

**COMMUNICATION ON PROGRESS  
PT. CEDEFINDO  
BEKASI – INDONESIA  
2005 - 2007**

## 1. INTRODUCTION

PT Cedefindo, is a member of Martha Tilaar Group of Companies, producing cosmetics & personal care products according to ISO 9000 and GMP (Good Manufacturing Practices) Standard.

Management of PT. CDF had pledged on Global Compact Support in the year 2005 together with other companies and institutions by planting mangrove in the area of North Jakarta. Therefore, progress report of PT. CDF activities related to Global Compact implementation within year 2005 – 2007 will be reported as below. There were some activities we have done and some are still in progress based on Global Compact principles. Our report will inform about our commitment in running business **which** in line with the Global Compact principles especially on human right, labour, and anti corruption. At the same time we develop environmental program, community development, and human resources management.

The Millennium Development Goals commit most countries to halving global poverty by 2015. The stakes for meeting this goal are perhaps at their highest in forest-dependent communities in tropical countries like Indonesia, where poverty tends to be more pervasive and deeper than in urban and more favoured rural areas.

Hope as member of Indonesian Global Compact Network, we can participate in several action programs in implementing the GC Principles in our business activities, and working in line with the achievement of Millennium Development Goals.

Since 2005 our company has shown promised progress in implementing GC Principles. Small step of hope designing A Green Civilize Company becomes real by consistently doing several green improvement programs in production steps, services, and marketing. The 9 principles plus 1 has been implemented in all aspects and has been continuously improved.

We put human right as a basic thing to treat our employees because we believe that they share a big contribution in running this company. Labors are the main assets of this company, so they have to be treated as human being who have family behind. We do optimally not employing child under age as our workers, but giving them opportunity to complete their study rather than working. We realize that Global Warming becomes the bigger issue in the world. It is, therefore, we should concern on reducing emission and commitment on solving this issue together with other stakeholders. Nature is our way to survive and is the only thing to make this world circling around....

## 2. THE STATEMENT OF CONTINUED SUPPORT

***The statement of continued support for the Global Compact by Mr.M.Handiwidjaja as a President Director of PT.Cedefindo***

*“As a company that concerns in sustainable development including sustainable business and resources, as well as human assets, we committed to implement the Global Compact Principles through out our daily business activities”*

### 3. THE IMPLEMENTATION OF GLOBAL COMPACT PRINCIPLES

As a company supporting The Global Compact Principles we have implemented several GC principles in running our business, within our sphere of influence. A set of core principles in the areas of human right, labor standards, the environment, and anti-corruption, that can be breakdown as follow:

#### 3.1 Human Rights

##### 3.1.1 Principle #1: Businesses should support and respect the protection of internationally proclaimed human rights

The issues on Human Rights and Labour Principles, have been implemented in our Company and stated in the **Company Regulation**.

- a) In the context of the Human Rights to ensure the safe and healthy working conditions, the company has the Health and Safety Management System Program, to protect or minimize injury and or accident during working hours, such as:
  - Company provides tools and equipment to protect the workers from injury and accidents.
  - Tools and equipment are regularly checked by officer in charge
  - The company reviews the Health and Safety Management System Program periodically.
  - Workers are obliged to use the necessary tools and equipment according to Health and Safety management System, transgression of this rule will cause a warning letter to the transgressor.
  - Our Health and Safety Management System has been audited by the Local Authority, with some remarks and guidance, but overall were satisfying.
  - Our Health and Safety Management System Program is being coordinated by a team and report directly to the Group Director of Manufacturing.
  
- b) To run better living standard for the workers, we provides some facilities, among others:
  - Health allowance for workers and spouses and maximum 3 children under 21 years old and not yet married
  - Hospital allowance for workers and spouses according to the procedure and expenditure
  - Workers are also provided with the Social Security Program according to the Government regulation
  - We also provide death allowance if the worker passed away.
  - Workers with at least one year service and plan to get married are entitling for a wedding allowance.
  - Maternity allowance is provided to the wife of workers for delivery baby up to the third child
  - Workers, periodically will have free medical check up
  - Free meals are provided to the workers during working hours, and during the overtime they entitle for the meals allowance
  - Company support the cooperative activities such as: mini-market, loan facility etc. Majority of the employees are members though it is voluntary.

- c) Company Data for Implementation Support and Respect The Protection of International Human Rights.

With respect to the principles related to human rights, company do the following kinds of actions:

- Freedom to join labour union (SPSI), established since 1993
- Age of Labour Policy : between 18-55 years old
- Right to practice religions activities
- Right to work in a healthy and condusive environment
- Labour wages : above regional minimum wages regulation
- No discrimination in any company policies, such as ethnic, religion, and gender, etc.



Picture 1 : The Employee's Gathering of PT Cedefindo year 2006.

### 3.1.2 **Principle #2:** make sure that our own corporations are not complicit in human rights abuses.

- a) To ensure that the company is not complicit in human right abuses, in the Company Regulation has been arranged the Order and Disciplinary procedure, such as:
- Working hours in the office, in the factory by shifts I and II, and in the Branches. Outside the working hours considered as overtime.
  - Duties and responsibilities of the workers are stated in the job description documents.
  - In the Company Regulation also stated 3 categories on the violations, such as :
    - \* Light violation
    - \* Medium violation
    - \* Heavy violation
  - In the Company Regulation also stated the procedures regarding the sanction against the transgression, starting at the first step with Oral Warning, followed with Warning Letters: First, Second and Last.
  - Termination of the employment is stated in Company Regulation.
- b) The Company Program for Employee's Benefits can be described as follow :
- Health assurance :
    - Health treatment including medicines, hospital, eye's glasses for employees and their family
    - 1 day leave for women monthly period

- Pregnancy and baby delivery leave (3 months)
- Free of charge of birth control service
- Leisure time with all family members of each employee once a year
- Insurance for accident in the working place, on the way to and back from the office/plant
- Yearly leave for 12 working days, and add another 12 days after 5 unbroken working years.
- One month additional salary for preparation cost of Holy Day

## 3.2 Labour

### 3.2.1 **Principle #3: Businesses are asked to uphold the freedom of association and the effective recognition of the right to collective bargaining;**

- In our company, employees are allowed to form and join a Labour union of their choice without fear of intimidation or reprisal.
- Our company has given the freedom to all employees whether they want to join with Indonesian worker union whatever they want. Now in our company we have several labour unions, such as :
  - **Serikat Pekerja Seluruh Indonesia** ~ Indonesian Labour Union
  - **Persekutuan Doa Martha Tilaar Group** (Christian Fellowship Martha Tilaar Group)
  - Moslem Fellowship PT.Cedeifno named **Majelis Taklim Ar-Raudhah**



*Picture 2 : The activity during the Christian Fellowship of Martha Tilaar Group*

- Employer supports all activities of the Labour Union as long as the objectives are positive for the benefit of the company and the employees.
- Proposal from the employees are opened for discussion, to set up employees benefit policies made by the employer.
- Company provides some facilities for the Labour Union such as: an office, travel allowance person in charge in the Labour Union.
- Every employee receives the training program every year. The training materials depend on their position and function needs.

### 3.2.2 **Principle #4: the elimination of all forms of forced and compulsory labour;**

For implement this principle, our companies has agreements as follows:

- Recruitment is the right of the Company, based on the rules of the Company and as long as not conflicted to the Government regulations.
- Candidate of employees, who is accepted, has to pass 3 months probation period.
- Employee who has passed the probation period will be appointed as a permanent employee
- For the non permanent employee, there must be an agreement between Company and the non permanent employee.
- Employer and Labour Union are responsible to follow up complains from the employees.
- If needed for overtime, we ask the agreement of each employee to do the overtime.

### 3.2.3 **Principle #5: the effective abolition of child labour**

Based on the ILO Convention no.138 year 1973, regarding the abolition of child labour, our Indonesian Government proclaimed Law no.20 year 1999 implemented on May 7, 1999. This Law is normative and should be implemented by all employers. In our company the minimum age of the workers is 18 years old.

According to our data we do not employee labour which the age not less than 18 years old.

### 3.2.3 **Principle #6: the elimination of discrimination in respect of employment and occupation.**

- Company eliminates sex discrimination, but due to the characteristic of the work (we are in the cosmetic industry) the workers especially in the manufacturing department, female workers are more dominant.
- Company eliminates discrimination in religion and provides praying facilities and financial donation for religion's ceremonies. We create the balance and harmony among all religions.
- Company eliminates racial discrimination for all job functions within the company. We recruit employees based on the education, skill & ability, working experiences and some other non racial criteria.

**Tabel employee's profile based on age and job function**

AGE	MANAGERS				SUPERVISORS			
	MEN		WOMEN		MEN		WOMEN	
	2006	2007	2006	2007	2006	2007	2006	2007
>55 years old	0	0	2	1	0	0	0	0
50 – 55 years	2	2	1	1	5	3	2	2
40 – 49 years	2	2	1	1	6	5	2	2
30 – 39 years	0	0	5	5	1	1	4	4
20 – 29 years	0	0	0	1	0	0	0	0
<b>Total</b>	<b>4</b>	<b>4</b>	<b>9</b>	<b>9</b>	<b>12</b>	<b>9</b>	<b>8</b>	<b>8</b>

AGE	STAFFS				LABOUR			
	MEN		WOMEN		MEN		WOMEN	
	2006	2007	2006	2007	2006	2007	2006	2007
>55 years old	0	0	0	0	0	0	0	0
50 – 55 years	5	4	6	4	3	3	2	2
40 – 49 years	9	8	11	10	18	17	8	8
30 – 39 years	3	4	8	8	19	19	1	1
20 – 29 years	1	1	4	3	2	3	0	0
Total	18	17	29	25	42	42	11	11
<b>Grand Total Employees</b>					<b>76</b>	<b>72</b>	<b>57</b>	<b>53</b>

Tabel employee's profile based on diversified ethnic and religions.

ETHNIC	NO OF EMPLOYEES		RELIGION	NO OF EMPLOYEES	
	2006	2007		2006	2007
Javanese	84	74	Moslem	108	99
Sundanese	22	23	Christian	24	25
Sumateranese	17	17	Buddhist	1	1
Others	10	11			
<b>TOTAL</b>	<b>133</b>	<b>125</b>	<b>TOTAL</b>	<b>133</b>	<b>125</b>

### 3.3 ENVIRONMENT

#### 3.3.1 Principle #7: Businesses are asked to support a precautionary approach to environmental challenges.

No related action yet

#### 3.3.2 Principle#8: undertake initiatives to promote greater environmental responsibility

With respect to the principles related to promote greater environment responsibilities, company do the following kinds of actions:

- a) 3 teams of PT. Cedefindo have participated "Suggestion System Award" which is conducted by Martha Tilaar Group.
  - The main objectives are to reduce production cost, increase efficiency and productivity and promote the environmental preservation.
  - The topic of our teams are :
    - Team 1 : Replacement of engine oil of company cars will be held by internal technician which formally done by external service company.
    - Team 2 : Reducing chilling time during cream and emulsion process to gain the saving of electricity consumption and reduce the processing period.
    - Team 3 : Simplify the stock monitoring system in production planning and inventory control.

- The results of cost reductions as follow :
  - Team 1 : the achievement of cost saving is 51%. And the waste of engine oil has been collected by certified waste collector.
  - Team 2 : the achievement of cost saving is Rp.32 million in year 2007 and get better quality products. This team became one of the winner.



Picture 3 :  
The winner team of "Suggestion System Award"

- Team 3 : stock monitoring system has been improved and reduce ordering cycle time.
- b) Participate in Local Government's activities in Environmental Award (Adipura) in the year of 2007 by providing some plants.
- c) Doing green activities by using paving block in almost all of outdoor company area and planting big trees surrounding company garden.



Picture 4 : The performance of PT.Cedefindo.

### 3.3.3 Principle#9: encourage the development and diffusion of environmentally friendly technologies.

- a) Using environmental friendly packaging materials.
- b) Waste water treatment is done by third certified party.



### 3.4 AGAINST CORRUPTION

In Indonesia corruption is one of the most issues being discussed among people, but until today there is almost no major legal action from the government to execute major corruption crimes which caused terrible disaster in Indonesia in all aspects of life.

Actually there are some Laws against corruption being produced, such as 'Anti Korupsi, Kolusi, dan Nepotisme" (against Corruption, Collusion, and Nepotism) which has been promoted in mid of 1998. In addition, Law no.30 proclaimed by the government in year 2002. This Law was produced after having heavy pressure from the parliament, Non Government Organizations, Business Associations and the Indonesia Chamber of Commerce But the implementation is still very poor.

On 24<sup>th</sup> February 2003 the Indonesian Chamber of Commerce, proclaimed campaign against corruption, to abolish all aspects of corruption, and to build good business atmosphere. This campaign was being supported by various Business Associations and NGO`s, and announced the Code of Conduct against corruption There is also a steering committee called Committee Clean Professional Transparency Indonesia.

Aside of that, The Indonesian Chamber of Commerce working together with various Business Associations, also has program on the Good Corporate Governance, this program is very much related against corruption.

#### ***Our Commitment***

Beside the Nine Principles of Global Compact, we acknowledge the possible addition of principle AGAINST CORRUPTION to the framework of the Global compact. We have committed and agreed that business should combat corruption in all forms including extortion and bribery; we will not tolerate any kind of corruption in our personal life as well as in our business activity.

To prove our commitment, we already have the working philosophy, which called **DJITU**, as the abbreviation of :

<b><u>Indonesian</u></b>	=	<b><u>English</u></b>
D = Disiplin	=	Discipline
J = Jujur	=	Honest
I = Iman / inovasi	=	Faith / Innovation
T = Tekun	=	Perseverance
U = Ulet	=	Diligence

At the bottom line, we really support the principle against corruption be included as the tenth principle of the Global Compact.

Bekasi, May 9<sup>th</sup>, 2008

**Ida Hidayati**  
Company Representative