

**MATTEL INDEPENDENT MONITORING COUNCIL FOR
GLOBAL MANUFACTURING PRINCIPLES**

FOLLOW-UP AUDIT REPORT

FOR

MONTOI, S.A. DE C.V.

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November 7, 2000

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INTRODUCTION

This report is based on the results of a follow-up audit of the Montoi plant that was conducted by the MIMCO team on November 7, 2000. The first audit of the plant was conducted in August 1999.¹ During the first audit, the Montoi plant was found to be in general overall compliance with GMP. However, a number of deficiencies were found and MIMCO also made a number of recommendations which if implemented would improve conditions at the facility.

We are pleased to report that Montoi plant management has taken the necessary action to respond to our concerns and, in many cases their improvements have enhanced the working conditions and employee safety beyond our original recommendations.

The current report provides the details of our findings:

- a.) to verify the changes made as a result of the recommendations in the MIMCO audit report, following the audit team visit of August 2-6, 1999; and,
- b.) to gather data concerning any changes in the plant's operations that would be pertinent to future audits.

Summary of 1999 Audit Findings, Recommendations, and Corrective Action taken by Montoi.

Overall Observations

As part of the follow-up audit, the MIMCO team held extensive discussions with the plant management concerning the specific actions taken to implement MIMCO's recommendations from the initial audit. This was supplemented by careful examination of plant records. Finally, the MIMCO team undertook a detailed inspection of plant's physical facilities, working conditions, safety and environmental practices, clinical facilities, kitchen and eating facilities, bathrooms, storage areas, and recreational facilities.

This report provides a summary of general observations from this follow-up visit. We also discuss important corrective actions taken by the management in response to issues raised in MIMCO's initial audit.

¹ MIMCO, Audit Report 1999 for Montoi S.A. de V.C., Monterey, Mexico, March 16, 2000.

The physical plant, including all manufacturing and storage areas, were found to be in excellent condition. The plant and its related machinery were well maintained. The housekeeping appeared to be very good resulting in a neat, clean and safe operating plant. MIMCO was especially attentive to ensure that employees were properly using safety equipment and that environmental practices were being followed.

Special attention was paid to the kitchen and lavatories. The kitchen was found to be clean and the equipment within was well maintained and sanitary. Although, kitchen space was somewhat limited, the kitchen manager had organized the area into a neat and well functioning operation.

The lavatories observed were clean, fully functioning and in excellent condition. They had also been remodeled and upgraded with extensive use of stainless steel. The plant management had gone to exceptional lengths to maintain these facilities even coating the stainless steel compartment walls with a light coat of oil to prevent graffiti. There was no evidence of poor electrical wiring. The wiring throughout the plant was well maintained and professionally installed.

It was noted that all people on the assembly lines and in the molding areas had sitting stools or chairs. These permitted the employees to perform their assigned tasks while in a seated position. We noted that a large majority of the employees were indeed seated and seemed to be performing their tasks without any loss of efficiency or productivity.

The plant management had created a culture of strict adherence to safety procedures and mandatory use of personal protective equipment (PPE) where it is required. The plant-wide use of Kevlar gloves for employees that use "exacto" type trimming knives to remove flashing from molded parts was noted. According to the management team, employees required to use exacto knives were trained on the trimming operation. All employees that were working in areas where there was excessive noise wore earplugs, and employees appeared to use the earplugs properly. The use of safety glasses was widespread and enforced as needed. Red and yellow lines marking the evacuation and storage lanes were in place, clearly visible and well maintained.

More attention should be paid to the use of safety shoes throughout the plant and to the issuance of steel-toed shoes to employees who work in areas where foot injuries can occur. In our previous report, we cautioned against female employees' wearing high-heeled shoes on the plant floor. This is potentially dangerous but appears to be culturally ingrained. In the follow-up audit, we noticed that this practice has been reduced but not completely eliminated.

Fire prevention procedures and methods as noted in our last report are well thought out and in place. There was no evidence of persistent oil leaks in any area. No oily rags or debris were observed either on the factory floor or on the machines themselves.

It was noted from ground observations that the air conditioning outlet vents were clean and functioning thereby providing clean and adequate air conditioning.

Specific Observations

The following observations pertain to the specific findings that were noted in the previous audit report with recommendations for action on the part of Montoi management.

1. Employee Treatment by Line Supervisors

MIMCO's report of the previous audit had noted that the primary source of employee dissatisfaction pertained to incidents, albeit infrequent, of verbal abuse by line supervisors especially when it is meted out in public and in the presence of co-workers. It was recommended that Montoi's plant management review all pertinent issues of supervision and human relations in its weekly meetings. Further, the plant management should take action to strengthen its first-line supervisor training program.

The follow-up audit showed that during the last year, Montoi plant management had initiated a number of intensified training programs to all group leaders and supervisors. Consequently, 70 employees completed the Production Process Technician Course, which included effective leadership and employee communication techniques, while another 40 assistants received training in public speaking. In October, Montoi initiated a training program called "5 Minutes of Quality." The program consisted of gathering all the members of an assembly line on a weekly and daily basis to discuss issues pertaining to cooperation in work, safety, quality, and open communication between the line leader and production employees. This is intended to further improve communications between line leaders, supervisors and production employees.

2. Work-place Hazards

- (a) The Montoi plant was found to have insufficient storage space as it had reached its maximum capacity. This shortage led to storage of volatile compounds in a tool crib in the middle of the factory's assembly line. Although this situation was well within the legal limits, the situation was still of concern to both the production employees and the management.

Following our recommendation, Montoi plant provided additional training to Tool Crib employees on how to safely handle volatile chemicals and also in the use of PPE such as safety gloves and glasses. They have also reduced the amount of chemical storage in the tool crib.

- (b) Another issue of concern was the noise level in some areas caused by the sonic welding machines. This noise level was found to be in excess of Mattel's GMP standards in the vicinity of the sonic welding operations.

It is now mandatory that all Montoi employees working on the plant floor use ear protection. This was confirmed through personal observation by MIMCO team's plant "walk through" during the follow-up audit. Montoi's records also showed that in the plants latest monitoring reading the noise levels in the sonic welding machines area to be below the Mattel GMP standards and also Mexican Regulation Standards. Montoi has indicated that they are monitoring an enclosure project which is being evaluated at the Mabamex facility in Tijuana which would further reduce noise levels from the sonic welding machines.

- (c) In a few instances, it was found that the paint fume ventilation was not adequate, although, the situation was greatly improved by the use of water-based paint.

There has been a significant improvement in the ventilation system due to the acquisition of six Torit machines (dust/particle collectors), which greatly improved ventilation and eliminated previously noted plant fumes. The area was neat and clean and employees were wearing the proper PPE.

- (d) A possible work hazard described by employees was the risk of fire when water spilled from machines on the electric cables in work areas. MIMCO recommended an upgrade to the water feeding system and training of employees.

Montoi plant has since upgraded water lines in the molding area. Beginning in 2001, the plant has also contracted with an external vendor for a regular audit of all electrical systems in the plant.

- (e) The use of all-purpose utility knives to trim the mold marks was identified as a work hazard by management, production employees and the MIMCO team. These cuts were found to be a major source of injury and lost-days of work.

Plant management has reinforced its emphasis on the use of all personal protective equipment by employees. In addition, the use of KEVLOR gloves has been made mandatory and is strictly enforced. Nevertheless, in the opinion of MIMCO experts, this is at best a short-term approach and management should consider other methods to replace the use of these knives.

3. Insufficient Bathroom and Toilet Facilities

- (a) In the initial audit of Montoi, employees had complained about long waiting time for the use of bathrooms. The employees felt that there were not enough bathrooms to meet their needs when the plant was operating at full capacity. Although, the number of available bathrooms met both the GMP standards and the Mexican law, it was recommended that serious consideration should be given to expanding these facilities.

The Montoi plant has added 11 more toilets for female employees and 8 for male employees.