

ICTI CARE Process (ICP) Audit Summary
Foshan City Nanhai Sino-American Toys Manufacture (MHK-Guanyao)

An independent audit firm approved by ICTI CARE performed an ICP audit in November 2009. This factory is located in China, occupies an approximate area of 40,000 m² and had approximately 4,300 employees at the time of the audit. The factory includes the following major production departments; injection molding, rotational molding, sewing and tampo printing. During the course of this audit the following findings were identified.

The hours worked at this factory were adequately documented using a computerized timing system starting in May 2009 and previously time cards, manual timing records and a piece rate. The maximum hours worked per day were 10.75 and 64.5 per week. All overtime at this factory is voluntary and the maximum overtime hours worked per month is 97.75. All employees are entitled to one day off in seven and the maximum consecutive working days per month is 12.

The wages and compensation for factory employees meet legal and policy requirements. The payment of wages is made readily available to employees in the form of cash. The legal withholdings from employee wages such as social insurance were not reflected in the payroll records. All deductions for food and housing are reasonable and legal. The amount of deductions for food is 255 Rmb per month and for housing is 47 Rmb per month. Deductions for other items are 3 Rmb per month for electricity and water. Employees may choose to live in the dorms and where to eat. No deductions are made for company provided items. The deduction for replacement of company provided items is reasonable and does not exceed the cost of the item.

The factory has a written policy specifying the youngest age for workers hired at the factory and the age of the youngest employee is 16. This age is in compliance with policy and local laws. The factory does not use forced or bonded labor. This has been verified via document review, factory tour, and employee interview.

The emergency exit doors are kept open and unlocked. The aisles and emergency exit doors are clearly marked and are unobstructed. The exit sign is illuminated at all times. Personal protective equipment is provided and employees have been trained to use. The factory provides dormitory living for both male and female workers. There are no more than 12 workers per room and these employees have sufficient dormitory living space of between 2.2 to 4.8 m² per person.

Additional findings: Seven of the 25 workers interviewed said that they did not obtain a copy of their employment contract. Seven workers identified themselves in the interview as a student workers and came from the school called “梧州市電子科技職業技術學校” and stated that said that 700 Rmb per month was withheld from their wages as a tuition fee. At the time of the audit, the factory representative responded that they did not hire student workers and stated that they had no engagement with the institute/school identified by the workers. The factory stated that all workers were employed directly with individual employment contract. A worker under the age of 18

was identified as having worked the night shift.

Corrective Action:

In response to the audit findings, MHK-Guanyao has taken the following actions:

- On November 21, 2009 copies of employee contracts were provided to workers and hiring procedures were revised to ensure that new workers sign their name when they receive a copy of their contract.
- The factory has enhanced training on the nature of wage deductions including an explanation of the relationship between the payroll record and notice of withholding for social insurance premium.
- A formal notice was provided on November 30, 2009 to all workers that the plant did not withhold school tuition fees. The factory further revised the hiring and wage payment procedure on December 8, 2009 to reflect that they will not hire student workers through a school or agency and reemphasized the procedure for deductions and payment of wages.
- The factory revised its worker management procedure on November 16, 2009 and trained supervisors to ensure that workers under the age of 18 are not permitted to work in the night shift.

Outcome:

ICTI CARE Seal of Compliance awarded with condition of implementing corrective action plan. Seal # C0206.