union discrimination in respect of their employment.”).

Although line five is on the same floor and building where he previously worked, for this new assignment he was tasked with operating another machine, the “funnel/corong”, in addition to the “bartack” machine he already operated, making him the only worker, apart from the union secretary, tasked with simultaneously operating two machines that require specialized skills. The worker explained to the WRC, “I became more tired at work because I work on [these] two machines at once.” The worker also reported that his workstation was marked with a purple flag (indicating additional surveillance by factory management).

Discriminatorily targeting a worker for their union activities by transferring their job assignments, increasing surveillance of their actions, and intimidating them violates Indonesian law and international standards on freedom of association.¹⁹

¹⁹ Act no. 21. Article 28 (a) *and* International Labour Organization, Convention 98, Right to Organise and Collective Bargaining Convention, 1949, Article 1 (“Workers shall enjoy adequate protection against acts of anti-union discrimination in respect of their employment.”).

IV. Recommendations for Corrective Action, Factory and Buyer Response, Remediation, and Current Status

A. Recommendations for Corrective Action

To remedy the violations of workers' associational rights that had occurred, the WRC recommended that Pungkook Indonesia One undertake the following recommendations:

- Reinstatement of the union secretary to her original position with full back pay from the time she was terminated until her return to work, subtracting the amount already paid to her by the factory.
- Reinstatement of the union officer who was constructively dismissed to his original position with full back pay from the time he was pressured to resign until his return to work.
- Disband the production line for workers facing disciplinary issues in building D, cease the use of purple flags, and reassign workers to their previous positions in the factory.
- Enforce disciplinary measures against supervisors and managers, including Mr. Sik and Ms. Natalismi, for their retaliatory behaviors toward workers for their union activities.
- Issue a written statement, to be crafted in consultation with, and subject to the approval of, the WRC and SP PUBG, stating that workers at Pungkook Indonesia One have the right to join the union of their choosing and that management will in no way interfere with this choice nor take any adverse action of any kind against any worker who exercises their right to freedom of association. The company should provide a typed copy of this statement, on factory letterhead, to every employee, read to employees by their supervisors, and allow WRC monitors into the factory to observe these proceedings.
- Ensure that management undertakes a robust company-wide training program on freedom of association. This program should involve in-plant programs to train managers and supervisors on their obligations concerning respect for workers' freedom of association and, separately, training for workers on their associational rights under applicable codes of conduct and domestic law. The training program should be developed in consultation with the WRC and be carried out by a credible third party, identified in consultation with the WRC.

B. Factory Response

On September 23, 2024, the WRC sent its findings and recommendations to Pungkook Indonesia One. In response to our findings, Pungkook Indonesia One continued to deny discriminatorily targeting the worker union leaders, claiming that the job transfers were not retaliatory but made in relation to production needs. The company further claimed that none of the workers noted in our report had been retaliatorily terminated because of their union activities. The WRC reviewed the information and documentation provided by the company and determined that the evidence provided does not constitute sufficient evidence supporting the company's claims.

Specifically, Pungkook Indonesia One stated that job transfers are a normal part of operations and only workers who have the necessary skills are assigned complicated tasks. Therefore, the worker union leaders' job transfers were made due to production needs and the skillsets of the workers.

However, as noted in our report, worker testimony indicates that in some cases they were assigned to tasks for which they had received no prior training and/or greatly increased their workload, making it difficult for them to keep up with high production targets. Such transfers indicate that factory management transferred the worker union leaders with the intent to pressure workers to resign and/or set them up for failure in their new position.

Pungkook Indonesia One responded to our findings concerning the retaliatorily termination of Ms. Efa Anista by stating that she was terminated due to “accumulated days of absences” and that the Ministry of Manpower decision had determined her termination to be lawful. However, as noted in this report, company regulations were discriminatorily applied to Ms. Anista. Therefore, her termination on the basis of unexcused absences is pretextual. Furthermore, as previously noted, the Ministry’s decision was solely based on a review of the company’s regulations and the warning letters issued to her. The Ministry did not investigate Ms. Anista’s testimony, indicating her discriminatory treatment by factory management in retaliation for her union activities.

In relation to the worker union officer who was constructively terminated, Pungkook Indonesia One provided the resignation letter that the worker signed indicating “family interests” as the reason for his resignation. However, the worker testified to the WRC that he felt pressured to resign because of management’s actions against him, including transferring him to a position without the proper training, placing him under heavy surveillance, and sharing information and videos about him and accusing him of being lazy, which resulted in him being bullied by other workers. Such actions indicate that factory management discriminatorily targeted the worker because of his union activities, violating Indonesian law.

Pungkook Indonesia One further claimed that the second union officer attempted to sign up several workers, without their consent, to have union dues deducted from their salaries, providing the WRC with letters signed by workers indicating their resignation from the union. However, we note that the union resignation letters of the workers provided by the company indicate that workers resigned in late March 2022. The workers joined the union in December 2021. If these workers truly did not want to have their wages deducted for union dues, they would not have waited three months to resign. It seems more likely that these workers, who primarily work in building D, were pressured by management to resign from the union.

In response to the recommendation for company-wide anti-retaliation training for management, Pungkook Indonesia One provided information and photographs documenting an orientation session held in October 2024 for supervisors about the company’s anti-retaliation policy conducted by the company’s human resources department. Furthermore, the unions have reported to the WRC that beginning in October 2024, management is now inviting all three unions to introduce themselves as part of the orientation process for new workers, replacing the previous union introduction session led by factory management rather than union representatives. On October 23, 2024, the company held a meeting with all three unions at the factory introducing an updated freedom of association policy. However, the factory has yet to provide a typed copy of this updated statement on factory letterhead to all employees, as required. Additionally, this statement has not been read aloud to employees by their supervisors nor have WRC monitors visited the factory to observe these proceedings.

Pungkook Indonesia One stated that the disciplinary line was disbanded following feedback received in February 2024 and that management discontinued use of the purple flags at the factory.

Additionally, the company pledged to initiate company-wide training on anti-abuse and anti-harassment and shared the training outline with the WRC.

C. Buyer Intervention

At the end of October and beginning of November 2024, as Pungkook Indonesia One had only partially remedied the violations identified, the WRC contacted the licensee, lululemon, as well as other brand customers of Pungkook Indonesia One, including: VF Corporation, adidas, REI, and L.L.Bean, sharing our findings and recommendations for remediation, requesting that these brands engage with Pungkook Indonesia One to remedy the violations.

Adidas acknowledged that Pungkook Indonesia One is a significant supplier for its brand, despite not producing collegiate apparel. The company stated that its field team would visit the factory to investigate the allegations and engage with the complainants. In a subsequent response, adidas reported that—in collaboration with VF Corporation—the brands' investigation identified deficiencies in the factory's management practices, including privacy violations, ineffective disciplinary procedures, and a non-functioning Freedom of Association (FOA) Protocol Committee. While adidas concluded that these failures were systemic rather than targeted at union members, the company's admission that the FOA Protocol Committee had been inactive underscores a failure to maintain essential grievance mechanisms.

L.L.Bean and lululemon responded by stating that they were engaging with the factory regarding the violations but did not provide further information about their communication with Pungkook Indonesia One about corrective measures to remedy the violations. After sharing our report detailing the findings and remedial measures taken by the factory, lululemon shared that it had supported its supplier in taking action to remedy the violations, as well as collaborating with other brands on their investigations.

REI stated that it had contacted Better Work Indonesia (BWI) to inquire about its assessment of the allegations. While REI highlighted its reliance on BWI's audit findings and remediation efforts, it did not provide specifics on its own engagement with the factory or the affected workers.

D. Remediation and Current Status

On November 14, 2024, a few weeks after the WRC had reached out to the factory's brand customers, Pungkook Indonesia One offered reinstatement to Ms. Anista and the union leader who was constructively terminated. The reinstatement offer was given in a meeting where these two union leaders were represented by SP PUBG. Both individuals expressed their preference not to return, citing their focus on personal business ventures. The WRC confirmed with the two union leaders and SP PUBG leaders present at the meeting that the company had offered the workers reinstatement and that the leaders declined the offer. Subsequently, the two workers signed an agreement with the factory, under which Pungkook Indonesia One provided compensation,

including wages for the period they were not working and additional funds to support their business endeavors, in exchange for the workers' withdrawing their complaints to the WRC.

As part of this agreement, Ms. Anista was compensated with an amount equivalent to her wages for the period from August 2023 to November 2024, totaling IDR 29.7 million (US\$1,879.15), along with an additional IDR 15 million (US\$949.07) as business capital.²⁰ The second union leader received an amount equivalent to his wages for the period from June 2024 to November 2024, totaling IDR 12.5 million (US\$790.89), along with an additional IDR 10 million (US\$632.71) as business capital. Given that the company offered reinstatement to the workers, and the workers were able to freely choose to accept compensation instead, the WRC finds that the violations of university and brand codes of conduct discussed in this report regarding this issue have been remedied.

In addition, the other two union officers reported that from mid-November 2024 they no longer were required to operate two machines and no longer felt they were discriminated against. They also reported to the WRC that they no longer faced issues in requesting leave to attend to union matters.

Furthermore, the WRC learned that the union was verbally informed on November 18, 2024, of disciplinary measures against management and asked Pungkook Indonesia One to provide documentation confirming the disciplinary actions taken against Mr. Cho Shang Sik and Ms. Dwi Natalismi. Pungkook Indonesia One responded by saying they are unable to send it to the WRC due to privacy considerations, but factory management confirmed that the appropriate actions have been taken, including verbal communication and formal written notices, in accordance with company policies. In January 2025, Pungkook Indonesia One agreed that the WRC can review the disciplinary letters at an onsite visit in March 2025.

The WRC notes that Pungkook has not yet carried out any training program on freedom of association. This program should involve in-plant programs to train managers and supervisors on their obligations concerning respect for workers' freedom of association and, separately, training for workers on their associational rights under applicable codes of conduct and domestic law.

Finally, Pungkook Indonesia One agreed to the WRC's factory visit request in March 2025. A visit will enable the WRC to review the company's freedom of association statement and observe its announcement and written distribution to the workers by the supervisors.

Given the actions taken by Pungkook Indonesia One, the WRC finds that pending completion of the (1) supervisor training; (2) announcement and written distribution of the FOA policy; and (3) confirmation of the supervisor disciplinary action, the violations of university codes of conduct and Indonesian law have been substantially remedied. Additionally, the union reports having a better labor-management relationship currently, where they can more easily take leave to attend union meetings and other union-related matters. The union also reports that Pungkook Indonesia One has provided them with better onsite facilities. The WRC will continue to monitor the factory to ensure that Pungkook Indonesia One fully complies with university codes of conduct and Indonesian labor law.

²⁰ The exchange rate of US\$1: IDR 15,767.5 is based on OANDA data as of November 14, 2024, the date on which the agreement was signed.