

**Audit Report**

**PT Mattel Indonesia (PTMI)**

**Compliance with Mattel's Global Manufacturing Principles**

**Conducted by**

**International Center for Corporate Accountability**



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## **PT Mattel Indonesia (PTMI)**

### **1. INTRODUCTION**

This report details the findings of a field audit of PT Mattel Indonesia (PTMI), performed by the International Center for Corporate Accountability (ICCA). The field audit was conducted on April 28-29, 2005. PTMI is a wholly owned Mattel facility. The plant is located in Bekasi district of West Java, Indonesia.

The purpose of the audit was to evaluate all aspects of PTMI's operations and to ascertain the plant's compliance with Mattel's Global Manufacturing Principles (GMP). The implementation of Mattel's GMP audit is carried out according to detailed standards covering various principles of GMP. These are tailored to meet the specific legal requirements of each country as well as Mattel's own standards. Where local regulations are either non-existent or lower than Mattel's standards, the higher Mattel standards are considered applicable.

As a part of Mattel's independent monitoring program, ICCA audits of Mattel facilities follow a three-year cycle. This is the third such audit of the PTMI plant. Previous ICCA audits were conducted in February 1999 and May 2002.<sup>1</sup>

### **2. ICCA'S AUDIT PROTOCOLS**

ICCA's audit protocols are designed to verify plants' compliance with GMP standards in a manner that is comprehensive, objectively measured, interpreted in a meaningful manner, and independent of any other consideration except the compliance standards specified in the GMP. The first step in this process is the plant management's own description of its compliance with GMP. This document is called the Management Compliance Report (MCR) and is submitted to ICCA at least 30 days prior to the field audit.

The field audit is comprised of four parallel activities. The first is an audit of a statistically valid and randomly selected sample of the personnel files and payroll data of a group of workers representing the plant's entire workforce. The second element of the audit involves confidential, one-on-one, interviews with the same group of workers who were previously selected for the payroll and personnel file audit. This allows for comparison of the information contained in the plant's payroll records and personnel files and the information elicited from the workers. The third element of the audit is a thorough examination of the plant's practices and policies with regard to environment, health and safety issues. Plant's records are verified by inspection of relevant documentation as

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<sup>1</sup> ICCA's audit reports for PTMI and other Mattel owned plants, as well as some of Mattel's largest vendors, are available at both ICCA's and Mattel's web sites: [www.ICCA-corporateaccountability.org](http://www.ICCA-corporateaccountability.org) and [www.mattel.com](http://www.mattel.com).

well as a thorough “walk-through” of the factory floor and related facilities. The final element of the ICCA audit is a series of meetings between ICCA’s audit team members and various plant managers responsible for different aspects of a plant’s operational facilities; employee supervision and other human resource management activities; dormitories and canteen facilities and operations; and, plant and dormitory security functions, to name a few.

All data and information generated by the field audit is brought to the New York offices of ICCA for detailed analysis and preparation of audit reports. The findings are first provided to Mattel so that the company may respond to the audit findings. Where the company can show a material error on the part of ICCA with regard to specific findings, ICCA revises the draft report before making it public. Where Mattel provides information with regard to corrective action and commitments, ICCA takes cognizance of these actions and indicates the extent of follow-up to be undertaken by ICCA to ensure full and timely compliance on the part of individual factories. The audit report records both the initial findings of the audit and the specifics of Mattel’s responses through corrective actions. In the event of a disagreement between ICCA and Mattel as to the nature of findings or the adequacy and timeliness of corrective measures, ICCA makes public its findings and the company’s responses without any editing by ICCA or Mattel.

### **3. PLANT AND RELATED FACILITIES**

PTMI’s manufacturing facilities are comprised of two production facilities - PTMI West and PTMI East (formally MJS and MJD plants). The plant’s major products are Barbie dolls and other fashion dolls.

### **4. COMPOSITION OF THE WORKFORCE**

PTMI currently employs approximately 9000 people. Of these, 97% are direct labor while the remaining 3% is administrative and supervisory staff. However, during peak production period (May – August), the workforce may increase to between 13,000 – 14,000 workers. The plant’s workforce is about evenly divided between permanent and temporary contract workers. The latter group of workers is hired for 6 - 12 months. At the time of the ICCA audit in April 2005, there were 316 workers with 7-9 month contracts and 1371 workers with 9-12 month contracts. About 85% of contract workers are solicited directly to work during peak production periods.

Almost 93% of the direct labor workforce is female. The entire workforce is over 18 years old and the average age is 27. Nearly 86% of the workforce has high school diplomas. Turnover among regular workers at the plant is quite low and the average work-tenure among the permanent workers is about 7 years.

## **5. AUDIT FINDINGS**

### **5.1. Recruitment, Orientation and Initial Training**

PTMI initially hires all workers as contract workers with a minimum contract period of at least six months. ICCA's audit of personnel records confirmed that each worker had an employment contract on file, which outlined the terms of employment, pay, work hours, benefits, and all other relevant company policies regarding employer-employee relations, rights, and responsibilities. Workers received signed copies of their contracts on their first day of work.

Each worker, upon employment, undergoes initial orientation, where workers are provided with information with regard to the terms of employment, wages, benefits, deductions, and other rules and regulations that govern employee relations. Workers also receive information about Mattel's GMP and what it means for them with regard to their employment and working conditions at the plant. In addition, workers undergo training on general safety issues such as fire prevention, evacuation, spill management, etc. Plant management also provides printed material about Mattel's GMP and conducts information sessions on a regular basis.

ICCA's audit confirmed that workers' personnel files contained all pertinent information about each worker's employment history. All permanent workers have a record of their probationary period upon their initial employment, which indicates their applicable wages and benefits.

### **5.2. Regular and Overtime Working Hours**

In 2004, Mattel revised its GMP requirements with regard to regular and overtime working hours. The objective was to unify worldwide practices across all plants that manufacture its products. Mattel has incorporated a series of provisions regarding work hours policies.<sup>2</sup> The revised GMP requirements are:

- Workers will not be scheduled to work more than 60 hours per week on non-peak production weeks;
- Workers will not be scheduled to work more than 72 hours per week in peak production weeks;
- The number of peak production weeks will not exceed 17 per year;

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<sup>2</sup> It should be noted here that Mattel's GMP standard on this topic does not strictly adhere to local laws in certain countries, e.g., China, where a great many other factories schedule even longer work days. This approach, however, makes the practice more transparent and eliminates the wide gap that otherwise exists between proclaimed working hours against actual working hours.

- Workers will not be scheduled to work more than 13 consecutive days, without a rest day in between.

PTMI has obtained written government permission which, effective for Dec 2004 – Dec 2005, allows the factory to work up to 67 hours per week. PTMI is in the process of installing computerized management systems to ensure that each employee's work hours conform to Mattel's GMP. Currently, the system is being implemented manually, with special permission requirements from department heads when production quotas call for more than a 60 hour workweek. The soon-to-be-installed automated system is capable of checking every day's work schedule to make sure that GMP provisions are adhered to. ICCA audit team was given a demonstration of this system's functionality. ICCA confirms that PTMI is in full compliance with all provisions of GMP with regard to regular and overtime working hours.

### **5.3. Wages, Bonuses, Benefits and Deductions**

PTMI pays its workers on a monthly schedule. Workers are paid via bank transfers within 10 days of the closing of the pay-period. Minimum monthly wage in the area where the plant is located is Rp 710,000 (~75 USD) for an average month of 173 work hours. On a regular day, overtime wages are 1.5 times the regular rate for the first hour up to a Max of 6Hrs/Wk and double the regular rate for more. Overtime wage rates on rest days and public holidays are double the regular rate for the first 7 hours, triple for 8-9 hours, and 4 times the regular wage rate for more than 9 hours of overtime per week. Examination of payroll records for the month of March revealed that PTMI workers received between Rp 750,000 – Rp 900,000 per month, including overtime wages, bonuses, allowances, and deductions. It should be noted that this wage level pertains to the low production period, which could substantially increase during peak production periods. Based on annualized monthly average take home pay in 2004, PTMI workers received between Rp 950,000 – 1,350,000 per month. The numbers referenced above are during a low period of production and are not reflective on the actual numbers.

PTMI also pays workers 100% of their appropriate wages in the event that the plant has to stop work during a normal workday for reasons that are under the control of the plant management, e.g., material shortage, scheduling conflicts, etc. Workers are entitled to at least 12 days (up to 17 days, increasing with seniority) of paid leave per year, which they can choose to take as vacation, or receive equivalent wages instead. Per PTMI Policy, workers have the option to cash out the balance annual leave after they have taken 12 days of vacation. All annual leave records are kept in each worker's personnel file. PTMI has a policy of granting 90 days of paid maternity leave.

Employees receive perfect attendance and special skills bonuses as well as night shift allowances. In addition to formulate standard bonuses, employees also receive year-end bonuses based on performance points earned for quota achievement and cost efficiency.

PTMI makes contributions to the employees' unemployment, medical and disability insurance plans, and offers a holiday allowance, which varies based on seniority. PTMI allows all workers to utilize the plant's clinic for non-work related medical treatments including maternity services. By law, workers are required to pay for social security, retirement fund contributions, and income tax. The deductions for dormitory accommodation are taken from the workers' monthly earnings.

PTMI supports a loan service program for the employees provided by "Koperasi", a body owned and run by members of PTMI employees. These loans are paid back via bi-weekly deductions from workers' earnings. PTMI assists "Koperasi" for the loan repayment via monthly deduction from workers monthly earnings based on workers request.

ICCA's audit of the payroll data confirmed that all workers were paid appropriate wages for regular and overtime hours and all deductions were accurate and properly recorded. Payments for all other bonuses including annual leave and maternity leave were accurately paid and recorded.

### **Voluntary Overtime**

All overtime is voluntary as confirmed by the plant's Management Compliance Report (MCR). The factory announces its overtime needs every week. Those workers who wish to work overtime sign their names on a schedule list.

ICCA's confidential interviews with workers, however, indicated that plant supervisors do not always adhere to the requirement of voluntary overtime. Instead, workers are coerced in a variety of ways to work overtime even when they are not inclined to do so of their own accord. Among the interviewed workers, almost 60% stated that they were afraid to decline overtime for fear of reprisals from their supervisors. Among the interviewed workers, 20% stated that refusing overtime was not allowed under any circumstances. Another 30% stated that they had to find their own replacement before they could be released from overtime work. Some workers also complained that pregnant female workers were asked to work overtime despite their unwillingness to do so.

### **Requirements for Corrective Action**

ICCA auditors raised this issue with the plant management during the final briefing at the close of the audit. PTMI's management reiterated this policy of

overtime but also acknowledged that some supervisors may have violated this policy in order to maintain production schedule. ICCA's interview data clearly suggests that this practice is more widespread than acknowledged by the management.

From ICCA's perspective, the status quo is unacceptable. Therefore, PTMI management must take more effective measures, and demonstrate its commitment to resolve this situation forthwith. At a minimum, we ask that PTMI management:

1. Inform all workers that overtime work is voluntary and that no supervisor is allowed to exert any type of pressure on workers to engage in involuntary overtime. This should be communicated to the workers through plant-wide meetings as well as by placing notices on the notice-boards in the plant and dormitory areas.
2. Inform all supervisors that the practice of forced overtime is unacceptable and supervisors violating this practice would be subject to reprimand and other disciplinary measures.
3. PTMI management may also wish to explore other, more creative measures to encourage employees to undertake overtime work that do not require coercion or intimidation.
4. PTMI should provide ICCA with details of its corrective action by June 30, 2005.

### **Mattel comment**

PTMI agrees with the primary findings but disagrees with the widespread definition of the issue. All scheduled overtime is announced at least one to two weeks ahead. The employee signs off any ad hoc changes to the announced schedule, in every instance. This practice gives the employee the ability to refuse any ad hoc overtime, upon offer of the same. PTMI, however, takes the data generated through the confidential interviews as facts, and will follow the recommendations outlined by the ICCA.

## **5.4. Employee Relations**

### **Management – Employee Communications**

PTMI has created an extensive and formalized communication system, which facilitates two-way communications between the employees and different levels of management. Senior management holds weekly staff meetings and daily roll down management updates. In addition, workers attend daily morning briefings with line leaders, weekly Human Resource department meetings, and

daily employee communication committee meetings. The plant also has suggestion boxes for employees to make anonymous complaints or suggestions. The plant is also unionized, and workers can express their concerns at the union meetings.

Among the interviewed workers, there was unanimous consensus that they can express their complaints and concerns without any fear of reprisals. Workers also expressed their confidence that their complaints would be handled fairly.

### **Freedom of Association**

PTMI employees are represented by a union. The union membership is voluntary. There is a standing union committee, which is responsible for facilitating daily communications between the workers and the plant management. Workers elect their union leaders through elections every three years. This was unanimously confirmed by the workers interviewed by ICCA.

### **Workplace Discipline**

PTMI has a formalized system of workplace discipline which is in accord with the PTMI-Union contract and also falls within GMP guidelines. Disciplinary measures are progressive, starting with verbal and written warnings and escalating to suspension without pay and ultimately dismissal. Work rules and regulations are provided to workers in writing as well as during initial employment orientation. They also outline the process by which employees may file grievances.

An overwhelming majority of the interviewed workers (94%) stated that they were not subjected to any disciplinary action during the 6 months prior the audit. All of the interviewed workers confirmed that they were knowledgeable about the company's disciplinary policies and procedures and exhibited understanding of the need of such procedures.

### **Protection from Harassment**

PTMI has established clear rules with regard to verbal or physical abuse, including sexual harassment, which applies to all employees and management staff. These policies are communicated to the workers during initial hiring and orientation as well as through regular and frequent communications from the management. Workers are encouraged to report instances of mistreatment through formal complaint channels.

ICCA's confidential one-on-one interviews conducted with PTMI workers indicated that they were generally treated fairly by leaders and supervisors.

Interviewed workers also indicated that to the best of their knowledge, there had never been an incident of physical or sexual abuse at the plant.

When it came to verbal abuse, however, the situation was somewhat different. Among the interviewed workers, 24% indicated that either they or someone they knew, were subjected to verbal abuse. PTMI's management Compliance Report (MCR) also reported one incident of verbal abuse at the plant in 2005 and stated that the violator was suspended for a period without pay.

### **Mattel comment**

PTMI continues to monitor this issue and make certain that any such violations are dealt with as unacceptable behavior with appropriate disciplinary actions taken.

### **Discrimination**

PTMI has a set of policies covering issues of discrimination. These are posted on notice-boards in the factory area. An overwhelming majority of the interviewed workers (90%) stated that they were treated fairly and without discrimination of any kind with regard to promotion and wage increases.

## **5.5. Employee Services**

### **Medical Facilities and Health Care**

PTMI has two on-site clinics with a total of five beds. The clinics are staffed by 17 medical personnel, including 4 doctors and 9 nurses. Records maintained by the clinics indicated that they are extensively used by the workers.

All medical services are provided to the factory workers free of charge. However, the clinic use is limited by a yearly maximum for personal medical services. Workers are required to pay for their medical services after they used up their maximum allowable amount for medical coverage. Among the interviewed workers, there was general satisfaction with regard to the availability of medical services pertaining to their medical needs while at work. However, there was less satisfaction with regard to usage of the clinics for non-job related personal illnesses. One-third of the interviewed workers expressed their dissatisfaction with the quality and quantity of medicines prescribed, and the complicated procedures involved in getting the treatment. Nearly one-third of the interviewed workers stated that they had to pay for their medical treatment either in part or in full.

### **Mattel comment**

PTMI has a new medical program (SEMANGAT) which has been in place since February 2005. We have had ongoing communication sessions for employees who utilize the new medical program. We will continue periodic communication sessions to ensure all employees are aware of the services provided by the medical program.

### **Food Services**

PTMI operates a canteen facility, which serves one meal per each shift. The basic meals are free and available to all employees. Additional meals cost Rp. 500 – 3000 on average. The plant maintains and monitors hygiene in the cafeteria and the kitchen. All canteen workers undergo annual and semi-annual physical examinations. They are also required to wear hair nets, facemasks and gloves. The kitchen is cleaned and garbage disposed on a regular basis.

A typical lunch break is 30 minutes long. The waiting time in line to get food is about 7-10 minutes. Nearly half of the interviewed employees think that the lunch break is not long enough to eat their meal and pray.

Employees are not required to buy their meals from the canteen and are free to use alternative caterers, i.e., vending cards stationed outside the factory gates. Workers were almost unanimous in indicating that the quality and quantity of food served was adequate.

### **Mattel comment**

The time for all employees to get their lunch has been reduced to between 4 to 5 minutes. In addition, the water tap facility at the prayer room has been renovated to speed up the ablution and praying process.

### **Dormitories**

The plant operates two factory dorms – East and West. The West dormitory was built in January 1996 and has a maximum capacity to house 4000 employees. Each room accommodates 32 employees. The East dormitory was built in August 1997 and is about the same size as the West dormitory. It has a maximum capacity of 3000 employees and houses 32 employees in each room. There is at least one shower per 15 people and one toilet per 12 people. Each room is provided with a TV, telephone, dining table. The dormitory also hosts a library, multifunction room and multimedia training room. A basketball, volleyball field and the garden are available for recreation.

Both dormitories are clean and well maintained. Although the room capacity of 32 employees per room exceeds the requirement of 16 people per room, the

usable area per employee is 2.2 sq. m. as compared to the GMP requirement of 1.86 sq. m. There are adequate numbers of toilets and showers in each dormitory surpassing the numbers required in the standards. Nearly 70% of them agreed that the dormitory facilities were reasonable and comfortable. Nevertheless, workers complained of overcrowding and lack of privacy. It should be noted that these complaints were also made by PTMI workers in ICCA's previous audits and brought to the attention of PTMI management.

During its current visit, ICCA noted that PTMI management has installed curtains around individual beds, and also provided individual reading lights and electric fans for each bank bed. This has clearly improved the situation, while not completely eliminated the problem.

Each dormitory has a 24-hour security system and also imposes curfew requirements obliging the workers to report their times of leaving and returning to their dormitories. This is intended to increase the security of the largely female residents of the dormitories.

PTMI's Management Compliance Report (MCR) states that an employee's total monthly cost for dormitory housing is Rp 50,000, which is deducted from the employee's monthly paycheck. The dormitories and their operations are heavily subsidized by PTMI. The present rental amount is significantly lower than comparable housing available in the surrounding areas. All workers, permanent and contract, pay the monthly rental for the use of the dormitory. Additionally there is no difference in the treatment of permanent and contract workers.

### **Mattel comment**

There are more tenants in the dormitories at peak times. This makes the dorms more fully utilized compared to low periods. The dormitories have never been occupied with more workers than their installed capacity.

### **Mandatory Requirement of Dormitory Living**

In the postaudit briefing the discussion centered around the fact that contract workers had to agree to stay in the company provided dormitories, prior to being hired, and that they were required to pay a nominal monthly rental. This amount is significantly less than the rental costs of equivalent housing available in the surrounding areas. It would seem that all female workers, permanent or contract, must live in the dormitories as a condition of their employment. ICCA considers this requirement as a serious violation of one of the core principles of GMP. PTMI's management contends that by requiring workers to live in the dormitory as part of their employment contract, the management has met the GMP standard since workers have the right not to accept employment at the plant. ICCA considers this explanations unacceptable as it unilaterally abolishes

the GMP standard of voluntariness on the part of workers in their choice of whether or not to live in the dormitories.

### **Requirements for Corrective Action**

ICCA recognizes that there were historical reasons which led to the construction of dormitories to ensure that the company's primarily young female workers were housed in comfortable and secure dormitories. This situation has become more complex with the development of residential housing in the neighboring areas. While many workers would prefer to live in private housing, many others continue to need company-provided housing facilities.

### **Mattel comment**

PTMI has discussed these concerns with the ICCA Team. ICCA has acknowledged that Mattel will further review and analyze the situation and provide appropriate responses, and a remedial plan for action, to ICCA in a follow-up report by the end of October 2005.

## **5.6. Environment, Health and Safety**

The East plant is PTMI's major site. Most of the West plant's employees and equipment have been moved into the East plant. Approximately one third of the West plant is still operative with the rest of its floor space being inventoried for future use. The on-going production operations in the West plant mostly consist of molding and pre-assembly.

PTMI maintains up-to-date records including but not limited to industrial hygiene, respirators, asbestos, hazardous materials including MSDS, hazardous waste, air emissions, noise control, electrical systems, evacuation drills, local ventilation (LEV) and fire protection. The environmental health, safety and maintenance of the two factories were also confirmed by the ICCA professional engineering team through an extensive 'walk-through' of the facilities and a review of the plant's records with regard to environmental health and safety requirements as stipulated in the GMP and detailed in the MCR.

The 'walk-through' inspection of the two plants showed them both to be in good operating condition. All work areas were clean and free of oil spills and litter. ICCA also noted, where applicable, employees were using proper personal protective equipment (PPE) in all areas of operations with the exception of the following:

#### **1. East Plant:**

- a. Masks used for spray paint operations are inadequate and not being used properly. When queried management stated that air quality in the

spray area has been tested and shown to be within proper and safe limits. The reason for the use of masks was that the spray paint operators requested them and management was simply complying with the request in order to promote good industrial relations.

**Mattel comment**

Based on PTMI industrial hygiene monitoring results, the use of mask in spray painting process is not required as the area is within Mattel's exposure limit standards.

- b. Proper respirators are being worn by operators in the paint mixing room. However, they were not being worn by the two employees who were cleaning the facility.

**Mattel comment**

The results of industrial hygiene monitoring conducted in the paint mixing area are below the Mattel exposure limit standard. Based on the results, janitors who are cleaning the paint mixing room for about 10-15 minutes each day are not required to wear respirators.

2. West Plant:

- a. Masks used by some employees are inadequate and are not being used properly. The same rationale for mask usage as above in 1a.

**Mattel comment**

See response to 1A above.

- b. The rotary molding area is hot, cramped and noisy. Per the MCR, PTMI states that the area in question is within GMP standards. If this is indeed the case, the management may consider revising the situation from the perspective of workers' health and safety.

**Mattel comment**

Based on PTMI industrial hygiene monitoring results, the temperature is within the GMP standard of 30C for wet bulb globe-temperature whereas noise level does exceed the Mattel standard. PTMI has developed a hearing conservation program, which requires all operators to wear hearing protection in this area.

- c. The sonic welder was using ear plugs. However, the two workers on either side of the welder wore no protection. It is possible they might also need earplugs.

**Mattel comment**

PTMI will review and revise the appropriate procedures and make certain of compliance.

- d. PTMI is in 'compliance' or 'compliance in progress' with the March 2005 MCR including but not limited to: a fire prevention plan, use of fire extinguishers, inspection of electrical systems, an evacuation plan, accident prevention, hot work, lockout/tagout, explosion proofing, ventilation, PCB survey, lead based paint survey, noise conservation, medical aid, waste water treatment, hazard waste handling, and quantification of air emissions.

The East plant's workspace appears to be limited and a certain degree of overcrowding seems to be taking place on the production floors. It maybe possible to help alleviate ambient temperature problems by adding additional air conditioning equipment and coating the roofs with a reflective material.

**Mattel comment**

The entire production area is being reorganized to improve material flows and storage systems. Additional plans to improve air flow on the production floor are in progress as well.

- e. Workers interviewed by ICCA team unanimously confirmed that they had received specific instructions on what to do in case of fire. The majority of the workers (90%) also confirmed that the plant provided them with Personal Protective Equipment. Of the total sample of interviewed workers, 72% stated that their job required them to use PPE. Of this number, 76% said that they have received proper training on how to use PPE, and 82% confirmed that they use PPE on a regular basis. In terms of the general satisfaction with the working environment, 58% of the interviewed workers reported that they felt discomfort with the temperature at the plant.

**Mattel comment**

See comment above on air flow improvements on the production floor. Furthermore, based on industrial hygiene monitoring results, the temperature throughout East & West Plants is within GMP standard of 30C wet bulb globe-temperature. The actual range is between 23.5C to 28.9C.

## **5.7. Extra Curricular Activities, Good Corporate Citizenship, and Community Outreach Programs**

PTMI offers its employees various educational programs on HIV, TB, dengue awareness and prevention, stress management and healthy living. It also offers workshops and provides exercise routines for pregnant women. The plant also provides facilities for individual and team sports.

Employees have the choice to enroll in various life skill training programs such as sewing classes, Internet and multimedia, beauty salon and hair styling. Most of these programs take 3 - 6 months to complete. According to MCR, more than 3000 employees have participated in these programs in the first half of 2005.

### **Good Corporate Citizenship and Community Outreach Programs**

A notable activity in the community outreach is the "Book Mobile" program. Started in 2001, the program is entirely run by volunteer employees, while financial support was provided by PTMI and contribution from employees. It consists of a refurbished van, filled with children's books, which tours local area schools on a regularly scheduled basis and serves as a loan library for the children in these schools. PTMI and volunteer employees also undertook renovation programs for three neighboring schools in the region. Other programs include: health education to children, HIV awareness for general population, quarterly blood donations by employees, and donations for the non-profit organization Save the Children.

In the earlier part of the year 2005 most outreach activities were geared at the Tsunami Relief activities in the Aceh and North Sumatra regions of Indonesia. The plant matched dollar-for-dollar towards employee contributions. It also donated toys and 50,000 T-Shirts.

## **6. OVERALL OBSERVATIONS AND GENERAL RECOMMENDATIONS**

PTMI is an excellent and well-managed facility. It provides a safe working environment for its employees. Overall workers express considerable satisfaction in working at PTMI and credit plant management with fostering an environment, which provides good wages and incentives for productive work, open two-way channels of communication between workers and all levels of management. The management also has strong policies against discrimination, and physical and sexual harassment.

ICCA audit also revealed a number of minor problems that require attention from the management. In addition, audit revealed two areas where the plant is in non-compliance on issues which are considerable serious in terms of GMP

standards. These two issues require immediate and forceful corrective action on the part of PTMI management.

Minor issues requiring management attention include: overcrowding, noise and lack of privacy in dormitories; 30-minute lunch break, excessive heat, noise and cramped working space in the rotary molding area; improved supervisory training to minimize verbal abuse of workers; and, a better explanation of cost of medicine for non job-related illnesses of employees.

The two major issues of non-compliance with GMP are:

- a) Pressuring workers to work overtime when they are unwilling to do so; and,
- b) Requiring female workers to live in the dormitory as a condition of their employment.

The specifics of these issues of non-compliance, together with our recommended actions, have been detailed in this report. We ask that these issues be resolved by October 31, 2005. ICCA has decided to undertake a follow-up audit of PTMI sometime between September 1 – December 31, 2005 to ensure effective implementation of PTMI's corrective action plan. At this time, ICCA will also review PTMI's new, computer-based, payroll data and workers' time recording system which is currently being implemented.