

ICTI CARE Process (ICP) Audit Summary - PT Mattel Indonesia (PTMI), 2010

An independent audit firm approved by ICTI CARE performed an ICP audit on March 22-24, 2010. The factory is located in Indonesia, occupies an approximate area of 50,000 m² and had 6,465 workers at the time of the audit. The main production processes encompass roto-casting, plastic injection molding, spray painting, tampo printing, sewing, hair rooting, metal plating, curling, fabric die-cutting, laser cutting, and vacuum forming. During the audit, the following findings were identified.

Work hours were found to be adequately documented through a computerized attendance recording system. Based on available records and worker interviews, the maximum total daily hours worked were 12, and the maximum total weekly hours were 66. However, the actual clock-out records for 67% of the sample of attendance records were not available for review during the audit. According to management, a policy of voluntary overtime has been practiced, although there were not written procedures for acknowledgement to decline overtime produced during the audit. Record review and interviews confirmed that workers were entitled to have at least one rest day in seven and the longest consecutive working days per month was 13.

Wages and compensation payment were observed to comply with local legal requirements and were consistent with the factory's established policy. However, records indicate a majority of workers clocked in more than 15 minutes before their shift was scheduled to begin. Payroll records indicate workers were paid at rates higher than the legally stipulated minimum wage. The legally required payroll deductions for social insurance and tax were being correctly withheld. The voluntary payroll deduction for workers who elect to stay in dormitory was observed to be reasonable. Meals in the factory and private bus service to and from the factory for workers that live in the local community are provided free of charge. In the dormitory, food is sold in the canteen separately at reasonable price. The audit did not identify any deductions for items provided by the company and replacement charges for such items were found to be reasonable.

Payment of wages is made by direct deposit to the bank account of each worker. The wages owed to terminated employees were disbursed by direct deposit on the next regular pay date. The ICP requires that such disbursements be made within three days after termination.

The factory was found to have a written hiring policy, which is in compliance with the legal requirement, sets the minimum age for employment at 18. No evidence of underage, forced, bonded or prison labor was observed during the audit. This was verified via document review, factory tour and worker interviews.

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The emergency exit doors were observed to be kept open and unlocked. The aisles and emergency exit doors were found to be clearly marked and unobstructed. Non-luminous exit signs were observed during the audit. The ICP standard requires that such signs be illuminated.

Annual testing of air velocity of the local exhaust ventilation systems in the paint mixing room were overdue to be completed. Personal protective equipment had been provided and records review confirmed employees have been trained in the proper use.

The factory provides dormitory housing with adequate living space for female employees. The maximum number of resident in a room was observed to be 12 or less and to exceed the criteria for sufficient space.

Corrective Actions and Factory Response to Findings:

In response to the audit findings, PTMI has taken the following actions on the dates noted below:

- In order to ensure that the automated attendance record keeping system can be reconciled with payroll records the factory promptly communicated through memo on notice boards and plant-wide broadcast to ensure workers clock-out promptly at the end of their shift. April 15, 2010.
- A policy requiring written acknowledgement to decline overtime work was implemented and communicated plant-wide. April 30, 2010.
- The factory committed to disburse wages due to terminated workers within three days after their termination date. April 23, 2010.
- Non-luminous exit signs were replaced with luminous exit signs. April 30, 2010.
- Maintenance was preformed on the local exhaust ventilation system in the paint mixing room and an air velocity monitoring system was installed.

The explanation for why workers clock in early prior to their shift can be explained by the serious public transportation challenges and traffic congestion in the area surrounding the factory. Workers may voluntarily elect to use the free bus service provided by the factory or make their own transportation arrangements. Offering free

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private bus service is a common practice. For safety and security purposes, workers swipe their badge upon arrival at the factory. Workers may use the canteen and locker areas until their shift starts. ICTI accepted the deviation and exemption has been granted.

Outcome:

ICTI CARE Seal of Compliance awarded with condition of implementing corrective action plan. Seal # C1752.