

**MATTEL, Inc. - Mabamex and Montoi Plants, Mexico**

**COMPLIANCE WITH MATTEL'S GLOBAL MANUFACTURING PRINCIPLES (GMP)**

**Report of the Independent External Audit**

Prepared by



**International Center for Corporate Accountability, Inc. (ICCA)**

A non-for-profit, educational-research organization

Zicklin School of Business, Baruch College  
One Bernard Baruch Way, Box J-1034,  
New York, NY 10010-5585  
[www.ICCA-corporateaccountability.org](http://www.ICCA-corporateaccountability.org)

Copyright© ICCA, Inc., 2007

May 2007

## **MATTEL, Inc. MEXICO OPERATIONS**

### **MABAMEX AND MONTOI PLANTS**

#### **Introduction**

This report is based on the audit of Mattel's operations in Mexico. It covers the Mabamex and the Montoi plants, which are both wholly owned by Mattel, and produce only Mattel brand toys. The Mabamex plant, located in Tijuana, was audited on January 15-16, 2007. The Mabamex plant, located in Monterrey, was audited on January 17-18, 2007.

#### **ICCA's Audit Protocols**

ICCA's audit is structured to cross-reference and confirm company policies and practices from the perspective of workers as well as management. These consist of pre-audit preparation and information requirements, and field audit.

#### **Pre-Audit Preparation**

Prior to the actual audit, ICCA requests information from the plant management regarding plant practices. This standard document is called the Management Compliance Report (MCR). It contains information on all aspects of GMP and the extent of management's compliance with its provisions, details of any shortfalls, and the company's plans for corrective action. ICCA also reviews

reports of all audits and follow-ups conducted by Mattel's internal audit department.

### The Field (on-site) Audit

The field audit is comprised of four parallel activities. The first is an audit of a randomly selected sample of the personnel files and payroll data of a group of workers representing the plant's entire workforce. Professional auditors retained and supervised by ICCA conduct this audit. These professional auditors have extensive knowledge of the country's relevant labor law and prevailing practices with regard to wages and benefits, working hours, government-controlled deductions and related matters. The intent of this audit is to ensure that all workers receive wages for regular and overtime work as mandated by law, operate within legal and GMP standards as to regular and overtime hours, and receive benefits as mandated by law, GMP standards, and company policies.

The second element of ICCA's audit involves confidential, one-on-one interviews of the same sample of workers selected for the payroll and personnel file audit. This allows for comparison of the information contained in the plant's payroll records and personnel files and the information provided by the workers through their confidential one-on-one interviews.

This is a very important aspect of ICCA audit. It is based on a randomly selected group of workers representing a statistically representative sample of the plant's entire workforce. Worker interviews are based on a lengthy

questionnaire designed by ICCA's experts to elicit information, both quantitative and qualitative, on all aspects of the workers' working and living conditions at the plant. Interviews are conducted by trained interviewers in the workers' own language. To ensure ease of communication, and engender good rapport between the interviewers and the workers, interviewers are selected to match the workers in terms of age, gender, and regional profile. The intent is to ensure that workers are guaranteed complete confidentiality.

The third element of the audit is a thorough examination of the plant's practices and policies with regard to environment, equipment layout and operational practices, and, worker safety and health issues. The examination is conducted by an ICCA professional engineer who is familiar with Mexican plants from several previous plant visits. This includes a careful examination of plant's pertinent documents and government permits. Plant's records are further verified by thorough "walk-through" of the plant by ICCA's experts. General maintenance of the manufacturing facilities, storage and handling of hazardous materials, treatment and disposal of contaminated waste materials, hygiene conditions in toilets and bathrooms, kitchen and eating facilities are examined to ensure safe and healthy operations. The walk-through also includes a thorough inspection of the dormitories and recreational facilities in terms of hygiene, adequacy of space, worker comfort, privacy and security, and other related matters as deemed appropriate in specific situations.

The final element of the ICCA audit is a series of briefing sessions among ICCA's audit advisors and the plant's functional managers. These sessions serve

to confirm and clarify issues in the MCR submitted prior to the field audit and elaborate on the plant management's practices regarding issues that emerge during the field audit.

### Post Audit Activities

Upon return to the New York offices, ICCA staff analyzes all the field data including payroll records and information gathered through questionnaires from the workers interviewed by ICCA as part of its field audit. The preliminary draft of ICCA's audit findings is submitted to Mattel for review and comment by the company. This practice affords Mattel suitable opportunity to respond to ICCA's findings of fact, conclusions and recommendations. In its formal published public report, ICCA includes both its original findings and Mattel's responses without any changes by either party. All audit reports, including reports of follow-up audits, if any, are posted on the websites of both ICCA and Mattel.

## **ICCA Audit Report - Mabamex S.A. de C.V. Planta Mabamex**

### **I. Introduction**

The following report is based on the field audit of Mabamex S.A. de C.V. Planta Mabamex (Mabamex). The plant is wholly owned by Mattel and is located in Tijuana, Mexico. The plant's entire production capacity is dedicated to the production of Mattel and Fisher Price toys. The field audit was conducted on January 15-16, 2007. This plant was previously audited in April 2003 and August 1999. The reports of these audits are available at Mattel's and ICCA's websites.

### **II. Worker Profile**

Mabamex currently employs approximately 2450 workers. However, the employment may increase to around 3200 during peak production periods. Almost 92% of the workers are employed in production operations with the remainder 8% engaged in administrative and managerial tasks.

Mabamex relies heavily on temporary workers to accommodate the cyclical nature of its production needs. About 50% of the workforce is considered as the 'core group' or permanent employees with no contractual expiration date. The remaining 50% of the workforce is given temporary contracts of varying durations ranging from one to 6 months. Approximately 25-30% of the temporary workers are seasonal re-hires. i.e., the same worker is re-hired repeatedly during peak-production periods.

The gender composition of the workforce is 46% male and 54% female with average age of 30 years. There are no workers below the age of 16

(minimum age under the Mexican labor law) employed at the plant. However, of the current workforce, 15% of the workers are between the ages of 16-18 years. In general, Mabamex workers have rather low level of education (average 6 years of schooling).

### **III. Audit Findings**

#### **III. A. Recruitment and Hiring**

Among the workers interviewed by ICCA, a large majority of the workers (79%) got their job at Mabamex by applying directly at the plant site, while another 19% were referred by friends. The average length of employment among the interviewed workers was approximately 4.0 years. However, for 26% of the workers, employment at Mabamex was their first job. This indicates that while the workforce includes a sizeable proportion of temporary and seasonal workers, the core group provides Mabamex with a substantial number of stable and experienced employees.

The hiring process includes general company orientation, which covers such issues as the employment contract, rules of conduct, disciplinary measures, grievance procedures, wages deductions and overtime pay policies, transportation services, facilities, amenities and tour of the factory. Newly hired workers also receive information and training in the topics of Environmental, Health and Safety (EHS Orientation).

Each worker at the Mabamex plant has a signed contract on file. Employee personnel records also include illness and injury reports; disciplinary action reports; medical examinations and maternity leave reports.

All new hires are also given a medical examination. They also received job-related training of varying length based on the specific requirements of their jobs. These observations were confirmed by large majorities of the interviewed workers and are summarized in Table 1.

Table 1

Initial Hiring Procedures for Mabamex Workers

Hiring procedure	% of workers participated
Medical Examination	90%
General Company Orientation	92%
Job-related Training and Safety Requirements	76%
Global Manufacturing Principles	87%

**III B. GMP Awareness**

Interviewed workers largely confirmed that they were familiar with various provisions of Mattel’s GMP. Management Compliance Report (MCR) indicated that GMP document in local language was provided to all employees and is available in local language. The Plant Manager plays the key role in communicating GMP information to supervisors and employees. The MCR also stated that information on GMP is provided twice a year, through various sources such as the new hire orientation program, employee handbook, boards and the company intranet.

**III. C. Working Hours, Wages, and Benefits**

Mabamex operates a day shift (Shift 1) from 6:00 a.m. to 2:30 p.m.: a night shift (Shift 3) from 10:30 p.m. to 6:00 am.; and a “mixed hours” shift (Shift 2) from 2:30 p.m. to 10:30 p.m. Mexican Federal Labor Law, defines a full workday

to take place between 6 am and 8 pm with actual work limited to a maximum of 8 hours per day. Work performed between 8 p.m. and 6 a.m. is deemed to be night work where the maximum allowable work time is 7 hours. “Mixed hours of work” contain both day and night work, between 2:30 p.m. and 10:30 p.m., and the maximum allowable work time is 7.5 hours.

Mexican labor law does not stipulate any limitations on the maximum number of hours that workers may work in a specified period. However, regular hours, for wage calculation purposes, are defined as 48 per week for a six-day workweek. Mabamex policy regarding work hours is to schedule overtime on an exception basis only. Management targets these exceptions by limiting the percentage of workers who work in excess of 60 hours per week to 25% of the workforce. In addition, some special job classification workers, such as maintenance workers, by policy, may work up to 72 hours per week when needed. Mabamex does not have a system to ensure that the 60-72 hour work weeks are limited to a maximum of 17 weeks per year. In practice, Mabamex’s peak period is defined as June through November.

ID badges are swiped to record actual hours worked by each worker. In the event a time card is lost or the employees forgot to bring it to work, attendance sheets are provided.

The minimum wage for Tijuana is \$48.67 (Mexican pesos) per day. Temporary workers at the Mabamex plant earn at least \$74.00 per day; while the core group’s minimum wage is \$85. All overtime is paid at double wage rates, up to 9 overtime hours each week. All hours worked in excess of 9 hours per week

are paid at triple rates. In addition, workers also receive attendance and punctuality bonuses.

Mabamex provides several types of benefits to its workers, which are based on their tenure with the company and their temporary / permanent status:

- Annual Leave: The Mabamex facility provides 6 days of paid leave for its workers. As a supplement, permanent workers are also paid 50% of their base pay as bonus when on vacation; temporary workers get a 25% bonus when on vacation. For workers who wish to take vacations before they complete a full year service with the company, annual leave is adjusted proportionally.
- The company provides free transportation to all its workers. Several bus routes are established throughout the city, which transport workers to and from the factory.
- Cafeteria costs are subsidized by \$40 worth of coupons per month for meals served at the factory cafeteria.
- Workers are provided with free coffee and bakery products during their daily coffee breaks.
- Core group workers are also eligible to receive career-path training and skills education as a part of the benefits package offered by Mabamex.
- With regard to maternity leave, Mabamex Management stated that workers were provided with maternity leave of 84 days in compliance with Mexican labor laws. Maternity leave is divided into two equal parts of 42 days each to be used before and after the birth of the child.

ICCA's Observations and Recommendations:

ICCA findings of the payroll audit are generally positive. Wage rates and pay practices are quite favorable, and benefits include some praiseworthy amenities for the workers.

Mabamex is in full compliance with Mexican labor law and Mattel's GMP with regard to payment of wages for regular and overtime hours, and proper record keeping of all benefits. Interviewed workers have also expressed a high level of satisfaction with their accuracy of records for hours worked, understanding of pay-stubs, receipt of accurate wages in a timely fashion, They also indicated their strong confidence in the accuracy of information provided to them by the company in the matter of wages, working hours and benefits.

Areas of Concern and Need for Improvement

In a few cases, workers were not given at least one day of rest during a 13 day period. This practice does not comply with Mattel's GMP. Plant records indicate that during the period covered by the ICCA audit, 44 workers had worked without a rest day for more than 13 consecutive days without a break. While acknowledging these instances of non-compliance, Mabamex management attributed the problem of poor scheduling to inadequate computer information systems. In ICCA's view, this is not a justification for the management's inability to meet this important area of GMP compliance and best management practices.

### **III. D. Workplace Discipline of Employees**

Mabamex plant has written procedures on employee discipline. These are communicated to the employees at the time of hiring. They are also included in the employee handbook which is provided to all employees. Disciplinary problems most often cited include frequent absenteeism without prior notice, constant late arrival to work, and not using PPE where required. Employees receive verbal and written warnings, and in most severe cases, their employment may be terminated. The factory does not impose any cash fines as a disciplinary measure.

Among the interviewed workers, approximately 24% indicated that they had been the subject of disciplinary action during the three months prior to ICCA's visit, while the frequency of such action was 3.7 per employee. A very large majority of these actions were in the form of verbal admonitions with no further penalties or action deemed necessary.

### **III. E. Work Environment of Manufacturing Operations and Related Facilities**

Mabamex is a large plant consisting of one building covering an area of over 473,000 sq. square feet. The plant was constructed between 1997 and 1998 with a major expansion in 2003. The facility has installed a very modern and efficient delivery system for handling raw materials. Resins for manufacturing plastic are delivered by trucks to a roadside facility where they are stored in large silos. From there, they are delivered to the molding machines on the factory floor through a sophisticated computer-controlled system. The

process is designed to keep the site clean and helps minimize spillage and waste.

### Environmental Health and Safety

The facility maintains, among others, detailed and up-to-date records on plant maintenance, air filtration, noise control, fire prevention, and safe storage of hazardous materials. The high standards of environmental health safety of the plant were also confirmed by the ICCA professional engineering audit team through an extensive “walk through” of the entire plant. ICCA’s inspection confirmed that the plant was in “good” operating condition internally and in “fair” condition externally.

Most of the production and manufacturing areas were clean. The injection molding areas were free of hydraulic oil spillage. The installation of 18 Toshiba electric-driven molding machines has had a major impact in improving the quality of overall work environment. These machines are oil free and quiet. In addition, they produce highly precise moldings and thereby eliminate most of the need for flash trimming, which is one of the most frequent reasons for worker injuries.

The interviewed sample of workers was unanimous in expressing their satisfaction with the general cleanliness of the factory (98%) as well as their work areas. However, approximately one-third of the interviewed workers (37%) complained of insufficient ventilation. Similarly, about one-in-five (21%) of the interviewed workers felt that lack of cool air in the plant during the hot summer days contributed to unsafe working conditions and presented a potential health hazard. Notwithstanding, the relatively quiet nature of Toshiba machines, there

were some potential workplace hazards mentioned by the workers. These were: excessive noise, unpleasant odors from the molding machines, paint solvents, smog from welders, dust extraction, slippery floor areas due to oil leakage from molding machines and from spilled chemicals. Interviewed workers, by a large majority (89%), indicated that they could report to plant management any cases of workplace hazard or safety issues without fear. They also felt (73%) that they did not have any safety issues at the workplace.

#### Use of the Personal Protective Equipment

At Mabamex, the plant provides free-of-charge Personal Protective Equipment (PPE) to all employees where use of such equipment is required and appropriate. Among the interviewed workers, there was unanimity (97%) that PPE is strictly enforced in all areas of the production floor. Over 92% of the workers reported that they and their fellow workers regularly used PPE, while another 5% stated that they used PPE frequently.

#### Access to Drinking Water and Bathroom Facilities

The factory meets or exceeds the GMP requirements for bathroom, wash basins, and clean drinking water. Toilets are equipped with an effective flushing system and are maintained and cleaned on a regular basis. ICCA's on-site visit confirmed that all toilet facilities and wash basins were clean, functioning, and well-maintained. The plant regularly tests and documents all sources of drinking water.

Among the interviewed workers, there was general consensus (97%) that there were enough toilets and sinks and that they did not have to wait to use the bathroom facilities. A very large majority (81%) also indicated that bathrooms and toilets were clean and well-maintained.

In terms of seeking permission to use these facilities, 55% of the workers indicated that they were required to ask their line leaders' permission while 42% indicated that they did not need such permission. However, no one mentioned that this permission was ever denied.

#### Kitchen Facilities and Meal Breaks

The dining area at the factory canteen is quite attractive. Colorful paintings, natural light through large windows and TV for entertainment provides the dining room with a pleasant environment. There is also an outside eating area for those who wish to smoke.

Employees are served two meals per shift. The meals are mostly subsidized by the factory with workers paying only a nominal sum. There are two menu choices. Eating in the factory canteen is voluntary and employees may chose to purchase food from a concessionaire's stand in the dining room. The menus change each day. Microwaves are available for those who wish to bring their food from home.

The kitchen staff observes the head cover and other protective articles in working in the kitchen and in handling food. Small lockers are available for the staff for storing a change of clothes.

Food is refrigerated or stored as required; and, leftovers are discarded after each meal. The kitchen area, immediate outside area, garbage disposal, and drains seemed to be clear and clean. The garbage is picked up daily.

Workers interviewed by ICCA indicated that the average lunch break was 30 minutes. In addition, there was a coffee break of 20 minutes.

Interviewed workers unanimously confirmed that they were not required to eat in the company's cafeteria and that they were free to eat anywhere else. As to the quality and variety of food served, opinions varied across the field and included "too much chicken" (42%), "service too fast or too slow" (18%), and "greasy food" (13%).

### Medical Facilities

The medical clinic at Mabamex is excellent and well-staffed. It is open 24 hours and seven days a week. It is staffed with one medical doctor and three qualified nurses. The clinic has a good record keeping system for the workers' use of the clinic including work-related injury data.

### Overall Observations with regard to Physical Facilities

Overall, Mabamex is a well maintained facility and operates in an efficient manner while ensuring that the plant provides a clean, safe and healthy work environment for its employees.

ICCA's auditors, however, found a variety of minor problems that suggest a need for greater attention to continuous up-keep and good maintenance practices. Some of the observations are mentioned below:

1. Conditions needing improvement inside the plant

The machine shop area is poorly maintained. Safety stripping needs replacing. The machine shop floor in many places is oily and a number of oil-soaked rags were noticed on the floor.

A small number of safety aisles in the plant were found to be blocked during ICCA's "walk through" of the factory. The spray painting area at the rear of the plant needs upgrading. The general state of housekeeping is less than adequate and needs greater attention on the part of the management.

The electrical and pneumatic safety cages are not locked. They were constructed with sliding doors that were meant to be locked to prevent unauthorized entry into the areas. Although several open doors had combination locks, they were apparently not used. In other instances of open doors, there were no locks at all.

ICCA noticed that some cages had recently been painted with the proper colored yellow paint. However, the paint was also splashed on some of the locks making them inoperable. This is a potential hazard if the equipment in the cages was mishandled by unauthorized personnel.

The electrical voltage within the cages is 480 volts AC. We recommend that current combination locks should be removed and replaced with regular key locks. A key control system should be developed and implemented as soon as possible to prevent unauthorized entry into the cage areas.

There is a fire hose cabinet near the cage area that is missing the glass in the door. A sheet of loose fitting plastic is being used as a temporary replacement.

## 2. Conditions needing improvement in the area surrounding the plant.

The injection molding machine repair and storage enclosure needs reorganizing and housekeeping. It is in poor condition. A grate on the sidewalk in the rear of the building has caved in and could present a dangerous situation. This should be repaired or replaced.

Care should be taken in the oil/water separator room to ensure that when a machine is serviced and the water drain valve is opened, the drain off is not allowed to enter the ground water.

There are three large oil/water filled plastic containers stored in the rear of the oil storage room. They appear to have been stored there for a comparatively long time. These should be removed and the contaminated liquid disposed of properly.

The fire hose box needs to be examined and cleaned. It has not been opened for an extended period of time. The outside of the plant needs improved housekeeping.

### **III. F. Freedom of Association and Access to Management**

The factory has formal written procedures to ensure no discrimination in hiring, promotion and other workplace practices related to sex, age, ethnic origin or other factors. As the Management Compliance Report indicates, these

procedures are enforced through the internal regulations manual. No discrimination cases were observed in the last twelve months. The employees are promoted according to procedure.

The plant management has written procedures on Freedom of Association. These are made available to the employees through new hires orientation program, employee handbook, postings on boards and the intranet.

### **III. G. Protection from Harassment**

Mabamex management has devoted considerable attention to creating a work environment where workers are protected from any type of harassment. This is particularly important because previous audits had disclosed employee concerns and complaints about real or alleged sexual harassment by fellow employees, line leaders and supervisors.

ICCA is pleased to report that Mabamex management's efforts have been quite effective in eliminating this problem. Workers interviewed by ICCA were unanimous in their view that neither they nor anyone they knew had been subjected to sexual harassment. They also felt that they could file complaints about sexual harassment to the management without fear of reprisal.

Workers interviewed by ICCA generally expressed a favorable view in regard to fair treatment of employees by line leaders (82%), supervisors and management (92%). There was also general consensus that employees were not subjected to verbal abuse by line leaders (87%), supervisors (95%) and management (100%).

### **III. H. Recreation Facilities**

Plant facilities include areas for several recreational activities. Workers stated that they could enjoy playing soccer, volleyball, basketball, baseball, and softball as well as use pool, participate in athletics, summer outings, and dances at the plant site.

### **III. I. Non-Job Related Skills Enhancement Programs**

Mabamex management provides non-job related training programs including formal schooling programs, first aid, and programs explaining core values, drug prevention conference and family planning to all employees.

## **IV. Overall Observations and General Recommendations**

ICCA wishes to commend Mabamex management for operating a good facility and creating a worker friendly and safe work environment. There are, however, two areas which need attention and management action.

1. Mabamex must correct its scheduling problem to prevent employees from working more than 13 consecutive days. Although, there were only a handful of cases in the factory that exceeded these limits, nevertheless, it is important that plant management takes action to ensure that employees receive at least one rest day for 13 days of consecutive work. This problem was recognized and noted in ICCA's previous report of Mabamex plant in 2004. We also wish to report that at the final briefing following the conclusion of ICCA's audit, a member

of the Mabamex management team indicated that the plant management was aware of the issue and that adequate steps were being taken to rectify the problem.

ICCA would like confirmation from Mattel as to satisfactory resolution of this problem. ICCA also recommends that this should be completed within three months from the date that ICCA's report is formally accepted by Mattel. ICCA would want to do a follow-up audit to review Mabamex compliance on this issue sometime between June-September, 2007.

2. ICCA also recommends that Mabamex management put more emphasis on regular maintenance and housekeeping. This would have the effect of greatly improving the quality of everyday work life in the plant with a minimum of extra expense.

## **ICCA Audit Report - Montoi S.A. de C.V. Planta Montoi**

### **I. Introduction**

The following report is based on the field audit of Montoi S.A. de C.V. Planta Montoi (Montoi). The plant is located in the Monterrey area of Mexico. At present, 100% of the plant's capacity is dedicated to the production of Mattel toys. This is the third formal audit of the plant and was conducted by ICCA on January 17-18, 2007. Previous two audits were conducted in August 1999 and April 2003. Reports of these audits are available at Mattel's and ICCA's websites.

### **II. Worker Profile**

Montoi currently employs 1200 workers. Of these, 88% are comprised of direct labor and the remaining 12% are administrative and managerial personnel. During the peak period, direct labor increases to approximately 1800 while administrative and managerial staff remains unchanged. Montoi heavily relies on temporary workers during peak production periods. During 2006, 1800 workers left the factory while 2800 new workers were recruited.

Direct labor is divided between male (54%) and female (46%). Average age of workers is 32 years (male) and 25 years (female). Education level of workers averages around 7 years of formal schooling. Montoi does not employ anyone younger than 17 years of age.

The average length of employment in Montoi is 4 years. Among the workers interviewed by ICCA, a small minority (11%) indicated that it was their first job. A majority of employees at the plant are experienced workers. About 45% of the current workforce is considered permanent with no stated expiration date in their employment contract. The remaining 55% are given temporary contracts of 1, 2, 3, or 6 months. The percentage of temporary workers may increase up to 70% of the total workforce during peak production periods.

### **III. Audit Findings**

#### **III. A. Recruitment and Hiring**

Most of the workers at Montoi got their job through walk-in (49%) or through referrals of their friends (46%). The plant does not use any recruitment agencies to hire new workers.

All newly hired workers participate in a general orientation. It covers, among others, the plant's employment policies, working hours, wages and benefits, disciplinary procedures, and rules regarding worker health and safety in the operations of machinery and other equipment. Workers are also given a medical check-up as part of their hiring process (Table 1).

Table 1

Initial Hiring Procedures at Montoi Plant

Name Of The Procedure	% Of Positive Response
Walk in	49%
Referred by Friends or Family	46%
Newspaper ads	5%
Medical exam	86%
Factory orientation and safety training	97%
Global Manufactory Principles	92%
Job training	86%

Upon employment, each worker receives a signed contract from Montoi. It describes the duration of the contract, hours to be worked, wages, and benefits involved in the workers' employment. ICCA's audit of the personnel files and payroll records confirmed that all workers had received a signed employment contract, which was also placed in their personnel files.

**III. B. GMP Awareness**

Montoi provides GMP information through the orientation program, bulletin boards, and senior management communication meeting (conducted quarterly). GMP is available in the local language. This was confirmed by 87% of the interviewed workers who mentioned that they were familiar with GMP. Workers interviewed by ICCA also mentioned that the Principles were explained to them at the initial orientation (69%). GMP information is printed on the back of workers' ID cards.

### **III. C. Working Hours, Wages, and Benefits**

The government mandated minimum wage applicable to Montoi is \$47.61 (Mexican pesos) per day. However, workers at the Montoi plant earn between \$93 and \$105 (Mexican pesos) per day. Overtime rates are twice the normal wage rates. Analysis of payroll data by the ICCA audit team confirmed that all regular and overtime wages were paid properly to all workers.

#### Working Hours

Mexican labor law does not stipulate any limitations on the maximum number of hours that workers may work in a specified period. However, regular hours, for wage calculation purposes, are defined as 48 per week for a six-day workweek. Time clocks are used to record workers hours. This was confirmed by all interviewed workers.

Montoi does not have a management information system to monitor and control workers' yearly overtime work. Mattel's GMP requires that workers should not exceed a 60-hour workweek for more than 17 weeks per year; never work in excess of 72 hours in a week, or work more than 13 consecutive days without a rest day. ICCA's audit of payroll records of a random sample of workers did not come across any workers who had worked in excess of 72 hrs. However, data voluntarily provided by the factory showed that on few occasions some workers had exceeded the 72 hour limit. In addition, a small number of workers had exceeded the limit of seventeen (17) 60-hour work-weeks in a year.

Montoi has stated that the plant's work-hours management system essentially performs a reporting function than a control mechanism. Therefore, it

does not offer any prior warning or constraint on the use of excessive work hours. Instead, they are reported as after-the-fact information.

### Benefits

The Montoi facility provides a variety of benefits to its workers. These include: (a) free transportation to all its workers between their homes to the plant site; (b) a subsidy of 30% from the cost of meals provided to the workers at the factory; (c) attendance and punctuality bonuses as well as a Christmas bonus; (d) receive 21 days pay from a profit sharing plan; and, (e) Montoi provides maternity leave of 84 days (42 days before child birth and 42 days after), which complies with social security regulations. A majority of the interviewed workers (83%) confirmed this fact. However, during the worker interviews, some comments were made to the effect that women were required to return to work immediately after the end of their maternity leave.

### Personnel Records

Each worker at the Montoi plant has a signed contract on file. In addition, company records include illness and injury reports; disciplinary action reports; medical examination and maternity leave reports.

### ICCA's Observations and Recommendations:

ICCA's findings with regard to payment of wages and overtime hours and maintenance of personnel records are quite favorable. Montoi is in full compliance with Mexican labor law and Mattel's GMP pertaining to payment of wages for regular and overtime hours.

ICCA's major area of concern pertains to scheduling of excessive work hours. Montoi has been scheduling workdays and workweeks that are in excess of 60 hours work week. In a number of cases, workers were not given the required one-day rest during a continuous 13-day period. Scheduling of excessive overtime hours and non-scheduling of one rest day during a 13-day period are significant violations of Mattel's GMP.

### **III. D. Workplace Discipline of Employees**

Montoi has written policies with regard to employee discipline. All workers are informed about these policies and procedures during the orientation period. Disciplinary action may range from verbal admonition, written warning and ultimately termination. The factory does not impose any cash fines as a disciplinary measure.

At Montoi factory, lack of discipline is not a problem. Among the workers interviewed by ICCA, only 8% reported to have been disciplined for minor infractions during the three month prior to ICCA's visit. In all these cases, verbal warning was found to be sufficient.

### **III. E. Freedom of Association and Access to Management**

Montoi's management conducts regular meetings with factory workers where all issues pertaining to the plant are addressed. There is also good discussion between plant management and employees on issues of quality of life at the workplace.

From the workers perspective, the primary source of information about factory news is the factory notice-board. Interviewed workers also stated that they rely on suggestion boxes (61%) and communication with the line leaders (56%), when they want to express their concerns or ask work-related questions.

### **III. F. Discrimination and Protection from Harassment**

Discrimination and Harassment policies are posted throughout the plant. Montoi also explains these policies to all employees and trains them to avoid unethical conduct. Among the interviewed workers, there was overwhelming support for the statement that workers are treated fairly and without any sort of discrimination by supervisors (97%) and managers (100%). Workers interviewed by ICCA were also unanimous in stating that neither they nor anyone they knew was ever subjected to verbal, physical or sexual abuse.

### **III. G. Work Environment of Manufacturing Operations and Related Facilities**

Montoi is a modern well laid-out plant. The entire plant is air cooled and/or air conditioned. It is also a very large plant. Phase 1 of the plant was opened in 1998 with 398,265 sq. ft. Phase 2 added another 226,042 sq. ft. in 2001. A further addition of 220,000 sq. feet was completed in 2003. The plant now has a total square footage of 844,307 sq. ft. under one roof.

## Environmental Health and Safety

A thorough “walk-through” of the plant by the ICCA team indicated that the factory was in good operating condition both internally and externally. Work areas were clean and floors, including the very large areas occupied by injection and blow-molding machines, were found to be free of hydraulic oil spillages. Many of the injection molding machines had their own individual overhead cranes to facilitate the movement of heavy molding dies into and out of the machines. All machines have installed safety procedures such as lockout/tag-out.

Movement of materials, work in process, and finished goods is kept to minimum through well engineered material flow layouts. The company practices a modified form of ‘Just-In-Time’ inventory control with the target of keeping only 2-day supply of large parts and 4-day supply of smaller parts for work in process. These practices contribute to making the plant more efficient, and healthier, and a safer place to work.

ICCA’s “walk-through” of the entire facility showed that the machinery and equipment were properly maintained with excellent housekeeping practices through out the facility. ICCA team also noted that the factory’s sub-level grinding area was generally clean and properly maintained. This was a distinct improvement from the ICCA’s previous audit of the facility when this areas was found to be in poor condition and a potential safety hazard.

Montoi maintains detailed and up-to-date records on plant maintenance, air filtration, noise control, fire prevention and safe storage and handling of hazardous materials, among others. Raw materials for manufacturing plastic are

supplied by rail and road and are stored in large silo type containers. From there, they are delivered to individual molding work sites by a sophisticated computer controlled distribution system. Interestingly, there are several assembly processing work units located adjacent to some injection molding machine making for a very efficient material handling system.

Workers interviewed by ICCA were unanimous in their expression that both the factory and their own work areas were generally clean and free of hazard. They also felt by large majorities that hot and cold temperatures in the factory were not a problem (72%), and that the facility did not pose a safety hazard (83%). Workers interviewed by ICCA were almost unanimous (98%) in stating that they did not fear any reprisal for reporting the existence of workplace hazards and injuries.

ICCA's walk-through, however, noted a major problem pertaining to poor ventilation system in the blow-molding area. There seemed to be a haze in the air and a distinct odor of either oil and/or plastic fumes. A management representative acknowledged his awareness of this problem and indicated that the factory was working on a solution to resolve it.

#### Use of the Personal Protective Equipment (PPE)

Montoi provides all its workers with free PPE appropriate for their work stations. Notices are posted at various locations on the factory floor reminding workers that they must use their PPE. Line leaders and supervisors assume the responsibility of ensuring compliance with the PPE usage. ICCA's "walk through"

of the factory floor confirmed that the PPE requirement was strictly enforced and observed by the workers.

Workers interviewed by ICCA were unanimous in stating that the PPE usage was strictly enforced and that all workers regularly used appropriate PPE while on the job. They also agreed (94%) that their workplace was safe and a good place to work.

#### Access to Drinking Water and Bathroom Facilities

The factory provides toilets and sinks to its workers, which meet or exceed GMP requirements. There are also ample stations for drinking water. ICCA's walk-through of the factory found that all toilets were clean, orderly, and in good working condition with permanently assigned cleaning personnel. All of the interviewed workers confirmed that the toilets and drinking stations are kept clean and that workers have adequate access to these facilities.

According to the factory management, workers may use bathroom facilities and leave their work stations for drinking water on a when-needed basis. Among the interviewed workers, opinions varied with regard to the use of bathroom and drinking facilities. Approximately 40% of the interviewed workers stated that they may leave their workstations to use these facilities as soon as there is someone else to cover their position; 20% indicated that they need the permission of their line leaders; and, the remaining workers explained different arrangements based on their work situation. However, none of the workers

indicated any inconvenience or hardship in their ability to use bathroom facilities or have access to drinking water.

### Kitchen Facilities and Meal Breaks

The canteen service is provided by an outside professional catering company and is supervised by Montoi's Human Resources Department. Factory offers one meal per shift for employees. Employees who work in the canteen are given physical examinations twice a year. Garbage pick-up is done on a daily basis. An examination of the kitchen facilities by the ICCA team showed that they were clean and well organized. All kitchen employees wore the required hygienic clothing.

Lunch break is 30 minutes long. Workers are not mandated to buy their meals from the canteen and are free to purchase meals from other vendors or bring their own lunch boxes. However, most of the workers prefer to use the canteen (95%).

In terms of quality of food, employees gave the factory a mixed score. About 53% of the interviewed workers expressed their satisfaction with the quality and quantity of their meals. Another 20% felt that the food served was not tasty enough and lacked variety, while another 11% felt that the size of an average serving was too small and not enough for a lunch meal.

### Medical Facilities

The factory has a medical clinic on site that is open and available to employees on the basis of 24 hours, 7 days a week. It is staffed by a full time

doctor, four nurses, and a first aid brigade. The clinic also maintained good records with regard to clinic visits by the workers, reasons for these visits, and incidents of work-related injuries.

### **III. H. Recreation Facilities**

Montoi provides a variety of sports and recreational facilities. Soccer appears to be the most popular sport followed by basketball.

### **III. I. Non-Job Related Skills Enhancement Programs**

Montoi has created a variety of training programs for their employees. These include: first aid training, card making and flower arrangements, etc.

### **III. J. Social Outreach Programs**

Montoi organizes a large number of social outreach events to support local community, focusing specifically on children's health and education.

## **IV. General Observations and Recommendations**

ICCA commends Montoi management for operating a first-rate plant in a highly professional, safe, and worker friendly manner. In ICCA's opinion, this plant would rank among the best Mattel owned and operated plants.

There are, however, two areas of concern that have been mentioned in an earlier section of this report. The first has to do with the poor ventilation in the molding area. Montoi management has acknowledged awareness of this problem and indicated that it would soon be resolved.

The other issue pertains to Montoi's failure to maintain adequate records and to enforce the requirement of limiting work weeks exceeding 60 hours to no more than 17 in a year, and to ensure that workers receive at least one day of rest for every 13 days of consecutive work.

Given the fact that Montoi has generally maintained excellent records in virtually every aspect of its operation, the factory's poor record keeping in this area is difficult to explain. ICCA recommends that this issue should be resolved within three months from the date that ICCA's report is formally accepted by Mattel. ICCA would want to do a follow-up audit of Montoi on this issue along with the problem of poor ventilation sometime between June-September, 2007.