



ICTI CARE response to China Labor Watch report: 'The Dark Side of the Toy World'

Introduction

ICTI CARE is the leading ethical manufacturing certification program for the global toy industry. We are committed to promoting safe and fair working conditions. 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 toy factories.

In November 2017, China Labor Watch (CLW) issued a report 'The Dark Side of the Toy World' alleging poor labor standards at the following four factories in China:

- Dongguan ChangAn Mattel (Certificate No. C000194)
- Shaoguan Early Light (Certificate No. C001909)
- Sturdy Precision Manufacturing (Shenzhen), (Certificate No. C000283)*
- Dongguan Qualidux Plastic Products (Certificate No. C000101)

*This factory is listed as Shenzhen Winson (Tai Qiang) Precision Manufacturing in the CLW report.

The report also acknowledges various improvements across each of the four factories, including a move from 6 to 5-day standard working hours weeks, better pre-job safety training, social insurance payments and wages increases.

If we are alerted to issues of concern regarding ICTI CARE Certified factories, we immediately follow-up and launch our own investigation. In this instance, our investigation started immediately after the report was published in November 2017. This report details the findings of our own investigation and lists our recommendations for next steps and follow-up work with each factory.

ICTI CARE 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, are a breach of the ICTI CARE code, or which otherwise negatively impact on the lives of workers - immediately to the local authorities or to ICTI CARE directly - so we can investigate and ensure that any necessary corrective measures are taken.

CLW's ongoing refusal to share investigation findings with local authorities or ICTI CARE impedes our ability to work with factories on corrective actions. This keeps workers at risk and delays practical action to address allegations.

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



Investigation

On November 27th, 2017, CLW published a report ‘The Dark Side of the Toy World’ which shared findings from a previous investigation conducted by CLW three and a half months earlier in August 2017.

Upon reading the CLW report, ICTI CARE immediately launched a follow-up investigation into the allegations. 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.

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	ICTI CARE
2. Review previous ICTI CARE audit reports and corrective action plans to inform our follow-up investigations at each factory	ICTI CARE, Independent 3 rd party Audit Bodies
3. ICTI CARE in-house technical team specialists visit each factory in order to: <ol style="list-style-type: none"> 1) meet with factory management to obtain their response to CLW’s allegations 2) review all relevant documentation (e.g. payroll, employment record and contracts, social insurance payments) 3) conduct worker interviews (workers selected at random, interviews conducted anonymously) 4) conduct factory tour 	ICTI CARE, Brands, Factory Management, Factory Workers
4. Create corrective actions; deliver training and support at each factory to address issues found and prevent reoccurrence	ICTI CARE, Brands, Factory Management

Results – in summary

Each of the four factories cooperated fully with our investigation. Our team investigated each CLW allegation made against the factories, 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 and in violation of the ICTI CARE standard
- Allegations evidenced in our review but not in violation of the ICTI CARE standard



As with any factory participating in the ICTI CARE program, these four factories will be subject to further unannounced audits to ensure that sustained progress is made in addressing issues and improving standards. 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 decent working conditions for workers.

Dongguan Chang An-Mattel Toys 2nd Factory

(Date of factory visit: December 13th, 2017).

Approximate number of factory employees: 3,000. Dongguan Chang An Mattel has a team of senior-level employees to monitor its compliance with local law and the ICTI CARE standard.

Allegations not evidenced in our review

- ***Age discrimination in hiring:*** analysis of recruitment practices and workforce composition found no evidence of age discrimination. The factory has a policy on discrimination, covering recruitment practices. 18 production workers age 45+ are currently employed. Young workers (16-18) are legally employed, but no underage student workers are employed at this factory.
- ***Health checks:*** worker interviews, management interviews, and a documentation review confirms that health examinations are provided for all workers who are exposed to occupational hazards, including pre-service, in-service and post-service health checks. The results of these checks are shared with individual workers only.
- ***Labor contracts:*** terms and conditions of labor contracts are well written and clearly communicated, information concerning probation and length of the contract is explained to workers before contracts are signed. Worker interviews support this.
- ***Over-time management:*** the factories working hour policy states that overtime is voluntary, applications for overtime are made via a notification form for approval – as confirmed by worker interviews, onsite document review and factory management. Interviewed workers said that they felt respected and treated equally if they refuse overtime, with no report of any kind of punishment for refusing overtime.
- ***Involuntary overtime:*** no evidence of forced overtime working to meet production targets. All workers interviewed said they are free to decide if they wish to work overtime, regardless of production targets.
- ***Marriage leave application:*** factory policy, worker interviews, and management confirms that workers can apply for marriage leave regardless of probation period. All workers interviewed reported that they are aware of this right, and records show that workers had successfully applied for marriage leave since the beginning of 2017.



- **Fire drills:** records, including video evidence, confirm that fire drills are conducted twice a year during peak production season, with two fire drills conducted in March and August in 2017. Approx 98% of employees participated in these drills (including day and night shift workers) from the production and dormitory areas. Worker interviews also confirmed this.
- **Verbal abuse:** the CLW report alleges that 'On August 25th, 2017, there was a case of a female worker who attempted to jump off the building but was stopped by a security guard' and suggests that this situation was linked to verbal abuse.

Our finding: Interviews with workers and staff confirms that a disagreement occurred between a female worker and her line leader in response to the worker being asked to move from their original shift onto the same shift as her husband with whom she had previously argued with. The worker then entered onto the roof of the production building, where security staff then intervened and persuaded the worker to return to the production area, who subsequently resumed their shift under the direction of a different line leader.

Whilst the case relates to a domestic dispute between two workers, the factory line manager could have managed the situation more sympathetically. We will work with the factory to provide additional training for line leaders and managers to support conflict resolution, promote better worker-supervisor relations, and to ensure that workers are treated with dignity and respect at all times.

- **Factory temperature:** temperature records are maintained for all workspaces, with adjustments made if the temperature rises above 30°C. Several departments are equipped with air-conditioners. Interviewed workers said they were satisfied with factory temperatures during summer months.
- **Production targets:** all workers interviewed said they are free to leave the factory floor after 8 hours of regular work, regardless of production targets.

Allegations evidenced in our review and in violation of the ICTI CARE standard

- **Workers health and safety training:** training is provided to all new workers, tailored to job function and workshop location, with training sessions recorded on individual training cards. However, 6 out of 9 of workers interviewed could barely recall details of the training they had received. Random checks also found a new worker had not received any pre-job training before starting working in the spraying department, and their training card listed the wrong department.
- **Labor union:** a Labor Union, registered with the local government, represents all factory employees. Monthly meetings are held between union representatives and management, with the last meeting on 7 Dec 2017. However, details of the Labor Union's functions are not well understood by workers: 27 out of 30 workers said that they were not clear on the union function.



- **Counselling:** 2 full-time counselors, and 14 part-time counselors, staff the ‘Mattel room’ providing support for front-line workers at the factory. Records show that the counseling service had assisted 218 workers since January 2017. However, 21 out of 30 workers said they were not aware of the factory’s internal helpline facilities, despite information posters promoting these facilities on all work floors.
- **Personal protective equipment (PPE):** we found that 3 workers in contact with chemicals were not wearing appropriate PPE, PPE equipment was also absent for 3 other workers in the painting department.

Allegations evidenced in our review but not in violation of the ICTI CARE standard

- **Overtime:** the factory has well-maintained records on working hours. Onsite documentation from 1st December 2016 to 13th December 2017 shows a maximum overtime of 3 hours per day, the maximum weekly working hours at 66 hours.
- **Dormitory facilities:** workers can lock dormitory doors from the inside, but are not supplied with room keys for safety reasons. Lockable storage cabinets are provided for each employee. A patrol guard is on duty 24 hours per day in dormitory building, and CCTV is installed throughout the premises. Interviews with workers and management found no cases of theft reported.

Factory response / next steps

The Dongguan Chang An-Mattel Factory has created a corrective action plan to address – and rectify – each of the allegations evidenced which are in violation of the ICTI CARE standard, and will review its social compliance policies on an ongoing basis.

The factory has also committed to improve complaint and conflict handling through better training for production line leaders, EHS guidance, increase EHS awareness, and to better engage workers in the evaluation and implementation of their EHS systems to improve workplace safety. ICTI CARE will provide training and support to help the factory address each issue and drive sustained improvements.



Shao Guan Early Light International Co., Ltd

(Date of factory visit: December 6 - 7, 2017)

Approximate number of factory employees: 26,000. Shao Guan Early Light has assigned a team of senior-level employees to monitor its compliance with local law and the ICTI CARE standard.

Allegations not evidenced in our review

- **Age discrimination in hiring:** worker interviews and our analysis of onsite documentation found no evidence of age discrimination in recruitment. Records from 2017 show that the factory employed 813 workers above the age of 45, and 570 younger workers employed above the legal working age limit in China.
- **Recruitment restriction per hometown origin:** worker interviews, and our analysis of onsite documentation, found no evidence of restrictions or discrimination in the recruitment of workers based on their origin or hometown.
- **Compulsory work assignments:** employees are free to indicate their preference for which department they work in, and are able to apply for a transfer to a different position. All workers interviewed said that they were satisfied with their chosen position and were aware of their right to apply to switch to different positions.
- **Student workers:** our investigation focused on young workers (aged 16-18) at this factory, and included on-site observations, worker interviews, and a review of roster and wage data at this factory. Young workers are not students studying in school, they are juvenile workers introduced to work in Early Light by a qualified agency. Labor contracts were signed between the young workers and factory, and young workers are paid higher than legal requirements at RMB 11.5/hour. Young workers are treated fairly, were not assigned to work in hazardous positions, and were not subjected to excessive product targets. Workers were provided with PPE according to their job function.
- **Insufficient pre-job training & missing compensation:** new employees are trained for 24 hours during initial orientation, including 4-hours classroom training and 20-hours in the workshop. Workers are compensated for all training hours, as confirmed by payroll review and interviews.
- **Forced overtime/ inadequate rest periods:** workers are free to opt out of overtime with verbal notification. There was one instance of workers working through their rest day in September 2017 to meet challenging production targets – the factory had already self-reported this case to ICTI CARE prior to publication of the CLW report.
- **Sunday working:** all Sunday overtime hours are recorded, these records were thoroughly checked and found to be consistent with production records, QC records and warehouse records.



- **Forced overtime to meet production targets:** employees are free to choose for overtime working regardless of production targets, as confirmed by all workers interviewed. Production targets are tracked and monitored, with additional worker resources allocated when required. Production targets are not set for new hires in their first month.
- **Young workers assigned to hazardous posts:** the Human Resources team were aware of the requirements to ensure that young workers are not exposed to occupational hazards. This was confirmed through an analysis of documentation review for 570 young workers (16-18 years old), together with onsite observation - no young worker was found working with occupational hazards.
- **First-aid kits:** we found well equipped first-aid kits in each workshop and dormitory building. 39 out of 44 interviewed workers were aware of the first-aid kit locations.
- **Missing inspections for ventilation equipment and machinery:** each department has staff responsible for the implementation of the factory's EHS systems and checking machines regularly according to given procedures. Injection molding machines and welding machines are checked daily, ventilation equipment at painting workshops is checked weekly. Our onsite observation found all in-use machines to be well maintained and in good working order.
- **Work injuries:** injury records showed that the ratio of injuries in 2017 was about 0.05% to 0.12% per month. The highest frequency of injury occurrence was in June 2017, with 33 injury cases out of total 27,668 (0.12%). When interviewed, all 44 workers said they worked in a safe environment, though 3 said they had witnessed minor workplace injuries.
- **Fire drills:** plans for fire drills for different work shifts and departments are well documented, as verified through onsite documentation and records showing regular fire drills at each department attended by all workers. Of the 35 interviewees who had worked at the factory for more than a month, all were aware of emergency assembly areas from the most recent fire drill.
- **Fire extinguishers:** records show this factory conducts a monthly inspection of fire extinguishers, fire extinguishers were found to be kept in good condition during the onsite investigation.
- **Wage deductions:** workers are permitted a 15-minute lateness buffer without wage deduction, as confirmed by attendance records, payrolls, workers interview, policy, and management review.
- **Verbal abuse:** interviewed workers said they were satisfied with the management's attitude. Our investigation found an appeal case regarding improper work assignment by a line leader when a worker was suffering pain in their arm. This case has been resolved to the worker's satisfaction, following investigation and action by management.



Allegations evidenced in our review and in violation of the ICTI CARE standard

- **Pay slips:** payroll records showed that workers were paid accurately for all work completed, with payment made on their last day of work. Although the final payment is confirmed with each individual via signed agreement, the factory does not provide a hard copy of pay slips to workers which are leaving the factory.
- **Missing information in contracts:** one copy of a labor contract did not include details of the probation period and working hours. All interviewees subsequently reported that they had been provided with a copy of labor contracts with this necessary information added, along with an explanation from management team on this particular omission.
- **No sick leave provided unless related to work injury:** factory policy is to provide sick leave to all workers. However, only 52 cases of recorded sick leave from January to November 2017. 37 out of 44 interviewees mentioned that they did not know how to apply for sick leave, and workers' expectation was that they would need to take unpaid personal leave when they were ill.
- **No marriage, maternity or funeral leave:** factory policy is to provide marriage leave, maternity leave and funeral leave for all employees. However, only 28 recorded production workers had taken maternity leaves from January to November 2017. 37 out of 44 (87%) interviewees reported that they were not aware of how to apply for marriage leave, maternity leave, and funeral leave.
- **Emergency exits blocked:** we did not observe blocked fire exits during on-site observation. Inspection records show daily routine checks, and weekly checks for all emergency exits and evacuation passages, ensuring all of these are kept clear. However, a production manager admitted that some emergency aisles might be partially and temporally blocked by production goods during tight production periods.
- **Lack of labor union, meetings, representatives and workers' awareness:** the existing labor union includes 28 members and was established on May 2017 - 5 of these are workshop employees and 1 is a frontline worker. A list of Union Representatives is posted at the entrance of each workshop. 12 workers' representatives have been selected by workers from different workshops. However, those worker representatives were canceled after the labor union established. Union meeting minutes show that three meetings were held on 20 May, 20 Jul and 19 Aug 2017. From workers' interviews, we found that 33 out of 44 interviewed workers did not know the details of labor union members or the functions of the labor union and worker representatives.
- **Lack of labor hotline and complaint boxes were not functioned:** our investigation found 5 mediation cases raised via the factory's worker information and counseling room, and 6 appeal cases raised via the factory's helpline. 33 out of 44 interviewed workers did not know the helpline number or the function of the complaint/option boxes. A documentation review shows there were around 20,000 workers employed in 2017, but no letters were received via the factories opinion boxes in this period.



Allegations evidenced in our review but not in violation of the ICTI CARE standard

- **Health check fees:** the factory pays health check fees for young workers, and for those working in hazardous environments. Other factory workers are required to pay for their own health check or to provide a recent health check report.
- **Resignation procedure:** interviewed workers said they are free to resign on their own will. A resignation application form has to be completed to notify the supervisor, not to obtain permission.
- **Withholding labor contracts:** returning labor contracts within two weeks of these documents being signed is not a violation of either China Labor Law or ICTI CARE requirements. Given the large scale of this factory (26,000 to 30,000 employees), the dissemination of labor contracts takes place between 1 to 14 days after hiring.
- **Excessive overtime in normal and peak seasons:** documentation review confirmed that maximum daily working hours were 11 hours, weekly working hours were 76 hours in September 2017. Maximum monthly overtime in September was 134 hours.
- **New workers paid within 20 days:** it is common practice for new employees to work for 20 days before receiving their first pay cheque. This is not a violation of China Labor Law or ICTI CARE requirements.
- **Low wages:** payroll documentation and worker interviews confirm that all employees are paid at least local minimum wages. Overtime on regular work days, and rest days, is compensated at 150% and 200% of normal wages respectively.
- **Lack of social insurance benefits:** all workers are covered by work injury insurance or commercial injury insurance. About 53% are covered by the other 4 types of social insurance (retirement, medical, maternity, and unemployment insurance). The factory provides social insurance to all employees unless they instructed by the workers that they wish to opt out.
- **Low food subsidy:** food subsidy is not a mandatory requirement under local laws. Workers are free to eat inside the canteen, or outside, while it is optional for them to choose from food.
- **Poor dormitory conditions/lack of housing subsidy:** our investigation found dormitory rooms to be clean and tidy with new facilities, 4 – 8 workers are living in dormitory rooms. Workers can freely access hot water within 1 meter outside the bathroom on the balcony. No housing subsidy is provided to workers, though this not mandatory.
- **Lack of EHS committee, training & PPE to workers:** this factory has an EHS committee. Training records, worker interviews together and on-site verification show that safety training at the factory, workshop, and team level is provided as part of pre-job and on-going training. Those working with chemicals or loud machinery were found wearing PPE properly.



- **Difficulty changing job positions:** 36 out of 44 workers interviewed said they were aware of the procedure to switch positions. However, those who worked with occupational hazards were not encouraged to switch positions.
- **Security check on personal belongings:** all personal belongings are subject to a security check by X-ray machine when leaving the factory. None of the 44 workers reported a lack of respect or harassment during these security checks.

Worker suicide / attempted suicide

Interviews with factory management and a review of this factory's internal incident investigation log confirm that a worker jumped off a dormitory building on 30 Aug 2017. This worker is still unconscious and is currently receiving treatment in hospital. The local police force was involved in this investigation, and some antidepressants were discovered in the worker's room, which led the police to suspect that the suicide attempt may have been linked to depression. As the worker is unavailable for a comment it was not possible to confirm this.

The worker's line manager stated that the worker had not been disciplined prior to the suicide attempt, and had been recommended for promotion and salary increase on 12 August, with an expected effective date of 1st September 2017. The factory management has agreed to pay for medical costs for the worker.

On 29 August 2017, a factory worker jumped from a dormitory building and tragically died. According to the factory, the worker had been disciplined by the factory four times, based on CCTV footage showing evidence that the worker had lent their own ID card to other workers. Details in the factory investigation report and police reports are limited, and our understanding of the causes which underpin this suicide is therefore limited. We were able to confirm that compensation was paid to the workers family, accordance with local law, totaling RMB 130,000.

These two cases are of extreme concern to ICTI CARE. We will work with this factory to ensure that line leaders are equipped with the skills needed to maintain positive line leader – worker relationships, and to ensure that workers are treated with dignity and respect at all times.

Factory response / next steps

Shao Guan Early Light will put in place corrective actions to address all allegations found to be true and in violation of the ICTI CARE standard.

Additionally, ICTI CARE will work with the factory to improve complaint and conflict handling through better training for production line leaders, EHS guidance, increase EHS awareness, and to better engage workers in the evaluation and implementation of their EHS systems to improve workplace safety.

ICTI CARE will provide training and support to help the factory address each issue and drive sustained improvements.



Sturdy Precision Manufacturing (Shenzhen) Co., Ltd

(Date of factory visit: December 12th, 2017)

Approximate number of factory employees: 2,400. Sturdy Precision Manufacturing has established social responsibility systems to monitor daily operations. These cover health & safety management, training, and salary & welfare.

Allegations not evidenced in our review

- **Age discrimination:** factory policy confirms that the minimum age requirement of 16 years old in compliance with local laws. Interviews with 32 workers found no evidence of discrimination on recruitment. No age restrictions are included in recruitment advertisements.
- **Insufficient explanation of labor contract:** workers confirmed that the HR department explained the content of labor contracts to workers before these were signed.
- **High food prices / poor quality:** prices for breakfast range from RMB 1 to RMB 3, lunch and dinner prices range from RMB 6 to RMB 8. 30 out of 32 interviewed workers were happy with the food price which was perceived to be cheaper than fast food restaurants outside the factory
- **Lack of EHS committee and PPE:** an EHS committee is established with meetings every 60 days, workers participate. The factory provides occupational hazard training at workshop and team levels. Workers in the spraying, tempo printing, and scrap departments were wearing PPE properly. Health checks are provided pre-job, annually, and at resignation for those working with hazardous materials.
- **Blocked exit:** no blocked exits were found from factory tour. Factory management and worker interviews confirm that inspections are conducted on daily basis, inspection records and evidence of surprise check from management were in place and recorded.
- **Non-functioning Labor union:** the factory has a functioning Labor union with workers' representatives to handle workers' complaint and suggestions. There are 60 workers' representatives in the factory, identified with a visible armband and corresponding photos on display in workshops. Regular meetings are held to discuss with factory management about existing concern or questions such as factory benefits.
- **Workers unaware of workers helpline:** 5 different types of complaints or suggestion channels are available including a hotline, face to face meetings, WeChat platform, suggestion box and worker representatives meeting where workers were allowed to choose freely on their own in raising concern. These channels are introduced to workers during pre-job training, QR code was present on the poster as another way to access to WeChat for compliant and suggestion delivery. Of the 93 complaints and suggestions, only 4 cases originated from the hotline. 25 out of 32 interviewed workers felt that the WeChat platform was more popular and welcomed by workers.



Allegations evidenced in our review and in violation of the ICTI CARE standard

- **Rest day violation:** attendance records show that one day off in a predefined week was not provided for 2 employees from the assembly section in December 2016, and 7 employees from assembly section in January 2017. The maximum consecutive working days were up to 19 days from 2nd to 20th January 2017 with week cycle from Sunday to Saturday.
- **Poor living conditions:** sound insulation between dormitory rooms and bathrooms is poor. 2 to 5 workers share one room in low season, with up to 9 workers sharing one room in peak season. 10 out of 32 interviewed workers said they felt dormitories were too hot during summer months. Water pressure drops significantly in peak production season during high periods of high demand. The factory has installed a fan in each dormitory room and provided hot and cold drinking water in dormitories. The factory provides 8 USB charging points per dormitory room.
- **Poor bathroom facilities and insufficient charge devices:** more than half of toilet flushing mechanisms were not functioning and are in need of repair.

Allegations evidenced in our review but not in violation of the ICTI CARE standard

- **Insufficient pre-job training:** new workers are provided with 24-hours pre-job training covering factory policy, benefits, and EHS. However, 20 out of 32 workers interviewed were only aware of the 4-hours factory level training and did not retain details of workshop level and team level training.
- **Excessive overtime:** attendance records from December 2016 to December 2017 show working hours of 5 days x 8 hours/day without overtime in low season, whereas 6 days x 8 hours/day with weekday overtime 3 hours. Monthly overtime has been significantly reduced in 3 years from 75 hours in 2015, down to 69 hours in 2016 and further lowered to 65 hours in 2017.
- **Inadequate salary:** The salary range for workers is RMB 2,130 to RMB 5,000 which is in compliance with local laws. Owing to limited overtime opportunities during the low production season, 15 out of 32 interviewed workers were not satisfied with their salary because of this.
- **Insufficient recreation facilities:** there is a library in the factory, as well as television in the canteen area. Two basketball courts on site are sometimes occupied by container trucks during peak season, and factory management is considering renting external recreation facilities instead. Wi-Fi connection during busy periods is slow, with access limited to 90 hours in total.
- **Lack of food allowance:** No food allowance is provided to workers.



- **Poor accommodation conditions:** no elevator is provided available in the dormitory, and lockers are unlabeled.
- **A high temperature in the workshop:** between June to August 2017, 347 ceiling fans were installed at workshops and air-conditioning in the scraping workshop. Facilities to absorb heat generated from injection molding machines were also installed.

Factory response / next steps

Overall, the factory management and staff at Sturdy Precision Manufacturing were cooperative and transparent during the ICTI CARE investigation. The factory will put in place corrective actions to address all allegations found to be true and in violation of the ICTI CARE standard.

ICTI CARE will work with the factory to improve complaint and conflict handling through better training for production line leaders, EHS guidance, increase EHS awareness, and to better engage workers in the evaluation and implementation of their EHS systems to improve workplace safety. ICTI CARE will continue to provide training and support to help the factory address each issue and drive sustained improvements.



Dongguan Qualidux Plastic Products Ltd.

(Date of factory visit: December 8th, 2017)

Approximate number of factory employees: 700. Dongguan Qualidux Plastic Products has designated personnel to oversee its social compliance program.

Allegations not evidenced in our review

- **Age discrimination in hiring:** no evidence of age restriction on hiring, workers are hired in accordance with legal working age requirements. Roles requiring the operation of heavy machinery and painting are not assigned to young workers.
- **Restricted work positions:** worker interviews confirm there is no restriction on workers applying for other positions within the factory.
- **Unpaid training time:** documentation review and worker interviews confirm that all training time is paid for working hours.
- **Inadequate resignation process:** workers are required to give 3 working days' notice during their probation period, 1 months' notice is required after probation. This is in compliance with local law.
- **No explanation of contracts:** details of contracts are explained to workers, as confirmed by worker interviews.
- **Improper standard work hours:** all 26 interviewed workers confirmed that the factory runs for 6 days per week, with regular working days of 5 days in a week while work on rest days is paid at double rates. Rest day work is excluded from regular working days.
- **Suspicion of forced overtime:** no report of forced overtime from worker interviews, workers are required to notify their line supervisor if they do wish to work overtime.
- **Working hour records:** the factory has a functional system to record working hours, workers are aware of how to report attendance errors and the procedure for correcting these.
- **Excessive monthly OT hours:** maximum weekly working hours were 66 hours and corresponding monthly overtime was around 90-100 hours. Interviewed workers confirmed overtime is usually 3 hours per day from Monday to Friday, and 8 hours on Saturday. In injection molding, two shifts with 11 hours per shift from Monday to Saturday while Sunday is a rest day for all workers.
- **Suspicion of rest day violation:** factory records over the last 12 months and all worker interviews confirm workers were all provided with at least one day rest per the pre-defined week (Sun to Sat).



- **Delayed payment:** interviewed workers confirm that wages were paid by bank transfer, wages are paid within 3 working days upon resignation from the factory.
- **Insufficient wages information:** all interviewed workers were clear about their wages structure, payroll displays wages, bonus, working hours, deductions (social insurance, etc.) and net amount clearly.
- **Holiday wages missing:** temporary workers are paid with holiday wages which are the same as those for permanent workers.
- **Poor food quality / high price:** 11 workers who normally eat in canteen said that the food is of a good quality with prices around RMB 5-10 per meal, food preparation areas were clean and hygienic.
- **No EHS committee:** an EHS committee is established, comprised of 20 members from various shifts and functions. The EHS committee meets bi-monthly, with the last meeting held on 10 November 2017.
- **Lack of training on EHS:** workers are clear on EHS training provision, records also show that job-specific EHS training is provided to all workers including chemical safety training, PPE usage and fire-fighting training.
- **Missing PPE:** appropriate PPE is provided to workers in high-risk areas.
- **Inadequate factory cooling:** exhaust fans and electric fans operate when the temperature is over 30°C, workers confirmed their satisfaction with temperature conditions.
- **Inaccessible for First-aid kit:** first-aid kits were provided in workshops and dormitory areas, workers were aware of the locations of first-aid kits.
- **Blocked passageways:** passageways were clear of obstructions and the aisles, exit doors are inspected weekly with records kept.
- **Presence of highly flammable substances:** flammable materials were properly stored in metal safety cabinets and/or properly ventilated flammable storage rooms with appropriate electrical systems protected. No flammable materials were found in the dormitory from on-site observation.
- **Fire drill only once a year:** as evidenced by detailed reports and video, fire drills are conducted twice a year. All of the 26 interviewed workers were well aware of the fire drills.
- **Unclear disciplinary method breakdown:** the disciplinary procedure is well established, with a manual available in each workshop.



- **Improper disciplinary practices deduction:** disciplinary measures do not include salary deductions, all workers interviewed said that they have not experienced improper disciplinary practices or wage deductions.
- **Verbal abuse:** the factory has a written policy on anti-harassment/discrimination/abuse. None of the workers interviewed reported issues with their line manager.

Allegations evidenced in our review and in violation of the ICTI CARE standard

- **Original ID card return:** workers are asked to submit their original ID to the factory administration department upon hiring for online checking of ID card validity, the ID is returned within 3 to 4 hours and signed with confirmation.
- **Physical examinations:** the results of physical examinations are not provided to workers, the results are instead only made available to workers upon request.
- **Lack of position training:** Position-specific training is inadequate.
- **Restriction on attendance after resignation:** Factory instructions currently state that from the time of resignation application to the last day, workers cannot ask for leave, be late for work or miss work. Factory management stated that these instructions are outdated and will be revised accordingly.
- **Working period for temporary workers:** Whilst employment periods are indicated in the contracts for temporary workers, sometimes these employment periods are not provided.
- **Missing payment for morning meetings:** it was confirmed with workers' interview that 10 workers from the assembly workshop were required by line leaders or supervisors to attend a morning meeting 5 to 10 minutes ahead of starting of official working hours.
- **Delayed payment:** there are cases of delayed payment of wages due to workers delaying confirmation of their hours.
- **Missing pay slip for fired workers:** payslips are not provided to workers which have resigned.
- **Sick leave restriction:** workers are unaware of sick leave policy and application process.
- **Poor living conditions:** there are 6 dormitory buildings in the factory with 2 separate floors, maintained in good condition with adequate lighting. The toilet flushing system is old. Daily cleaning and inspection records are maintained, some abandoned areas are not blocked off.
- **Inadequate inspection for fire-fighting equipment:** fire extinguishers are maintained in a good condition and are inspected on a monthly basis with the last inspection in December 2017. However, some extinguishers had an inspection dated of 2016 but month and date were matched with the 2017 inspection, a possibility of the wrong year recorded.



- **Non-functional labor union:** 21 out of 26 interviewed workers indicated that they were not aware of the worker representatives and corresponding function. No record of the selection of worker representatives found.
- **In-effective complaint channel:** complaint channels are provided, but do not appear to be functional. 5 out of 26 interviewees said they were unclear on grievance procedures.

Allegations evidenced in our review but not in violation of the ICTI CARE standard

- **Allocation of physical examinations determined by management:** pre-employment and annual health checks are provided to those workers employed in high-risk production processes, including spray-painting, screen-printing, welding, cotton-filling, ultrasonic machines, material-smashing, dying, and hazardous material warehouse.
- **Contract signed after workers hired:** the factory will sign the labor contracts with workers within one month upon hiring which is in compliance with the local law. With reference to the reviewed documents, the labor contracts are usually signed around 15 days after hiring.
- **Overtime wages deficiency:** wages are compliant with the local law and we did not find any wage deficiencies. A commitment form is signed between factory and temporary workers to confirm that hourly rates will be no less than RMB 14 (workers hired from an agency) and RMB 12 (workers hired by factory directly). All workers are paid with local minimum wages of RMB 8.68 / 13.02 / 17.36 / 26.04 for regular hours daily overtime, rest day overtime and holiday overtime. Factory practice was inconsistent with amounts stated in worker's contracts.
- **Lack of annual leave:** workers must work for at least a year before they can be granted annual leave, this is in compliance with local law.
- **Missing or inadequate insurance:** social insurance is not provided for temporary workers, but a commercial insurance (accident insurance) is provided. Long-term workers are provided with social and medical insurance.
- **Lack of post-dinner for night shift workers:** No post-dinner meals are provided for night-shift workers, midnight snacks and instant noodles or bread are provided instead.
- **Work injury due to overwork:** a worker fainted on the morning of 6th October 2017. This occurred after a 5-day holiday the worker had taken from 1st October to 5th October 2017, and the worker fainted during the non-working hours nearby the canteen areas.



Factory response / next steps

Factory management of Dongguan Qualidux responded to the confirmed violations promptly and committed to taking effective measure to improve them. The factory also showed a willingness to seek further feedback from its employees, and take appropriate action to respond to feedback from workers.

The factory will put in place corrective actions to address all allegations found to be true and in violation of the ICTI CARE standard. ICTI CARE will work with the factory to improve complaint and conflict handling through better training for production line leaders, EHS guidance, increase EHS awareness, and to better engage workers in the evaluation and implementation of their EHS systems to improve workplace safety. ICTI CARE will continue to provide training and support to help the factory address each issue and drive sustained improvements.



Conclusion

ICTI CARE has investigated each of the four factories named in the CLW report 'The Dark Side of the Toy World'. We are pleased that each of the factories involved cooperated with our investigation and stated their commitment to tackling the issues raised.

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

ICTI CARE 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;
- ICTI CARE'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;
- Each factory will be required to participate in ICTI CARE'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;
- As with all other factories in the ICTI CARE Program, unannounced audits will also be conducted over the next twelve months to monitor compliance status.

ICTI CARE 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.

Over the last decade, the ICTI CARE program 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.