



ICTI CARE response to China Labor Watch report: “The Other Side of Fairy Tales – an investigation of labor conditions at five China toy factories”

Introduction

As the leading standards setting organization and ethical manufacturing certification program for the global toy industry supply chain, the ICTI CARE Foundation (ICTI CARE) is 100% committed to promoting safe and fair working conditions. Our first priority is always the safety and wellbeing of workers.

In November 2015, China Labor Watch published a report ‘The Other Side of Fairy Tales’ alleging poor labor standards at the following five ICTI CARE Certified toy factories in China:

1. Fo Shan City Nanhai Mattel Diecast Co., Ltd. **(hereafter: FNMD)**
2. Jetta (Guangzhou) Industries Co., Ltd. **(hereafter: Jetta)**
3. Combine Will (Dongguan) Industrial Co. Ltd. **(hereafter: CW)**
4. Shenzhen Winson (TaiQiang) Precision Manufacturing / Sturdy Precision Manufacturing (Shenzhen) Co., Ltd. **(hereafter: Winson)**
5. Dongguan Zhenyang Toys / Dongguan Jauntway Toys Co., Ltd. **(hereafter: Zhenyang)**

ICTI CARE works with a broad range of stakeholders to protect labor standards internationally. We welcome any robust investigation which increases understanding of working conditions at toy factories.

When we are alerted to issues of concern regarding ICTI CARE certified manufacturers, we immediately follow-up and launch our own investigation. In this instance our investigation commenced on November 30th 2015 and concluded on December 10th 2015. This report details the findings of our own investigation. Recommendations and next steps are included in the conclusion at the end of the report.

ICTI CARE values the work of Non Government Organizations (NGOs) and we once again confirm our commitment to working transparently and collaboratively with them. We would also urge China Labor Watch (CLW) and others to report issues which are illegal immediately to the local authorities or to ICTI CARE directly. Withholding information from organizations or authorities that may be able to take immediate remedial action to address such issues keeps workers at risk.

We encourage our stakeholders, including NGO’s, to observe our investigations to ensure they are fair, rigorous and transparent.



Investigation

Our investigation consisted of two phases. In the first phase, we reviewed all previous ICTI CARE third party audit reports and corrective action plans and compared this data with the information contained within the CLW report to create a plan for the on-site investigations.

In the second phase, we performed on-site investigations which included interviews with senior management, factory tours, worker interviews, and a review of all relevant factory policies, procedures and supporting documentation.

During on-site visits we also sought a response from each factory to the issues raised.

Finally, we crosschecked all information and research gathered to formulate our own conclusions regarding the accusations made against each factory.

The table below outlines the key stages of our investigation:

Actions	Involved Parties
1. Review CLW report to understand the issues raised, correctly identify the factories concerned, and seek clarification where necessary	ICTI CARE, CLW
2. Review previous ICTI CARE Process (ICP) audit reports and corrective action plans to inform our plan for follow up investigations on-site	ICTI CARE, Independent 3 rd party Audit Bodies
3. ICTI CARE in-house technical team specialists visit each factory in order to: 1) meet with factory management to obtain their response to the 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, ICP Brands, Factory Management, Factory Workers
4. Analyze information gathered from steps above to establish our own findings; where appropriate create corrective actions to remedy issues found and drive standards; apply findings to drive further development of ICP.	ICTI CARE, ICP Brand, Factory Management



Results - in summary

Our investigation team found each of the five factories to be fully cooperative. Both, the factories concerned and the buyers they supply product to, expressed a commitment to ensuring that the ethical manufacturing standards expected are realized.

Whilst each allegation made against factories were reviewed in detail, this report provides an overall summary of what we found. Further details can be provided on request.

We have categorized our findings into three areas;

- 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

For this last area, development plans for the ICTI CARE program are included in the conclusion of the report.

All factories involved in this report will be subject to further un-announced audits to monitor factory standards. This is normal practice within the ICTI CARE program for any factory, not just those who have been subject to investigation by a third party.

Beyond audit, we recognize that working together to deliver sustainable improvements for workers requires all parts of the supply chain to be involved. We will continue to work with all factories and their buyers through training, reporting and working groups to ensure we are driving labor standards and protecting workers.

Factory One: FNMD (Date of factory visit: December 10th 2015)

What we found

The FNMD factory has a dedicated social compliance team and the factory's management stated a commitment to protecting workers when we visited the site.

Allegations not evidenced in our review

- *Physical examinations* - our investigation found that this factory had hired a third party to perform occupational health and safety assessments to identify which workers required follow-up occupational health checks. We found these health checks to have been completed with reports made available to us to review.



- *Pre-job safety training* - in our view the factory has established a robust training program. An analysis of documentation found that all workers receive 24-hours orientation training before they start work. This training covers factory regulations, general environmental health and safety knowledge, Mattel's Global Manufacturing Principals, machine safety and operation guidelines. Interviews with workers confirmed that they had received training covering the areas listed above.
- *Social insurance payments* - our analysis of on-site documentation showed that this factory provided all five types of social insurances and a housing fund. Workers are also entitled to five days annual leave. Having analyzed annual leave application records, we concluded workers could take their annual leave at any time.

We found no supporting evidence relating to other allegations raised regarding unsuitable living conditions, poor attitude of management, fire safety concerns or insufficient break times.

Allegations evidenced and in violation of the ICTI CARE standard

- *Personal Protective Equipment* - whilst touring the factory we found that workers in most hazardous departments such as paint spraying, regrinding and etc., were provided with appropriate personal protective equipment (PPE). However, in the tampo printing department, some workers did not wear masks at all, or failed to wear them correctly.

Allegations evidenced but not in violation of the ICTI CARE standard

- *Working Hours* - average hours of work at this factory are 10 hours per day and 60 hours per week, with overtime of up to 80 hours per month.
- *Workload* - during the factory tour we noted that some workers managed several production processes and appeared to be extremely busy. Workers also complained to us that their workloads were too heavy.

Factory response

The management and staff of the factory were cooperative and transparent during the ICTI CARE investigation. The factory stated its commitment to delivering improvements in occupational health and safety and will review its production planning processes to see if changes in workloads can be achieved.



Factory Two: Jetta (Date of factory visit: December 7th 2015)

What we found

Jetta has an established social responsibility program and we found the factory to be well organized overall. Management at the factory shared with us their commitment to protecting workers, ensuring workers freedom of choice and meeting the requirements of the ICTI CARE standard.

Allegations not evidenced in our review

- *Physical examinations and health checks* - a thorough review of occupational health check reports - and interviews with management – showed that all workers engaged in the handling of chemicals, or other hazardous operations, are provided with the legally required occupational health checks. For other workers in non-hazardous departments the factory requests that workers provide a valid health certificate or a recent health check report. This arrangement meets legal requirements in China. Regarding allegations relating to incomplete health checks, interviews with newly hired workers found no evidence to support this claim.
- *Resignation process* - we found the factory to have a clear resignation procedure in place for workers. Our analysis of employment records found that workers were able to resign freely. We found no evidence of serious issues relating to living conditions for workers at this factory. Problems relating to a lack of food at lunchtime, inadequate machine safety or worker grievance processes were not identified.
- *Discrimination* - we did not find evidence of a policy to actively discriminate against male workers at Jetta. A review of employment records show a total of 4,803 workers, 4,138 of which were female and 665 were male. Clearly there is a female dominant workforce and efforts to balance this in the future should be considered.

Allegations evidenced and in violation of the ICTI CARE standard

- *No compensation for training hours* - according to the hiring process, if the factory hires a candidate in the morning, then workers are required to join staff training sessions in the afternoon. However, workers are not paid for these afternoon training sessions.
- *Starting working earlier than shift begins* - 5 out of 26 of workers interviewed reported that they were required to join production meetings at 7:45am which take place 15 minutes prior to the start of official paid working hours (8:00am).
- *Social Insurance Payments* – an analysis of documentation showed only 70% of the factory's total workforce were covered.



Allegations evidenced but not in violation of the ICTI CARE standard

- *Pre-job Training* - this factory typically only provides 1-hour of classroom pre-job safety training, which is far less than the local Chinese law requirement of 24 hours.
- *6-Working Day System* - this factory was operating at 7.25 hours per day from Monday to Friday and 3.75 on Saturday, which enables the factory to pay a normal wage rate for Saturday working.

Factory response

We found factory representatives to be cooperative and open during our investigation. The factory stated that it recognizes that issues exist and acknowledged the risks these represented. The factory also committed to developing an effective long-term corrective action plan.

Factory Three - Combine Will (*Date of factory visit: December 1st 2015*)

What we found

Combine Will has a designated Compliance Team that consists of a Human Resources and Compliance Director from the factory group, a Compliance Manager based in the factory and a group of staff who are specialized in health and safety matters.

We saw communication throughout the factory site highlighting the factory's social responsibility program.

In the dormitory area, the factory has provided an electronic information point which enables workers to check the factory's various policies and procedures, as well as review their monthly salary rate. We found this to be a good example of education and transparency.

Allegations not evidenced in our review

- *Discrimination* - on reviewing employment records we found no evidence of discrimination. Figures showed that males comprise 47% of the workforce, and females 53%.
- *Withholding ID cards* - we found that identification cards were kept for between 0.25 to 0.5 of an hour in order to check their validity during the new worker registration process. We believe this to be reasonable. The procedure was also deemed to be acceptable by those workers whom we interviewed.
- *Overtime* - our analysis of payroll data showed that opportunities to work overtime were equally available to all workers, this was also confirmed by workers during our direct discussions with them.



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- *Annual leave* - we found workers could take leave freely. The annual leave application procedure was posted in dormitory areas and could also be accessed via the electronic information points.

Other allegations such as an unsuitable living environment, poor fire equipment inspections, weak communication channels and difficulty in the resignation process for workers were not supported by evidence at the factory.

Allegations evidenced and in violation of the ICTI CARE standard

- *Occupational Health Checks* - annual occupational health checks are only provided to those employees working in hazardous positions. The factory intends to provide pre and post health checks from December 2015.

Allegations evidenced but not in violation of the ICTI CARE standard

- *Pre-job Training* - pre-job training lasts only 2 hours, but local law requires 24 hours. The current training is inadequate, as confirmed by worker interviews which showed only a limited awareness of the training material.
- *Food Quality* - the factory has subcontracted catering to an outside service provider. We witnessed food distribution during lunch hour and found food quality to be poor. Workers also complained directly to our team during the visit.
- *Working Hours* - the average working hours of the factory were 11 hours per day, 66 hours per week, with up to 100 hours overtime per month. A plan is required to reduce hours.

Factory response

We found the factory management to be cooperative and transparent. The factory committed to making immediate improvements with regards to occupational health checks and better management of the canteen.



Factory Four: Winson (Date of factory visit: November 30th 2015)

What we found

The factory fully cooperated with our investigation and the factory's management stated a commitment to protecting workers and improving where needed.

Allegations not evidenced in our review

- *Discrimination* - ICTI CARE reviewed all relevant policies/procedures and analyzed factory records relating to the total workforce (including both newly-hired and current employees). Our review of documentation on site showed 44% of workers to be male and 56% to be female. We also found that many new hires were above 30 years of age. The allegation that this factory's employment procedure discriminated against workers on the basis of age and gender are therefore not supported by evidence.
- *Industrial waste & pollution* – our review found that all industrial waste (including chemical waste and industrial waste water) is collected and disposed off by a qualified contractor, in compliance with the local law. On visiting the factory, we found that a river to the East of the facility appeared to be heavily polluted. From our observation the waste water was discharged from another factory nearby. According to Winson factory management, this neighboring factory is an electroplating plant and it is currently under investigation by the local environmental authority.

Regarding other issues raised concerning labor contracts, lack of labor union, wages, living conditions, fire safety, resignation processes, we found no evidence to support the claims made.

We found allegations relating to a lack of awareness of grievance channels to be partially true. Worker interviews found some workers to be aware of grievance channels, but others were not.

Allegations evidenced and in violation of the ICTI CARE standard

- *Withholding ID cards* -with regard to the claim that identification papers were withheld for 2 hours upon hiring, it was confirmed during worker interviews that this had happened. We were told by workers that this occurred during the peak season when hundreds of new employees were recruited per day. The purpose of this process is to verify workers' identification, which is a common hiring practice to prevent issues such as child labor. Given such large recruitment it is understandable that delays may occur. The factory should ensure that the future documentation review process is carried out as efficiently as possible to ensure no person is without their documents for an unacceptable amount of time.
- *Social Insurance* - currently the factory only provides social insurance to 27% of its workers.



- *Occupational Health Check* - those working with chemicals were not 100% covered by occupational health checks. We found only a few workers had received pre-job occupational health checks.

Allegations evidenced but not in violation of the ICTI CARE standard

- *Pre-job Training* - the factory provides pre-job training of just 3 hours, whilst the local law requires 24 hours. Interviews with workers also found that the limited training which is provided is ineffective.
- *6-Working Day System* - this factory was operating at 6.67 hours per day and 6 days per week, which allows the factory to pay only a normal wage rate for Saturday working.
- *Working Hours* - the average working hours of the factory were 11 hours per day, 66 hours per week, with up to 80-100 hours overtime per month.

Factory response

The factory management stated that it understands the need to make improvements in social insurance payments, provision of occupational health checks and also working hours system. It plans to deliver improvements in 2016.

Factory Five: Zhenyang (*Date of factory visit: December 5th 2015*)

What we found

Zhenyang factory has a social compliance team to oversee workers' compensation and benefits and also health and safety in factory. However, our investigation found standards at this factory to be severely lacking, having rapidly declined since the last inspection of this facility made prior to this investigation. Significant improvement is therefore required.

Allegations not evidenced in our review

- *Disciplinary fines* - a review of documentation, and interviews with workers, showed no evidence of disciplinary fines.
- *Lack of pay slips* - we found evidence to show that pay slips have been provided to each worker on their payday. Worker interviews also confirmed this and workers were able to provide copies of their own pay slips on request.
- *Temporary workers* - our investigation found the factory did not hire temporary workers at all. Some of the workers may have a shorter contract period, which is legal, but they are regarded as normal workers under China law.
- *Living conditions* - we found living condition occupancy rates to be in line with normal practice. Dormitories had running hot water.



Allegations evidenced and in violation of the ICTI CARE standard

- *Discrimination* - we found a factory hiring advertisement, which indicated that the age requirement for candidates was set at 16 - 30 years old.
- *Identification cards* - were withheld for a whole day
- *Fees* - the factory charges an administration fee to workers for photos and banking services when they are hired.
- *Labor Contact* - we confirmed that several key terms were missing from labor contracts and copies are not provided to workers.
- *Personal Protective Equipment* - during the factory tour we found that some workers did not wear masks at all, or did not wear them properly.
- *Fire safety* - during the factory tour, one emergency exit was found to be locked and we requested that the factory open it immediately.

Allegations evidenced but not in violation of the ICTI CARE standard

- *Working Hours* - average working hours of factory were 11 hours per day, 66 hours per week, with monthly overtime up to 100 hours.
- *Pre-job Training* - the duration of training was only 1-2 hours in this factory, but local law requires 24 hours. We also noted that the training provided was not effective as few workers had knowledge of topics covered in the training material.

Factory response

We found the factory representatives to be cooperative and open during the ICTI CARE investigation. Factory management stated that they are committed to delivering improvements required in 2016.



Conclusion

Whilst our investigation and review did not find evidence to support all of the allegations made in China Labor Watch's report it is clear that some of the issues raised are valid. This is disappointing.

We are pleased that the factories involved have cooperated with our investigation fully and have stated their commitment to address the issues raised.

ICTI CARE wants to ensure that real, and sustained progress is made amongst each of the factories and we will require each factory to implement action plans to address the issues identified. We will carry out unannounced visits to each factory throughout the year including during peak production season to verify that progress is being made.

As well as requiring the factories to make the improvements needed to meet the ICTI CARE standard it is also clear that a review of the ICTI CARE standard would also be helpful.

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.

However, ICTI CARE wants to see faster progress in improving labor standards. Our preference is to engage with factories positively and collaboratively to increase their capability to tackle responsible employment challenges.

In 2016 we will invite the toy factories named in this report to participate in a pilot project to establish a Chinese Toy Factories Ethical Manufacturing Forum. The aim of the Forum will be to work together to share ideas and develop good practice to improve conditions for workers in the toy industry supply chain in China. Learnings from the Forum will be applied across the ICTI CARE Program.

Driving improvements in supply chain labor standards requires commitment and cooperation at all levels of the toy industry supply chain. To ensure that ICTI CARE keeps pace with the needs of buyers and manufacturers, continues to make a difference in workers' lives, and is responsive to trends and new opportunities in responsible sourcing, we are benchmarking our ourselves against other ethical manufacturing standards and programs. The results of this analysis will be used to further strengthen and develop our program in 2016.

We believe that the most effective way to protect workers is when all stakeholders work constructively together. This enables faster progress in tackling issues, avoids duplication of effort, and ensures that all future reports and investigations are factually and technically correct.

We value the work of NGO's and we continue to seek ways in which to work together productively.



About ICTI CARE Foundation

ICTI CARE (www.icti-care.org) is an independent, not-for-profit organization established in 2004 to safeguard and improve ethical and sustainability standards in the global toy and industry supply chain.

We are 100% committed to promoting safe and fair working conditions at toy factories. Our first priority is always the safety and well being of workers.

We work with thousands of brands, retailers, suppliers, NGOs and other civil society groups to monitor, manage and fix social sustainability issues at toy manufacturers across the world, and to protect and improve labor standards.

Over 1,100 toy factories, located in 12 countries, are ICTI CARE Certified, representing more than 600,000 workers.

We offer a range of resources to enable toy brands, retailers and suppliers achieve responsible sourcing aims and drive standards. We lead the industry with far-reaching and specialized audits, a robust ethical certification scheme, capability building and training programs, education as well as peer to peer learning.

We have also set up a free, confidential helpline for workers in China. The helpline is widely publicized within factories in China. Over the last five years, the helpline has received over 10,000 calls, supporting an average of 2,000 workers a year.

In addition to offices in Asia, Europe and North America, ICTI CARE works with a global network of seven independent audit firms to implement our certification program.