

**Samsung' supplier Factory Exploiting Child Labor**

**----Investigative Report on HEG Electronics (Huizhou)**

**Co., Ltd.**

August 7,2012

China Labor Watch

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## I. Introduction

Members of China Labor Watch were stunned by the results of the investigation of HEG Electronics (Huizhou) Co., Ltd, which showed that the practice of hiring child labor is prevalent in this factory. Our investigators worked in the factory during the months of June and July, and had identified seven children working—all of them are under the age of 16—in the department in which the investigators were working. This suggests that child labor is a common practice in the factory. The precise number of child laborers throughout the factory is unknown because our investigators had limited contact with workers in other departments. But the company has clearly violated Chinese labor laws.

Our research indicates that student laborers amount to 80% of the total workforce in the factory. During our follow up investigations, our investigators suspected that there were a large number of child laborers in other departments of the factory, estimating that there may be 50 to 100 children working there. These children were working under same harsh conditions as adult workers, but were paid only 70% of the wages when compared with the formal employees. Moreover, these child workers were often required to carry-out dangerous tasks that resulted in injury.

Before the customers place orders with the factory, they often require social responsibility audits of the company. According to the its website, Intertek was the auditor of Samsung— one of the major clients of HEG Electronics (Huizhou) Co., Ltd. Intertek is an international auditing firm (1); it claims to be a reliable auditing company. However, our previous investigation showed that reports created by Intertek are not trustworthy. Our investigation showed that some of Intertek’s auditors have accepted bribery from factories in exchange for letting the firm

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1 Whether or not Intertek carried out auditing for HEG has not been confirmed.

pass audits despite not meeting requirement. One of Intertek's previous audit results was annulled by the clients.

Apart from Samsung's products being processed on the production lines of HEG Electronics, information on their website also shows that it is doing processing work for Motorola and LG.

For this report, we have chosen to create aliases for the child laborers in order to protect their identities and to prevent possible reprisals from the factory. However, some of their information was disclosed in the report for authenticity purposes. Brand companies could verify workers' ages by their hiring certificate given upon employment. We also took photos of workers in the employment training session. The company could check their faces to verify the information.

It is our demand that the relevant brand companies and factories compensate these child workers and help them to get back into school and continue their education.

## II. Company Profile

HEG Electronics (Huizhou) Co., Ltd (hereafter referred to as “HEG”) is an important partner of South Korea’s Samsung, processing such products as mobile phones, DVDs, stereo equipment and MP3s for Samsung. As a processing company, HEG’s main manufacturing assemblies are SMT, OEM, and EMS. The company is located in the Jiaxin Industrial Park of Dongsheng Village, Chenjiang Township, Huicheng District, Huizhou, Guangzhou, China. According to our latest follow-up investigation, there is a new HEG factory across from the old factory (within 200 meters). Most processing machines have been moved to the new factory. A small number of employees are still working in the old factory, while all others are working in the new one.

There are more than 2000 employees currently in the company. During summer and winter breaks, the number of student workers increases to 80% of the workforce. The proportion is about 60% during the rest of the year. The ratio of male workers to female is 1 to 1. There are about 10 people working on each production line, 100 people in the HHP Project, more than 10 people in the shipment checking room OQC, over 10 security guards, more than 30 people in human resources, and over 50 Samsung employees stationed in HEG.

The fixed assets and important equipment of the factory are provided by Samsung, and each assembly line carries a label that reads “fixed asset of Samsung”. The production lines are: MAIN LINE (12 lines), BLOCK CELL (18 lines), SUB CELL LINE (16 lines), PBA BLOCK CELL (13 lines), PACKING LINE (18 lines), and SMT LINE (14 lines).

The clients of HEG are actually all clients of Samsung. The products are sold to Iraq, Afghanistan, United Kingdom, United States, Germany, Thailand, the Middle East, Hong Kong, France, Spain, Greece, Hungary, Nepal, Mauritania, Algeria, India, Indonesia, Israel, Turkey, Australia, Russia, as well as other places.

The major suppliers to HEG are YUTO printing, BYD Co., Ltd., JANUS (Dongguan) Precision Components Co., Ltd., Dongyuan Electronics, Iraq Alentejo Electronics (Huizhou) Co., Ltd., Afute

Electronics, Yahengtong Logistics, Taixin Color Printing, Guopeng Printing Co., Ltd., Fareach Color Printing Industrial (Huizhou) Co., Ltd., Lishen Battery, Xinyuan Electronics, Yongbao Electronics, Fengda, Broad Telecommunication, Aokai Wata, Hebei Teda Packaging Materials Co., Ltd., Jierong Mold Industrial (Dongguan) Co., Ltd., Dongguan Xinyang Electronics Co., Ltd., Dongguan Shanmukang technology Co., Ltd., as well as others.

The packing line procedure is as follows: material input → P/N binding → IMEI checking → battery covering and phones bagging → packaging, sealing and labeling boxes → electronic weighing → boxing and labeling.

### III. Child Labor Abuse

Based on our investigation, there are around 2,000 workers in HEG currently. During the summer and winter vacation, a rise in student workers can be easily observed. During these periods, student workers may constitute more than 80% of the factory workforce, 20% higher than usual. Based on our investigation and the appearance of these student workers, most of them are under 18, and they receive not a bit of special protection from the factory.

Based on what the student workers from Hunan Yuandong Vocational and Technical School said, there were more than 10 underage workers sent into the factory on 27<sup>th</sup> April 2012. They were all settled in the dormitory of Huiyang Diyu Industry Co., Ltd. According to our investigation, the employment of child laborers can occur was firstly because of HEG's slack internal supervision mechanisms; they never check the students' IDs. Secondly, the teachers in that school take advantage of this loophole in the factory management in order to serve their own interests. They often provided false IDs or household registrations to those underage workers, or they mix the underage workers with their students on the pretext of internship. They thusly created an illegal channel that could allow children to be employed on a plausibly pretense. Even after the company discovered the existence of child laborers in their factory, it took no actions to stop them from working and, instead, moved the children to rented dormitories off the factory grounds in order to escape detection. The fact that child labor was moved to the dormitory of

Huiyang Diyu Industry Co., Ltd. was striking evidence of abuse. The following is a short list of just a few of the child laborers we investigated.

Child Worker List

Alias	Gender	Department	School	Remarks
Wu Xiaofang	Female	Production Three Packing		14 y.o.a. Known by many workers in the company. Employed on Feb. 6, 2012 and fired for no reason without compensation. Would often get fined in work.
Hu Yi	Male	Production Three Packing	Yuandong Vocational and Technical School	Under 16 y.o.a.
Tian Chuan	Male	Production Three Packing	Guizhou Tongren Yanhe Secondary Vocational School	Under 16 y.o.a.
Zeng Wang	Male	Production Three Packing		Under 16 y.o.a.
Su Qianfang	Female	Production Three Packing	Guizhou Tongren Yanhe Secondary Vocational School	Under 16 y.o.a.
Li Dixia	Female	Production Three Packing	Guangdong Zhanjiang Leizhou Sixth Middle School	Under 16 y.o.a.
Peng Shuang	Female	Production Three Packing	Chongqing Fuling Informational and Technical School	Under 16 y.o.a.

Remarks      Students and employees confirmed the existence of child laborers in the packing department. It is suspected that there were also underage workers in other workshops, but this had not been further investigated.







Student workers and child workers taking a break

Among the child workers listed above, we interviewed Wu Xiaofang (alias) in particular. She is 14 years old. (Given that she does not have an official ID, we confirmed her age with her.) She told us about her problems at HEG recently. During March and April 2012, she accidentally fell on the stairs on her way from the dormitory to the factory floor, unable to work afterwards. However, the company not only refused to take her to the hospital for treatment but also rejected her request for sick leave. It also deducted 6 days from her wages on the pretext of her sick leave. Similar things happened in late May. At that time, Wu was late because of the illness and asked for leave, but the manager did not approve. She was too sick to work and went back to rest in the dormitory, while the company deducted 3 days from her wages for absenteeism. What was worse, Wu was fired for no reason in late June and expelled in July. She cried while telling us that the management of the company expelled her because there would be an audit of the factory and that the manager said that once the underage workers who falsified their ages

to be employed were discovered by auditors, the company would receive a fine for more than 100,000 RMB (\$15,873) and the hometowns of the child laborers would be fined for more than 20,000 RMB (\$3,174.6). Wu said that she did not know where she could go without a legal identity.

Apart from child labor abuses, there are also significant defects in the management and remuneration of student laborers at HEG. Based on our investigation, the schools providing student workers to HEG in the long-term are Hunan Yuandong Vocational and Technical School, Chongqing Fuling Informational and Technical School, Guizhou Tongren Yanhe Secondary Vocational School , Chongqing Qijiang Vocational and Technical School, Guangdong Zhanjiang Chengyue Electronic School, Guangdong Zhanjiang Leizhou Sixth Middle School, Guangdong Zhanjiang Taiping Third Middle School, and Guangdong Huazhou Yangmei Middle School, and others.



Student workers and child workers from vocational schools

When hiring student workers, HEG did not sign labor contracts with them. Student workers said that the company only signed the contracts with teachers

and did not check the students' IDs upon employment. All of the copies of IDs, falsified IDs, or household registers of the child labors were provided by the teachers. The teachers were in charge of organizing all of the affairs of student workers. For the two or three months of internship, the teachers would only pay students after they finished work and returned to school. All fees for transportation and health checks were deducted from the wages. However, before June 2012, the company promised that 30 RMB (\$4.76) health check fee that the students were required to undergo for employment would be reimbursed to students after they worked for one full month in the company and that the company would transfer the fee to their bank accounts. The above examples clearly demonstrate the unfair treatment of student and child labor at HEG. Below are the results of our investigation regarding the treatment of the student workers from several schools.

School Name	Start Date	Number of Interns	Remuneration	Remarks
Hunan Yuandong/ Vocational and Technical School			Hourly; 8 RMB (\$1.27)/hour	No holidays; additional overtime pay; food and dorm provided; monthly 30 RMB (\$4.76) deduction for water and electricity. In the case of a child worker, only an introduction fee of 200-300 yuan (\$31.7-47.6) per person is needed, and the teachers would provide copies of false IDs. The teachers live in Room 220

				of HEG dormitory. This school cooperates with many factories.
Guizhou Tongren Yanhe Secondary Vocational School	April 1, 2012 (returned to school on July 1, 2012) June 20, 2012 (will return to school on Oct 20, 2012)	>100 persons >100 persons	Hourly; 6.8 RMB (\$1.08)/hour	No holidays; additional overtime pay; food and dorm provided. At least two groups of interns every year.
Chongqing Qijiang Vocational and Technical School	May 31, 2012	>130 persons	Basic wage of 1820 RMB (\$288.9)/month	Required working hours of 11 hours/day, 26 days/month; overtime of 7 RMB (\$1.11)/hour; internship lasts 3 months.
Guangdong Zhanjiang Leizhou Sixth Middle School	June 20, 2012	>100 persons		Working period lasts for 2 months in the summer.
Guangdong Huazhou Yangmei Middle School	June 26, 2012	>100 persons		Student laborers sign contracts with HEG but don't receive their own copies. The teachers do not manage students

workers.



Student workers and child workers during break time

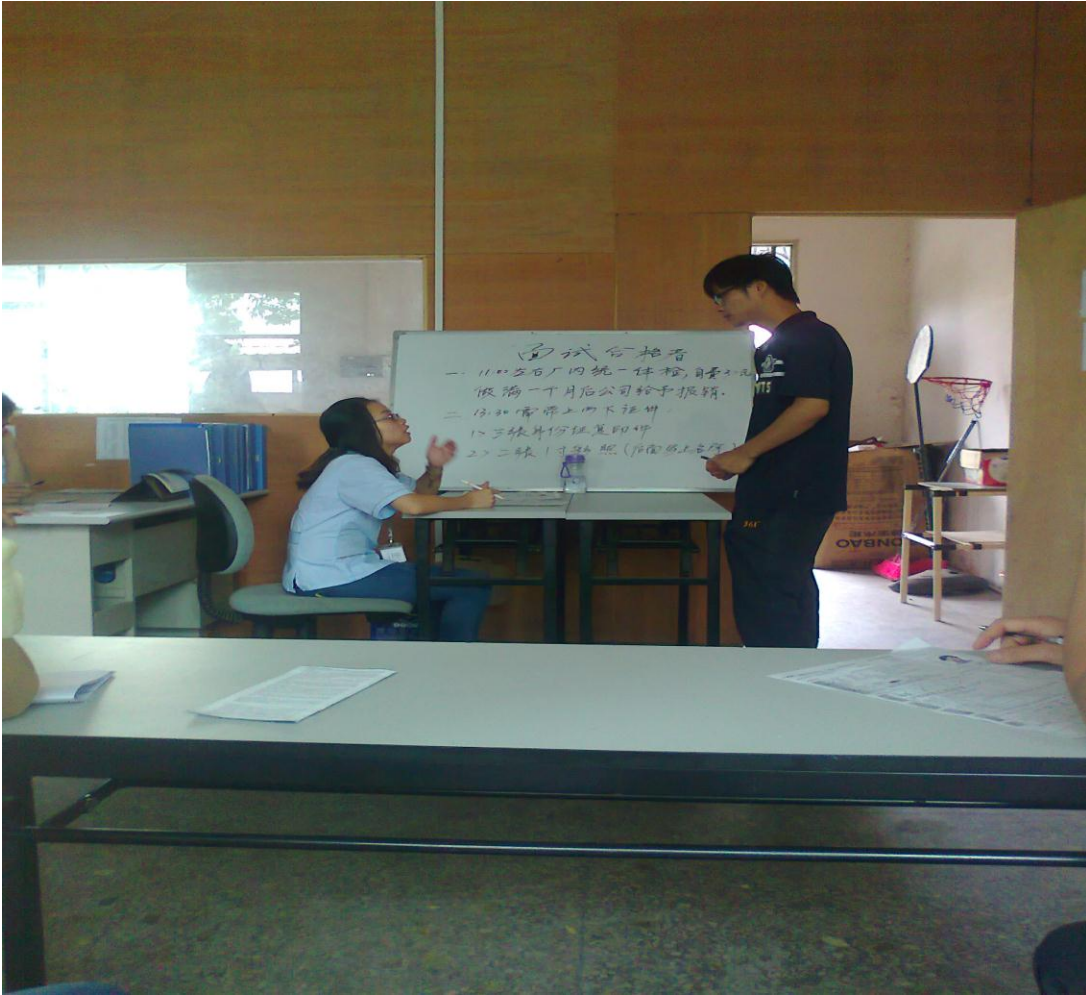




The teacher instructing students on intern issues

#### IV. Hiring Discrimination

Based on HEG's requirements, the female applicants should be between the age of 16 and 30. However, these requirements are hardly binding given the large number of underage workers in the factory. For male applicants, the unwritten rule is that those with tattoos, long hair, or disabilities will not be hired. From this perspective, it is clear that there is discrimination based on sex, age, and individuality.



Employment interview

#### V. Excessive Overtime

The factory purportedly maintains a "five day workweek, eight hour workday" system. But in reality, workers need to work 11 hours for 6 days a week and 26 to 28 days per month. What is more, workers in the Samsung production lines have to work standing for more than 11 hours per day.

## Work Schedule

Shift	Working Time	Remarks
Day Shift	8:00 - 20:00	The working time for a day shift in the SMT workshop is calculated at 11 hours, while the day shift in other workshops is calculated at 10.5 hours; the lunch break is 40 minutes and the dinner break is 30 minutes.
Night Shift	20:00 - 8:00 on the next day	The working time of a night shift in SMT workshop is 11.5 hours, while that of other workshops is calculated at 11 hours; night meal break is 40 minutes.
Regular Shift	8:00 - 12:00	The working hours of the Human Resources Department and the Longcheer Division's staff and administrators.
	13:00 - 17:00	
Remarks	Quality assurance department, sales department, and engineering division all have similar working hours as those of the workshops.	

Aside from this, the factory requires workers to work overtime, and working overtime is mandatory instead of optional. In most cases, workers need to work overtime for 3 to 5 hours per day (based on the regular 8-hour workday). If there is a labor shortage or a major order that must be filled, workers can only enjoy one or two days off. This situation is reflected in the difficulty of asking for leave. In most cases, leave is not approved by management. Even worse, sometimes workers are not permitted to take sick leave. If workers do not have the "employee absence report form" signed by the management, they will be punishment by the deduction of 3 days' wages and 10 points per day. For approved leave, workers will have 5 points per day deducted, and their performance bonus will be negatively influenced.



The attendance-check system is also incomplete. If a worker doesn't clock-in in the correct way, then he/she will receive no credit for their work hours. Forgetting to punch the card is considered absenteeism. After arriving late/leaving early more than 3 times in a month, every subsequent occurrence will add one additional multiplier to the fines. Arriving late/leaving early 8 or more times in a month will lead to termination. Absence for 0.5 hours or more will lead to a fine three times the amount of the normal fine. These rules all reflect the dehumanizing management of employees in the company.

## VI. Labor Contracts, Wage Rates, Reward and Punishment System

The company will ask employees to sign two copies of a labor contract on the second day of hiring after orientation training, but the workers will not get a copy of the contract, thus leaving workers no legal documents when they need to defend their rights or interests in the future. In the signing process, the HR department only requests workers to fill out their personal information and sign their names on the contracts, especially emphasizing that employees need to impress their fingerprints on the part on the contract that reads, "the first party has the right to change the position and department of the second party." During the whole process of signing the contracts, the company does not explain any detailed aspects of the contracts to the employees. It only requires the workers to perform their duties for the benefit of the company. The employees thus know very little about their rights, benefits, and wages.

The company embezzles the workers' wages through various company rules and regulations. For instance, the company pays interns well below the legal standard. The basic compensation for an intern as of May, 2010 was only 750 RMB (\$119.4) per month, while the minimum wage of Huizhou was 950 RMB (\$148.4) per month at that time. The wage rates and wage deduction standards are shown in the following chart.

### Wage Standards

Item name	Amount of money or other	Remarks
Basic salary	1020 RMB (\$161.9)/month, 1150 RMB (\$182.5)/month	The salary in the trial period is 1020 RMB (\$161.9)/month. After working for two full months, the salary will raise up to 1150RMB (\$182.5)/month. (Details in <i>Notice on Salary Increase in May, 2012.</i> )
Overtime pay	1000RMB (\$158.7)/month	Pay stub does not detail weekday and weekend overtime, only showing the total overtime payment. Employees are not informed about the method of calculation.
Nightshift subsidy	7RMB (\$1.11)/day	The nightshift subsidy is calculated based on the typical working day. 7RMB(\$1.11)/day as of May, 2012 and 5 RMB (\$0.79)/day before that.
Bonus	100 - 150RMB (\$15.9-\$23.8)/month	50 RMB (\$7.94)/month of bonus in 2011, rising to 100 RMB (\$15.9) as of April 2012. And employees who work for more than one year can get 150 RMB (\$23.8)/month for bonus.
Full-attendance bonus	50RMB (\$7.94)/month	The full-attendance bonus is 50 RMB (\$7.94)/month before June 2011. The company issues it every half year. Although the salary slip displays this item, the company does not put this bonus into employees' bank accounts. There was no bonus if the staff asked for leave from Monday to Saturday.
Service Awards	50 - 100 RMB (\$7.94-\$15.9)/month	The service award is 60 RMB (\$9.52)/month after working for six months; it increases to 100 RMB (\$15.9) after working for 18 months.
Performance assessment	50 - 100 RMB (\$7.94-\$15.9)/month	There are three kinds: A, B, C. 100 RMB (\$15.9)/month for A, 50 RMB (\$7.94)/month for B, none for C. Generally, these are not given to workers.
Performance level	GP1, GP2, GP3	Employees don't actually know the specific amount of this award.

Birthday cash gift	50 RMB (\$7.94)/year	Each year, employees can enjoy a cash gift when it is their birthday month.
Wedding cash gift	200 RMB (\$31.7)	Employees can receive a cash gift upon presentation of their marriage certificates.
Physical examination fee reimbursement	30 RMB (\$4.76)	Employees can receive a reimbursement after working for two full months.
Noise subsidy	2 RMB (\$0.32)/day	Employees who work under noisy conditions can enjoy this subsidy.

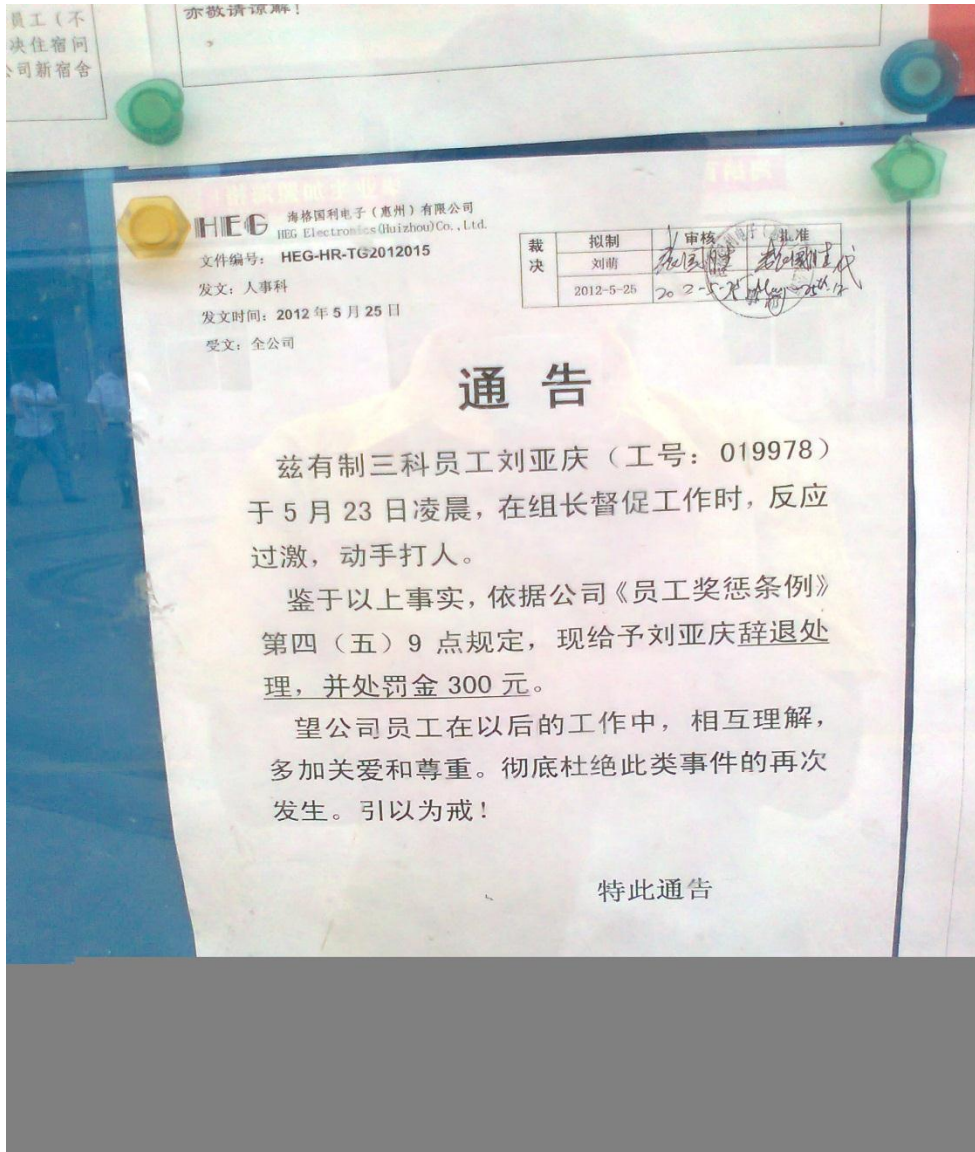
### Deduction Standards

Issue name	Amount of money or other	Remarks
Board	150 RMB (\$23.8)/month	Employees who live in the dormitory have 150RMB (\$23.8)/month deducted from their wages even if they do not have meals. Workers who do not live in the dormitory need to be deducted 5 RMB (\$0.79)/day.
Utilities	30 - 90 RMB (\$4.76- \$14.3)/month	Each room member pays an equal share based on the actual power consumption.
Worker uniform fee	160RMB (\$25.4)/2 suits	The company deducts the costs according to the number of uniforms; it does not allow staffs to return them.
Bank transfer fee	2 RMB (\$0.32)/month	Only dispatched workers need to have this fee deducted.
Social insurance fee	78 RMB (\$12.4)/month , 108.16RMB (\$17.2)/month	Employees under 30 have 78 RMB (\$12.4)/month deducted, while people above 30 get 108.16 RMB (\$17.2)/month deducted. This item does not apply to employees currently in a trial period or from labor dispatch companies. Beginning in 2010, workers do not have social insurance cards, and the employees do not know what type of social insurance they have.

Within this award and punishment system, there are major problems. For example, according to the rules, a worker that discovers defects in the Samsung products will be rewarded by the company. But in reality, it never rewards employees; rather, it punishes them for reporting defects. Workers will be imposed a fine of 200 RMB (\$31.7) each time they find a defect, and the fine was increased to 500 RMB (\$79.4) beginning in March 2012. Even more, employees can face termination for finding defects. If workers make mistake like forgetting a piece of material, they will not be punished the first time. But when it happens for the second time or there is a OQC spot check issue, they suffer a 200 RMB (\$31.7) fine each time.

At 23:00pm on May 19<sup>th</sup>, 2012, Feng from Production Two had a fight with Lee from Production Three in the dormitory. They were handed over to the police department that night and were fired by the company.

On the morning of June 29<sup>th</sup>, 2012, a worker in Line 8 of Production Three Packing, accidentally drew a line on a box, failing to pass the quality test in the OQC spot check. This worker was punished by standing for an entire day and was fired and fined 300 RMB (\$47.6) in the afternoon.



### Notice of worker punishment

The management are abusive during work, sometimes hitting workers on the factory floor. Any carelessness, such as slow movements, misoperation, or late completion of team leaders' orders could provoke the shouting of team leaders at anytime. Everyday, employees in the workshops were punished by standing all day long, writing self-criticism, or getting fined. However, based on interviews with the management, their attitude towards the above issues was that they

had gone through the same process before they reached their current position, and when mistakes are made, one naturally must accept punishment.

HIEG 海格国利电子(惠州)有限公司				
文件编号	版本	员工奖惩条例	生效日期	页码
HBB-MWI-HR-005	A2			2012.06.01

No.	行为描述	奖励等级	奖励金额
1	严格遵守、维护公司的各项规章制度,对于各种违纪行为(例如伪造考勤、偷窃等)敢于制止或检举并提供真实材料者;	记功 (需保密)	200
2	异常情况或发生突发事件时,在维持正常的生产秩序和工作秩序或维护公司治安方面,有显著功绩,使公司免受损失的>2000元;	记功	200
3	保护公司、员工和客户的财产、生命安全者;	记大功	500
4	为公司取得重大社会荣誉或其他特殊贡献,足为员工表率者;	记大功	500

5.1.4 特殊奖励  
 如果因员工表现特别突出,上述奖励不能涵盖,可由部门经理和人力资源部共同申请特殊奖励,即特别贡献奖,指给公司带来重大收益,且完成公司重点战略指标,后期收益及带来的影响非常显著,经常务副总批准,进行一次性现金奖励;

5.2 惩处规定

5.2.1 对于有下列表现之一的员工,由所属部门每周筛选,对其行为进行教育,并在部门内通报批评;

No.	行为描述	惩处等级	惩处金额
1	违反公司《员工行为礼仪规范》情节轻微的(如不按规定穿着工衣、工鞋及佩戴厂牌等);	部门批评	N/A
2	工作期间不按规定进行整理、整顿、清洁、清扫被口头警告后再犯的;		
3	未按 SOP 作业的;		
4	未按车间规定采取任何防静电措施而直接触摸 PCB 板的或未作防尘措施直接进入无尘车间的;		
5	作业及搬运人员对待产品有叠、丢、甩、推、拉、拉板等不规范行为的;		
6	违反公司设备保养规定的或不按规定操作公司设备、仪器、工具的;		
7	上班时间未经上司同意私自离岗 5 分钟(含)以上的;		
8	因个人过失,携带公司资料通过车间安检门后,由所属部门文员以《汇报》方式向人力资源部提交书面申请,经人力资源部审查,确属无意携带的;		

5.2.2 对于有下列表现之一的员工,公司给予书面警告并全司通报批评:

No.	行为描述	惩处等级	惩处金额
1	上班时间利用公司资源做私事的(如玩游戏、聊天、看电影等);	书面警告	30
2	违反公司工资保密原则,泄露自身或探听他人薪资的;		30
3	同事(上级)之间互相谩骂、诋毁、恶意攻击,造成不良影响的;		50
4	主管级以下人员未经允许带手机进入车间的;		50
5	因个人工作过失导致公司损失 2000 元(含)以下的;		80

5.2.3 对于有下列表现之一的员工,公司给予记过、记大过处分,同时给予 150-300 元经济处罚:

No.	行为描述	惩处等级	惩处金额
1	不服从公司或上司合理的工作安排、岗位调配,经教育后拒	记过	150

※※※ 公司秘密级文件,未经许可不得复制或携带出公司范围外 ※※※

Employee punishment rules

## VII. Appalling Cafeteria and Dormitory Conditions

### 1. Meals

The company provides a cafeteria for employees, but there is no subsidy for workers that do not eat in the cafeteria. Employees living in the dormitory will receive a 150RMB (\$23.8)/month deduction from their wages even if they do not have meals. The cafeteria fee is also applied to those who do not live in the dormitory, calculated by days. The workers could only have a meal at 1am when working nightshifts and they would be charged for the entire day. Workers generally reported that the meal break is too short, and one meal is far from enough given the long shifts. They always feel very hungry while working.

Time Table for Meals

issues	time	remarks
breakfast	7:00 - 8:40	If the nightshift workers need to continue working overtime until the next morning, the company sometimes does not offer breakfast to these workers.
lunch	11:50 - 12:50	The lunch break is 40 minutes. (Because the cafeteria is small, workers are divided into several groups to take turns to have a lunch. Thus, the real lunch break is only 40 minutes as indicated above. This is the same in the cases below.)
dinner	17:00 - 19:40	The dinner break is 30 minutes.
night meal for scattered workers	18:30 - 19:30	The time for scattered workers to have a meal is 40 minutes.



night meals	1:00 - 2:10	The nightshift workers regularly work 11 hours with one meal, and the meal break only 40 minutes.
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Timetable for meals

## 2. Dormitory

Because the dormitory are limited, it is was company rule before June 2012 that employees who do not live in the dormitory could receive 100RMB (\$15.9) per month subsidy. However, the company has cancelled the subsidy because it has moved to a new location and now owns a sufficient number of dormitories. Also, according to the male employees, thefts in the male dormitories were frequent.



#### VIII. Lack of Safety Education and Labor Protection

The company's employees were neither familiar with the Environment, Health, and Safety Committee nor the orientation training about environmental safety. Because there were no tests given after training, employees would not pay much attention to the work safety lecture and thus lacked the awareness to protect themselves. At the same time, the company did not arrange any professional physical examinations for current or former employees.



A worker injured on the job

The main chemical that workers are exposed to while working is ethyl alcohol. They only have one opportunity per day to get new protective gloves from the supervisor if the gloves are worn out. Everyday, during the rushed period of shift changes, the workshops became very hot. Many employees want to resign because they could not tolerate high-temperature environment. If the supervisor refused their request to resign, they would just simply leave. Each workshop is equipped with a “environmental temperature/humidity control chart”. However, the chart is not created based on real conditions. The chart is written within standard range so that the company could pass an audit.

The company provides neither a health clinic nor first-aid kits in workshops or dormitories. If there is an accidental work injury, the workers can only get medicine from supervisors for emergency treatment. The company essentially offers no medical protection measures.

## IX. Appendix

### Reward Standards

NO.	Descriptions of behaviors	Reward level	Reward amount (RMB)
1	Completing tasks with high efficiency, saving labor costs for the company;	Certificate of merit	50 (\$7.94)
2	Discovering serious problems, avoiding batch reworks (outside of one's purview of duties);	Certificate of merit	50 (\$7.94)
3	Actively upholding company reputation, establishing positive company image and reputation;	Certificate of merit	100 (\$15.8)
4	Preventing accidents that could cost the company less than 2000 RMB (\$317);	Certificate of merit	100 (\$15.8)
5	Strictly observing and maintaining rules and regulations of the company, courageously stopping violations (such as false attendance, theft, etc.) and reporting with evidence;	Merit points (classified)	200 (\$31.7)
6	Maintaining normal production, order, or company security under abnormal circumstances and emergencies. Extraordinary contributions to avoid harm that would cost the company more than 200 RMB (\$31.7);	Merit points	200 (\$31.7)
7	Protect the property and security of the company, employees, or customers;	High merit points	500 (\$79.4)

8	Gaining outstanding honor or making other special contributions for the company, setting an example for employees;	High merit points	500 (\$79.4)
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Remarks: excerpts from *Employee Rewards and Punishments* No. 5: 5.1.2 - 5.1.3

### Punishment Standards

NO.	Descriptions of behaviors	Punishment Level	Punishment amount (RMB)
1	Attending to personal affairs using company resources at work (such as playing games, chatting, watching movies, etc);	Written warning	30 (\$4.76)
2	Breaching wage secrecy rule of the company, disclosing one's or others' wage information;	Written warning	30 (\$4.76)
3	Abuse, defamation, or hostile attack of colleagues (or supervisors), producing harmful influence;	Written warning	50 (\$7.94)
4	Employees below supervisor-level bringing mobile phones to workshops without permission;	Written warning	50 (\$7.94)
5	Causing the company a cost of no more than 2000 RMB (\$317) due to personal negligence;	Written warning	80 (\$12.7)
6	Disobeying reasonable work arrangements, assignments from the company or supervisors, and refusing to correct oneself after the first time;	Demerit	150 (\$23.8)
7	Verbal threats to colleagues (or supervisors) without physical harm or property loss;	Demerit	150 (\$23.8)
8	Losing important company documents (including items and materials) or disclosing commercial secrets unintentionally;	Demerit	150 (\$23.8)
9	Dosing (napping) at work again after being corrected one	Demerit	150 (\$23.8)

	time;		
10	Breaching <i>Employee Code of Conduct and Etiquette</i> of the company, refusing to correct after education and warning, or other serious violations (such as smoking in non-smoke area);	Demerit	200 (\$31.7)
11	Causing company a cost of more than 2000 RMB (\$317.5), and less than 5000 RMB (\$793.7) due to personal negligence;	Demerit	200 (\$31.7)
12	Maliciously damaging property of the company;	Demerit	A fine twice the value of the property
13	Unreasonably noisy in the work area, disturbing normal work order or production, bring about serious and undesirable influence (such as suspension of work in the line for more than 20 minutes);	Major demerit Major demerit	300 (\$47.6)
14	Fabricating a situation in order to take leave, false report of overtime or attendance;	Major demerit	(Basic wage + position wage + bonus + technical allowance)/174, multiplies times 10
15	Negligence causing batch rework or a reoccurrence of batch defectives despite education;	Major demerit	300 (\$47.6)
16	Causing the company a cost of no more than 5000 RMB (\$793.7) due to personal negligence;	Major demerit	500 (\$79.4)
17	Abusing subordinates or extreme criticism of subordinates (such as words like “get the hell out of here”);	Written warning	50 (\$7.94)
18	Favoritism of relatives, friends, or subordinates that results in unfair treatment, after undergoing authentication.	Written warning Written warning	50 (\$7.94)
19	Abuse of power, dismissing employees in a way that violates company procedures;	Written	100 (\$15.8)

20	Non-investigation, non-correction, or nasty attitude of subordinate complaints;	warning	100 (\$15.8)
21	Bringing personal emotions into management at work, maliciously directing these emotions at or making things difficult for subordinates;	Written warning	100 (\$15.8)
22	Loose supervision with several (two or more times) mistakes in the responsible departments, producing negative influence in company management or causing economic costs;	Written warning	Leader - 20 (\$3.17) Monitor - 40 (\$6.34) Head - 60 (\$9.51) Supervisor - 80 (\$12.7) Manager - 100 (\$15.8)
23	Releasing rumors of the company to subordinates or gossiping, defaming the company;	Demotion and salary reduction	200 (\$31.7)
24	Smoking on in the workshop;	Termination	500 (\$79.4)
25	Instigating others to strike, intentionally working slowly, or work stoppage, sabotaging normal order of work and production;	Termination	500 (\$79.4)
26	Stealing, altering or fabricating the following items or documents: company prints, files, materials, original vouchers, original records, or highly classified documents;	Termination	500 (\$79.4)
27	Getting drunk, gambling, fighting or causing disturbances outside the company;	Termination and handing over to police department	300 (\$47.6), as of the notice published on May 25, 2012 for punishments

28 Theft

by law related to fights  
Termination and handing over to police department by law 10 times the value of the stolen property (the limit of the fine is the gross wage upon the date of theft)

Remarks: excerpts from *Employee Rewards and Punishments* No. 5: 5.1.2 - 5.1. In practice, there are more fines than of those in the rules alone. For example, in *The Management System of the Packing Workshop*, rule no. 6 reads, "Those arriving late/leaving early will receive a warning the first time, a fine of 50 RMB the second time, 100 RMB the third time, and termination the fourth time." But different workshops set different management rules in this regard.