

ICTI CARE Process (ICP) Audit Summary

Foshan City Nanhai Sino-American Toys Manufacture (MGY)

An independent audit firm approved by ICTI CARE performed an ICP audit on November 1-3, 2010. This factory is located in China, occupies an approximate area of 40,000 m² and had approximately 5,200 workers at the time of the audit. The factory includes the following major production departments; injection molding, rotational molding, sewing, spraying painting and tampo printing. During the course of this audit the following findings were identified.

Working hours at this factory were tracked by both computerized timing system and manual attendance records prepared by management on the factory floor. According to timesheets, the maximum hours worked were 11 per day and 77 per week. The factory was observed to have a policy that all overtime is voluntary. The maximum overtime hours was recorded as 121 in a peak month. Among the worker records sampled, the audit found isolated cases of employees that worked in some cases 20 or 27 consecutive days. Discrepancies between manual attendance sheets and the computerized swiping time records were also identified. Since wages are calculated based on the manual attendance sheets, a further follow up audit will be arranged to verify the accuracy of wages.

The payment of wages is made readily available to workers through bank transfer to their accounts. The legally prescribed deductions from payroll wages were observed to be correctly withheld. Interviews and policies confirmed workers may voluntarily elect to take meals in the canteen and live in the dormitory. Payroll deductions for food and housing were found to be reasonable. No deductions were observed for company provided items and the replacement charges for such items were found to be reasonable and not to exceed the cost of the item.

The factory has a written hiring policy specifying that, in compliance with the law, workers must be 16. The factory policy also prescribes that workers between ages 16-18 are restricted from hazardous work and receive health checks. No evidence of underage, forced, bonded or prison labor was observed. This was verified via document review, factory tour and worker interviews.

A sewing operation on the factory property, referred to as GY2 was considered by the audit team to be part of the factory operations. Due to the co-location and dedicated use of GY2 to support MGY, the ICP considers GY2 to be within the scope of the operations covered by the ICTI CARE Seal and subject to audit. For GY2 workers, attendance was observed to be tracked by supervisors on work floor. GY2 workers confirmed they signed attendance and hours tracking cards on a weekly basis. GY2 workers ages 16-18 were not provided health checks.

The emergency exit doors were observed to be kept open and unlocked. The exit sign were observed to be illuminated. The audit identified that some floors in a temporary block did not have proper emergency exit route painted on the floor .This finding was immediately corrected during the audit.

The factory provides dormitory housing for both male and female workers. There were a maximum of 12 workers assigned per room with sufficient living space provided, approximately 4m² per worker.

The annual requirement for air monitoring was found to have expired. The audit also observed that there was inadequate personal protective equipment provided to workers in the spray painting department.

Corrective Actions:

In response to the audit findings, MGY has taken the following actions:

- At the time of the audit GY2 was solely owned and operated by the local China partner. Effective January 1, 2011, MGY formally assumed control of the GY2 operation and has implemented the same computerized attendance tracking and health check up procedures in place for MGY.
- To resolve the discrepancies of manual attendance sheets and computerized attendance records, MGY had converted to use the computer time tracking system as the attendance record for the calculation of wages. Internal monthly random audits of attendance records and wages calculation are being conducted to verify implementation.
- Practices have been implemented to seek to ensure working hours are do not exceed 66 per week and employees work not more than 13 consecutive days without a rest day.
- Workers in the spray-painting department were provided gloves and the trained in proper use. Supervisors were trained to monitor the use of PPE and reinforce policy on the use of PPE.

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- Indoors air quality testing was conducted immediately after the audit and compliance with all testing parameters was confirmed. Corrective action closed out on November 10, 2010.

Outcome:

Improvement Required

ICTI will conduct a follow up audit in order to evaluate progress to correct findings.