

ICTI Ethical Toy Program response to China Labor Watch report – December 2018

Introduction

ICTI Ethical Toy Program (IETP) is the leading ethical manufacturing certification program for the global toy industry. We are committed to promoting safe and fair working conditions at factories. Our core priority is the safety and well-being of workers.

We work with a broad range of stakeholders to raise ethical standards at toy factories for workers and welcome any robust investigation which increases understanding of working conditions at factories.

In December 2018, China Labor Watch (CLW) issued a report entitled '[A Nightmare for Workers](#)' alleging poor labor standards at four factories in China, three of which are IETP Certified:

- Dongguan Herald Metal & Plastic Co., Ltd. (Certificate No. C000082)
- Jetta (Guangzhou) Industries Co., Ltd. (Certificate No. C001837)
- Wah Tung (Heyuan) Toys Products Ltd. (Certificate No. C000361)
- Lovable Products (Hong Kong) Ltd. (Not IETP certified)

The report also acknowledges various improvements at the three IETP Certified factories, including improved social insurance payments, greater worker representation, fewer workers per dormitory, increased pre-job safety training, and wage increases.

When we are alerted to issues of concern regarding IETP Certified factories, we immediately follow-up and launch our own investigation. In this instance, our investigation started immediately after the CLW report was published in December 2018. This investigation report details the findings of our investigation into the CLW allegations raised, lists our actions and recommendations for next steps, and explains the follow-up work we are undertaking at each factory that holds an IETP Certificate.

IETP works collaboratively with Non-Government Organizations (NGOs) to address challenges and improve supply chain labor standards. We ask CLW to report issues which are illegal, in breach of IETP requirements, or which otherwise negatively impact on the well-being of workers immediately to the local authorities or to IETP directly so we can investigate and ensure that any necessary corrective measures are taken. Withholding data keeps workers at risk and delays practical action to address allegations.

We encourage all stakeholders to observe IETP investigations to ensure they are fair, rigorous, and transparent.

Investigation

On December 6th, 2018, CLW published a report 'The Nightmare of Workers'. Upon receiving the CLW report, IETP immediately launched a follow-up investigation into the allegations at the three investigated factories currently holding an IETP Certificate. This investigation included a review of each CLW allegation, an analysis of existing audit data, factory visits to investigate allegations, and follow-up meetings with factory management.

Our investigation focuses on Dongguan Herald Metal & Plastic Co., Ltd., Jetta (Guangzhou) Industries Co., Ltd., and Wah Tung (Heyuan) Toys Products Ltd. The table below outlines the key stages of our investigation:

Actions	Involved Parties
1. Review CLW report to understand allegations, identify factories concerned, and seek clarification from CLW if necessary	IETP
2. Review previous IETP audit reports and corrective action plans to inform our follow-up investigations at each factory	IETP, Independent 3 rd Party Audit Bodies
3. IETP in-house technical team specialists visit each factory in order to: <ul style="list-style-type: none"> • meet with factory management to obtain their response to CLW's allegations • review all relevant documentation (e.g. payroll, employment record and contracts, social insurance payments) • conduct worker interviews (workers selected at random, interviews conducted anonymously) • conduct factory tour 	IETP, Brands, Factory Management, Factory Workers
The team uses these methods to investigate the validity of all allegations.	
4. Where necessary, create corrective actions and deliver training and support at each factory to address issues found and prevent reoccurrence	IETP, Brands, Factory Management

Results – in summary

Each of the three factories cooperated fully with our investigation. Our team investigated each allegation raised by CLW and this report provides an overall summary of our findings.

The results of our investigation are categorized as follows:

- Allegations not evidenced in our review
- Allegations evidenced in our review but not in violation of the IETP standard
- Allegations evidenced in our review and in violation of the IETP standard

As with any factory participating in the IETP program, these three factories will be subject to further unannounced audits to ensure that sustained progress is made in addressing issues and improving standards. Additionally, we will conduct Progress Visits to deliver extra guidance, training, and support at each factory.

We continue to work with all factories and their buyers, through training, reporting, and working groups to address any issues found and ensure we are driving labor standards and protecting workers. These actions are listed in the conclusion of this report.

Beyond audit, we urge toy brands, retailers, and manufacturers to work collaboratively with the Ethical Toy Program to ensure ethical standards at toy factories are maintained.

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Dongguan Herald Metal & Plastic Co., Ltd.

Date of factory visit: December 14th, 2018

Approximate number of factory employees: 745. The factory's compliance team is led by the Assistant General Manager who is responsible for meeting social compliance standards. Whilst the factory has policies covering many social compliance issue areas in place, there is clear scope for improvement regarding the monitoring and implementation of these policies.

Allegations not evidenced in our review

- **Hiring Discrimination – age:** the factory name and location information included in the hiring advertisement in CLW's report clearly indicated another factory, the hiring advertisement has no relation to Herald. As per our documentation review, at Herald we found there are both male and female workers in the workforce, with ages ranging from 16 to 60.
- **No pre-job Physical Examination:** worker interviews and a review of factory documentation confirmed that the factory has an established a procedure for pre-job and annual health-checks for workers. New hires receive a free health-check within the first month of their employment.
- **Personal Leave – for periods over 30 days workers must temporarily resign:** documentation review and worker interviews showed no indication that workers need to temporarily resign if they wish to take more than 30 days' personal leave. Our review identified workers who have taken more than 30 days leave and are still working at the factory, these workers were treated the same as other workers.
- **Facilities – no chairs at work stations:** our onsite observations and worker interviews confirmed that a sufficient number of chairs are provided, and workers are free to use chairs if they wish to do so. Some workers said they prefer to stand whilst working at the injection molding workshop as it is more comfortable for them to do so. IETP confirmed that production shifts in the injection molding workshop are less than 3 hours and workers are free to take breaks in between shifts.

Allegations evidenced in our review and in violation of the IETP standard

- **Hiring Process – labor contracts not explained to workers:** according to documentation review and worker interviews, we found that workers filled in many forms at the same time as the labor contract during the recruitment process without any explanation. Therefore, when interviewed, 5 out of 13

- interviewed workers – all of whom were hired within the last 7 days could – not recall the content of the documents they had signed.
- **Insufficient pre-job training:** the factory provides 2.5 hours of pre-job training to new hires. However, since 5 out of 13 interviewees newly hired workers could not remember any content of the training, our assessment is that pre-job training is not effective. We have suggested that the factory considers using training aids to improve the effectiveness of the pre-job training.
 - **Resignations – workers can only resign on particular days:** documentation showed that during their probation period, workers are free to resign at will and receive their pay without hindrance. However, the factory processes other resignations 2-3 times a month on a fixed date which can mean that workers leave their job more than 30 days after they have submitted their resignation. This violates IETP requirements.
 - **Labor Contract – workers sign blank contracts and do not immediately receive a copy:** Since contracts may be signed before a position has been assigned, columns for positions, wages and working hours were left blank on contracts. There is a lack of monitoring procedures on the timeframe in which production managers deliver a copy of their labor contract to workers. IETP requires Herald to show improvements on the implementation and monitoring of these procedures.
 - **PPE – not provided or not worn:** our on-site observation found that the factory provides correct PPE including earplugs, gloves, and masks to workers who need them. However, we observed four workers who were not wearing PPE correctly. We have instructed the factory to better educate workers on how to use PPE properly to minimize health risks.
 - **No Environmental, Health, and Safety Committee:** the factory only has a committee which focuses on production safety. We have asked the factory to also establish a committee covering environment and health issues.
 - **Fire Drill – does not include all workers:** well-maintained documentation and worker interviews confirm that the factory conducts fire drills quarterly which cover both production and dormitory areas. However, management and records both confirm the fire drill did not cover 100% of on-site employees.
 - **Employee Representatives – worker representation:** our investigation found that the factory has a total of 67 employee representatives of which 37 are production workers. However, the representatives are elected by line leaders rather than by production workers. We have instructed the factory to let workers nominate and vote for their own representatives.
 - **Workers never use factory grievance mechanisms:** although the factory provides a suggestion box and a management helpline number as internal grievance channels, worker interviews found that 7 out of 13 workers were not

aware of any of these grievance channels. Documentation showed the factory only received 3 complaints in the past 12 months, despite employing 1,300 employees at peak season. This indicates that the grievance channels which are in place are not effective enough. IETP has instructed the factory to improve its internal grievance mechanisms and ensure that workers are aware of the IETP Worker Helpline.

Allegations evidenced in our review but not in violation of the IETP standard

- **Low wages:** our investigation found that the factory pays normal and student workers according to the local minimum wage which meets the requirements of IETP.
- **Working hours:** our review shows the maximum weekly working hours limit from March to November 2018 was 64 hours, this complies with IETP standards.
- **Wages – no subsidies for night-shift on Saturday:** \$18 RMB is the subsidy provided in addition to the normal wages for workers who work night-shifts during weekdays (Monday to Friday). Documents show that for work on Saturdays, the factory compensates workers 200% of their wages in accordance with local laws and regulations, this is in line with IETP requirements.
- **Wages – 5 months’ night-shifts are required to receive a higher salary:** this allegation was partially confirmed. When workers work night-shifts they receive an \$18 RMB subsidy, some workers, therefore, apply to work night-shifts to maximize their earnings. However, the maximum consecutive night-shift working pattern we found was 3 months instead of 5 months. IETP has recommended that the factory take workers’ health into consideration and rotates shifts for employees.
- **Accommodation – limited electricity usage in dormitories:** to ensure electrical safety in the dormitory, workers can only use low-voltage devices such as a mobile charger in the room. High-voltage devices can be used in the hallway of the dormitory. We consider this is reasonable risk control.
- **No Recreational Facilities:** the factory used to have TV, library and basketball court but found these facilities were rarely used by workers, so they removed them in June 2018. No complaints were raised from workers regarding a lack of recreational facilities during the worker interviews.

Factory response / next steps

Dongguan Herald Metal & Plastic Co., Ltd., will put in place corrective actions to address all allegations found to be true and in violation of the IETP standard. Additionally, IETP will provide ongoing support such as targeted training to help the factory tackle the root cause of all issues found in order to drive sustainable improvements.

Jetta (Guangzhou) Industries Co., Ltd.

Date of factory visit: December 19th – 20th, 2018

Approximate number of factory employees: 2,523. Jetta restated its commitment to protecting the well-being of its workers. The factory has a team of senior managers responsible for incorporating social compliance standards into the factory's operations.

At Jetta, we found no allegations to be in violation of the IETP standard. IETP has provided recommendations for Jetta to address those other allegations which are true but not a direct violation of the IETP standard.

Allegations not evidenced in our review

- **Hiring discrimination – age:** our review of onsite documentation found that the factory hires both male and female staff and the age of its workforce ranges from 18 – 60 years old.
- **Hiring discrimination – pregnancy:** documentation showed that 15 pregnant workers were working in the factory in 2018, of which 7 were pregnant at the time of joining the factory. No evidence was found to indicate that the factory discriminates against pregnant woman via health-checks.
- **Pre-job training only takes 2 hours:** according to both factory management and worker interviews, the factory provided 5 hours and 15 minutes of pre-job training – delivered at the factory, workshop, and team levels – for all new hires.
- **Overtime – if workers choose not to work overtime they are asked to resign:** document review and interviews showed that workers who have chosen not to work overtime are treated the same as others. Our team found workers who did not work overtime are still working in the factory, we found no signs to show that workers are asked to resign if they choose not to work overtime.
- **Personal breaks – workers must take breaks at scheduled times:** on-site observation and worker interviews confirm workers are free to use the toilet or leave their position to get water at their leisure during working hours.
- **Resignation payment takes a week:** both records and interviews confirm the factory settles all payments with resigned workers within one working day once they have resigned.
- **Wages – workers only receive 50% of the daily wages if they take sick leave:** as verified by the payroll, when workers submit a certificate issued by a recognized hospital for sick leave, they receive 45% of their average gross wages which is at least 80% of the local minimum wages. This meets local laws and regulations and IETP standards.

- **Wages – factory does not pay workers for statutory holidays:** the payroll shows workers are paid by monthly salary plus additional production allowance. There was no indication that the factory deducted wages for statutory holidays.
- **Facilities – washing machine in workers dormitory does not work:** as per our on-site visit, there are no washing machines in the workers' dormitory building. This is not a requirement of the IETP standard.
- **No Environment, Health, and Safety Committee:** we confirmed that Jetta does have an Environment, Health, and Safety Committee and meetings are held as per IETP requirements. All committee members are at the management level.
- **Fire Safety – no fire drill during peak season:** we confirmed that the factory conducted a fire drill during its peak season (May to September) on 18 May 2018.
- **Personal leave – to take more than 2 days leave workers must resign:** both documentation review and worker interview confirmed that workers can take personal leave for 2 or more days, and they are able to resume working at the position afterward.
- **Most middle managers are male:** records show 41% of middle managers are male and 59% are female.

Allegations evidenced in our review but not in violation of the IETP standard

- **Working Hours – up to 80 hours overtime per month:** we found the maximum monthly overtime hours in Jetta was 95.25 hours in June 2018. This overtime total does not exceed IETP's weekly working hour limits.
- **Wages – needs to work overtime to earn up to 4,000 RMB:** According to payroll records, after deductions for social insurance contributions, workers earn between 2,600-3,900 RMB monthly during the peak season, and around 2,000 RMB outside of peak season. Workers would need to work overtime in order to earn 4,000 RMB monthly. The monthly salary for both peak and non-peak season meets the local minimum wages, therefore it does not violate IETP requirements on wages.
- **Social Insurance – calculations for each worker varies:** our investigation found that the factory strictly follows the methodology to calculate social insurance contributions as required by local regulations. The calculation varies according to the income of workers.
- **Dormitory Facilities – hot water:** hot showers are not available. However, hot water taps are installed in each shower room. Factory management is assessing the possibility of providing hot showers in each cubical.

- **Occupational safety – workplace injuries:** there were 22 cases of minor workplace injuries in the last 12 months. Jetta showed IETP the root cause analysis investigation and the remediation plan they have in place to prevent recurrence. IETP considered the remediation plan and follow-up actions to be adequate.
- **Occupational safety – workers fingers overused and painful:** on-site observation and interviews showed that proper PPE is provided to workers, and no obvious injuries were found. Several assembly workers reported that they had experienced some discomfort in their fingers when they assembled certain types of products, mostly when they are assembling a new type of product for the first time. We recommend that Jetta assesses the materials / assembly processes used to assemble new products to determine if special PPE is required, along with tailor-made assembly training for workers to know what to be aware of when making this new product.
- **Employee representatives – not elected by workers:** whilst our investigation found that workers are able to vote for their employee representatives, we found that some candidates were nominated by line leaders to run for election. We suggest that the factory lets workers nominate and vote for their representatives directly.
- **Ineffective grievance channel:** Jetta offers different channels for workers to voice their opinions such as an internal worker helpline, WeChat, QQ, and a suggestion box. The Helpline is promoted during orientation training and via notice boards in the factory. Our investigation found that workers mostly use WeChat to share suggestions or report a complaint. We suggest that the factory better communicates the service hours of the internal helpline. We found helpline staff can speak both Cantonese and Mandarin when call handlers initially answer the call, they will start speaking Cantonese as 90% of the workers are Cantonese speakers but they can speak Mandarin if required.
- **Labor union – workers not familiar with its function:** as per the worker interview, 80% of sampled workers were not aware of the existence of the labor union. The factory has a union which is comprised of team leaders and senior management. We have asked Jetta to inform workers of the functions and responsibility of the labor union to workers.
- **Recreational activities are not of interest for female workers:** the factory offers various recreational facilities such as a library, dancing room, and indoor stadium for workers free of charge. Worker interviews found that female workers are not interested in joining recreational activities, since most of them come from the local area, they would like to spend time with their family instead of joining the recreational activities after work.

Factory response / next steps

Jetta (Guangzhou) Industries Co., Ltd. has received suggestions from IETP for the allegations that have been evidenced in our review, but which are not in violation of IETP standards. The management will review the recommendations for improvement provided by the IETP team. IETP will continue to communicate with the factory and will provide ongoing support to help the factory address issues and raise standards.

Wah Tung (Heyuan) Toys Products Ltd.

Date of factory visit: December 19th – 20th, 2018.

Approximate number of factory employees: 655. Wah Tung has an internal team dedicated to social compliance. Our investigation found evidence to support several of the allegations raised in the CLW report. IETP will, therefore, work closely with Wah Tung to ensure issues are addressed and that policies and management systems are further developed and effectively implemented at this factory.

Allegations not evidenced in our review

- **Resignation – workers must obtain approval to resign from line managers, probation / summer workers on one month notice period:** our investigation did not find evidence to support these allegations. Wah Tung mentioned that line leaders may encourage workers to stay longer during the peak season and after the discussion between workers and line leader, the last day for workers may, therefore, be more than 30 days than the date that they verbally resigned. However, workers are freely available to resign and leave earlier should they wish to do so.
- **Unpaid overtime:** our analysis of worker's contracts showed that all workers are paid by hourly rate. 'Piece rate' wage calculations are also made and this total is compared to hourly wage calculations – workers are then paid whichever wage is higher. At times where the piece rate wages cannot be calculated, such as when workers re-do products, then the hourly wage is used. Overtime work is paid at least to legal minimum wage rates.
- **Unpaid working hours – workers required to clock in 10 minutes before their shift:** interviews with both workers and management confirmed that no such practice is in place. Workers confirmed they do not need to clock in 10 minutes earlier than their shift.
- **Workers unclear about their wage calculations:** all workers interviewed were clear about their wage calculation methods. Workers who receive piece rate wages are asked to sign and confirm their daily wages each day.

- **No social insurance for workers younger than 45:** as per our inspection of social insurance receipts as at November 2018, in total 85% of all employees are covered by all five types of social insurance. In addition, the factory provided commercial insurance to a total of 800 employees in cases where they were not covered by the injury insurance. We found 349 workers who are under 45 years old who were covered by the retirement insurance. Therefore, this allegation was not confirmed by our investigation.
- **The toilet in the workshop is in poor condition:** our onsite observation found the conditions of toilets to be in an acceptable state, there was no foul odor, and all cubicles are equipped with private doors. IETP did not receive any complaints about the conditions of the toilets during the worker interviews.
- **Production machinery is not regularly inspected:** records show production machines are inspected on a daily, weekly or monthly basis according to the type of machinery.
- **No Environment, Health, and Safety (EHS) committee:** our investigation confirms the factory has an EHS committee with a total of 22 members. Meetings of the committee are held every 2 months, and the plant manager participates in the meetings.
- **The factory does not provide appropriate PPE:** onsite observations and worker interviews confirm that appropriate PPE is provided to workers in accordance with the type of hazards present, but at times workers may not wear the PPE properly. IETP has suggested that production line leaders monitor and remind workers to wear their PPE properly.
- **Occupational Safety – potentially hazardous working environments:** an external inspection agent conducted an air quality and noise test on 9 June 2018 which covered all the workshops mentioned in the CLW report. The report from this external inspection found the working environment in these workshops to be acceptable.
- **No emergency kits:** interviewees are aware of the location of the first-aid kit and our onsite observation confirms that first-aid kits in each production area are sufficiently stocked.
- **Fire safety – fire exits are sometimes locked; fire drill only occurs outside of peak season:** our onsite observations confirmed that emergency exits can be opened without any obstructions. Our review of onsite documentation found that the factory conducted fire drills with 100% of onsite workers on 16 March and 11 Sept 2018 – this covers its peak production season.
- **Most middle management are male:** interviewees did not report being treated differently because of their gender. The factory explained that promotion is based on staff capability and experience.

- **Working environment – workers cannot go to the toilet frequently and are not allowed to talk at the assembly line:** workers obtain an ‘off-position’ card from the assembly line to leave their post. Interviewees did not express concerns relating to restrictions for toilet breaks, they can request these as many times as necessary. Workers also confirmed that they are free to chat at the assembly line.
- **Leave application – workers must apply for leave in person even if they are sick or if it is an urgent matter:** factory management confirmed that a written leave application is needed, but that others can help the worker to submit the form if the leave request is urgent. Interviewees confirm that forms can be submitted by others and did not report concerns regarding the leave application process.

Allegations evidenced in our review and in violation of the IETP standard

- **Hiring process – inappropriate handling of ID cards:** the factory kept workers’ ID cards in order to apply for the ICBD bank card for them. We confirm that since September 2018 the factory has stopped this practice. ID cards are now only handled by the factory for approximately 10 minutes during the hiring process whilst the factory is verifying workers’ identity.
- **Physical examination – no pre-job or post-job health check for workers:** IETP confirms that the factory does not offer pre-job and post-job health checks for workers. This violates IETP requirements that pre-job occupational health checks must be provided to workers who work on manufacturing lines which utilize hazardous substances.
- **Physical examination – workers must pay for annual health-checks:** According to payroll records, the factory provides an annual health-check for workers. For this health check, the factory contributes 40 RMB and workers’ pay 45 RMB via wage deduction. However, the factory has not informed workers that it is possible to opt-out of the health check should they wish to do so. We advised the factory to review this practice and improve communication to workers.
- **Insufficient pre-job training:** the factory reported that its pre-job training only lasts for 20 minutes, interviewees confirmed they had not received pre-job training. IETP believes this is because the training is inadequate. The factory must enhance the content and delivery of its pre-job training and verify that this training is effective in educating workers.
- **The factory does not explain the content of labor contracts to workers:** we confirmed that no explanation was provided to workers during the recruitment process.

- **Excessive working hours:** we found some time records for this factory were incomplete, and one rest day per week is not always guaranteed. This is a violation of IETP requirements. As some time records are incomplete, the actual working hours could not be verified. However, our investigation did find evidence to show that workers had worked excessively long hours, particularly during the peak season. We will work with the factory to ensure that future working hours are not excessive and within IETP limits.
- **Pregnant workers have similar worker intensity as regular workers:** the factory does not have a policy or procedures in place to provide special arrangements for pregnant workers. Because of this, some pregnant workers do not tell the factory that they are pregnant, and some might leave at the beginning of their pregnancy without letting the factory know that this is the reason they have left. The factory must review its policy and fulfill IETP's requirements toward pregnant workers.
- **Workers must attend unpaid meetings:** IETP confirms that the line leader sometimes requires workers to join a 10-minute meeting after they have clocked-out. Since this is not included in their working hours records, workers are not properly compensated for this time. We have requested that the factory review this.
- **Payslips are not provided:** factory management confirms they do not provide a payslip to workers. As per IETP requirements, the factory must provide payslips to all workers.
- **Insufficient catering during lunch breaks:** on-site observation confirms the canteen provides a small amount of food and only runs for 10 minutes. Therefore, we believe the service provided might not be able to meet the needs of the workers. We have recommended that the factory improve its food provision during lunch breaks.
- **Dormitory – rooms are crowded with 8-10 people, no hot water supply and no electrical outlets:** IETP onsite observations found 5-6 workers shared a room. A hot water tap at the hallway of each floor provides hot water to workers available 24 hours. Power outlets for low-voltage devices such as mobile chargers are provided. This meets IETP requirements. However, we found some locks on the toilet door to be damaged, we recommend that the factory repairs these.
- **Fiscal penalties:** according to IETP's investigation, payroll records show that if a worker takes leave without application, the factory could deduct 20 RMB a day from their wages. No other types of disciplinary deductions were noted during our investigation.

- **Ineffective grievance channels:** a suggestion box is provided. The factory also reported that workers are free to send an email to management to raise concerns. The IETP Worker Helpline posters are displayed on the bulletin board. However, worker interviews revealed a lack of awareness of grievance channels and the factory only received 5 complaints in the last 12 months. Following these complaints, no feedback was provided to workers. We have instructed the factory to strengthen grievance channels, improve communication to ensure workers are aware of grievance channels and provide feedback to workers in response to issues raised.
- **Coaching for interview:** IETP noted workers were coached, which is a violation of IETP requirements.
- **No statutory holiday wages:** our investigation confirmed an absence of statutory holiday wages, paid sick leave or paid maternity leave to workers. This is a violation of IETP requirements.

Allegations evidenced in our review but not in violation of the IETP standard

- **Hiring – factory only hires summer workers who are over 18 years old:** the factory hired a total of 483 summer workers during peak production months. Summer workers receive the same treatment as permanent workers – both groups sign the same labor contracts and are paid the same rates. The factory confirmed that it employs summer vacation workers who are 18 years old or above because the workload during peak production season can be less suitable for juvenile workers. IETP considers this approach to be reasonable.
- **Workers do not ‘date’ labor contracts:** according to factory management, the factory’s Human Resources department completes the date on the labor contracts for workers before distributing them to avoid errors. We recommend that the factory let workers fill in the date themselves when signing the contract in future.
- **Workers are requested to write a sentence on their contracts which states they are willing to do overtime:** we found that workers were asked to write this statement on the worker registration form, not on the labor contract. However, interviewees confirmed they have never been required to conduct overtime because of this written statement.
- **Unpaid work – peak season:** during peak production season (June to September) workers are required to clock out at 9:30 pm but may continue working up to 10:30 pm if they have not finished their daily quota. These extra hours are included in calculations used to determine total weekly working hours at this factory. As the workers have clocked-out, the extra working hours after 9:30 pm are not covered by hourly wages but are covered by piece rate rates, therefore, this work is compensated.

- **Involuntary overtime to ensure workers meet daily quota:** according to document review and interview, we confirmed that workers are free to leave after normal working hours regardless if they have met their daily quota or not. The factory offers financial incentives for workers to meet their daily quota, therefore workers often stay after their normal working hours in order to earn higher wages.
- **Wages calculation – if workers choose not to work overtime at night, their hourly wages will be RMB 7.5:** the factory's daily quota is calculated based on the estimated total working hours by the whole line, which includes regular overtime. When a worker chooses not to work overtime, their daily quota could not be calculated. In this case, the worker would be paid by hourly rate instead. The hourly rate was by RMB 7.5 before July 2018 and increased to RMB 8.5 after, both rates are above the local minimum wage (prior to July 2018, the local minimum wage was RMB 6.95 per hour, and since July 2018 it is now RMB 8.1 per hour).
- **Reward policies:** we confirmed that workers were unaware of the factory's reward policies, but this is not a violation of IETP requirements.

Factory response / next steps

The factory's management team have committed to respond to each of the violations above and have agreed to take effective measure to address allegations found to be true and in violation of the IETP standard. The factory will also consider other issues raised in the CLW report. Wah Tung has been placed on Probation for 12 months, they will have to undergo three unannounced Surveillance Audits during this period to ensure compliance and transparency issues are addressed. Alongside this IETP will provide training and support to help the factory address all issues and drive sustained improvements.

Conclusion

IETP has investigated each of the three factories named in the CLW report 'A Nightmare for Workers' who hold IETP Certificates. We are pleased that each of the factories involved cooperated with our investigation and stated their commitment to tackling the issues raised.

Whilst our investigation did not find evidence to support many of allegations made in the CLW report, some of the issues raised by CLW are valid and of concern to us. We continue to work directly with each factory individually to address these. Learnings from this special investigation will inform the ongoing development of the IETP program and audit checklist review.

IETP will undertake the following steps to ensure that real, and sustained progress is made at each factory:

- Require each factory to submit a Corrective Action Plan (CAP) to address issues identified in the CLW report and our subsequent follow-up investigation;
- IETP's Capability Building team will visit each factory, meet with factory management to discuss the CAP submitted, and provide tailored training and support to tackle issues and drive standards;
- Follow-up and monitor the progress of each action against the CAP, ensuring factories are making sustained improvement;
- IETP Progress Visits (PVs) will be conducted at each factory to provide guidance, training and support (see below for further details on PVs);
- Each factory will be required to participate in IETP's best practice sharing and training workshops. These peer-to-peer learning workshops connect factories with other industry leaders to create a positive momentum to improve working conditions at toy factories in China;
- Where necessary, unannounced audits will also be conducted over the next twelve months to monitor compliance status.

IETP wants to see faster progress in improving labor standards at toy factories in China and beyond. Our preference is to engage with factories positively and to increase their capability to tackle responsible employment challenges.

In November 2018, we introduced Progress Visits (PVs) to deliver extra guidance, training and support for all IETP Certified Factories. PVs promote communication, trust and transparency by providing opportunities for factories to openly share and discuss social compliance challenges. During the PV, factories receive capability building support and guidance to help them address issues identified. Factory training programs

run alongside PVs to offer further support on key issues identified during the visit. Further information on PV is available [here](#).

For more than a decade, IETP has delivered real improvements in working conditions for hundreds of thousands of workers around the world involved in toy production.

Driving improvements in supply chain labor standards requires commitment and cooperation at all levels of the toy industry supply chain. We believe that the most effective way to protect workers is when all stakeholders work constructively together. We will continue to work collaboratively with toy brands, retailers, factories, and NGOs to further improve working conditions at toy factories.