



# **SECOND FOXCONN VERIFICATION STATUS REPORT**

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**May 2013**

Prepared by Fair Labor Association



*Workers prepare for shift at Foxconn facility in Guanlan*

In February 2012, the Fair Labor Association (FLA) assessed working conditions and the treatment of workers at three Chinese factories manufacturing Apple products, which are owned and operated by Hon Hai Precision Industry Co., Ltd. (Foxconn) in Shenzhen and Chengdu. The assessments were conducted by Openview and SCSA – two local, independent labor monitoring organizations accredited by FLA – and overseen by FLA staff.<sup>1</sup>

On March 28, 2012, FLA published detailed reports on each of the three factories along with recommendations for improving conditions for workers, and a complete action plan prepared by Apple and Foxconn to address each issue identified during the FLA assessment. Each action item included a description of the steps to be taken, the name of the unit within Foxconn responsible for implementation, and a timeline for completion. The action plan stretches over a period of 15 months, from April 1, 2012, through July 1, 2013, with deadlines for many of the action items set in the first three months.

<sup>1</sup> Details of FLA's investigation, along with the complete report and the original remedial action plan, can be found at <http://www.fairlabor.org/report/foxconn-investigation-report>.

The FLA indicated that it would schedule follow-up verification visits to track developments and verify progress reported by Foxconn and Apple. FLA's independent external verification process evaluates progress by affiliated companies and/or factories to resolve issues identified during an FLA assessment or investigation. FLA's verification process includes a review of documentation such as policies and procedures, time and payroll records, etc.; visual inspection of applicable facilities; and interviews with workers and management.

From June 25 to July 6, 2012, Openview and SCSA returned to each of the three Foxconn facilities for the first verification assessment to evaluate the implementation status of action items through June 30, 2012. The results of the verification were published by the FLA in August 2012.<sup>2</sup>

## SECOND VERIFICATION OF ACTION PLAN IMPLEMENTATION

Local independent monitoring organizations Openview and SCSA conducted a second round of verifications at the three Foxconn facilities over the period January 15 to January 25, 2013, focusing on the implementation status of remedial action items through December 31, 2012. FLA staff also participated in the assessments. Foxconn management provided full cooperation and unrestricted access to the facilities throughout the verification process.

As shown in Table 1, the action plans developed by Apple and Foxconn consisted of 360 individual action items, of which

<sup>2</sup> Several reports and tracking charts related to the verification conducted in mid-2012 can be found at <http://www.fairlabor.org/report/foxconn-remediation-verification>.

**TABLE 1: STATUS OF REMEDIAL ACTION ITEMS AT THREE FOXCONN FACTORIES SUPPLYING APPLE, AS OF DECEMBER 31, 2012**

	GUANLAN	LONGHUA	CHENGDU	TOTAL
Total number of action items due to be completed by July 1, 2013	119	113	128	360
<b>Percent</b>	<b>33.1</b>	<b>31.4</b>	<b>35.6</b>	<b>100</b>
Number of action items completed and verified by FLA by June 30, 2012	100	85	99	284
<b>Percent of action items completed and verified by FLA by June 30, 2012</b>	<b>84</b>	<b>75.2</b>	<b>77.3</b>	<b>78.9</b>
Number of actions due to be completed between July 1, 2012 and July 1, 2013	19	28	29	76
Number of actions due to be completed between June 1, 2012 and July 1, 2013 completed and verified by the FLA by December 31, 2012	17	26	27	70
<b>Percent of action items completed and verified by FLA by December 31, 2012 (including items completed ahead of schedule)</b>	<b>98.3</b>	<b>98.2</b>	<b>98.4</b>	<b>98.3</b>

119 (33.1% of the total) pertained to the Guanlan factory, 113 (31.4%) to Longhua, and 128 (35.6%) to Chengdu. The table shows the progress of the plan based on external verifications by the FLA as of June 30, 2012 and as of December 31, 2012.

To summarize the results:

- At the time of the initial verification visit (in mid-2012), the independent assessors verified that 284 action items had been implemented, for an overall completion rate of 78.9%. Completion was verified on 100% of items that were due for completion by May 31, 2012 (195 actions) plus an additional 89 actions that were due to be completed between June 1, 2012 and July 1, 2013 but whose implementation was advanced.
- Thus, as of mid-2012, implementation was pending on 76 action items due



*FLA assessors begin verification visit at Foxconn facility in Longhua*

between June 1, 2012 and July 1, 2013, which would be the subject of a subsequent FLA verification.

- During the second verification (early 2013), the independent assessors verified completion of 70 of the remaining 76 action items, for a combined verified completion rate of 98.3 percent. Action was continuing with respect to six items, pertaining to hours of work.<sup>3</sup>

Individual detailed tracking charts for each of the three factories are posted at <http://www.fairlabor.org/report/foxconn-remediation-verification>. The tracking charts contain the following information:

- Columns A - H describe the original findings, recommendations and action plan details published on March 28 following FLA's investigation.
- Column I indicates the deadline for completion of the action items.
- Column J shows the progress updates provided by Apple and Foxconn.
- Column K provides FLA's verification notes and the steps taken by Foxconn to implement the action item.

<sup>3</sup> See verification tracking charts for details: Chengdu (rows 36 & 37); Guanlan (rows 40 & 41); Longhua (rows 13 & 14).

- Column L indicates FLA’s method of verification.
  - Not due for verification indicates that the action item’s due date has not yet occurred.
- Column M shows the status of the action item as assigned by the verification team.
  - Completed indicates that FLA has verified completion of an action item.
  - Pending indicates that the action item is due at a future date.

## ACTION PLAN HIGHLIGHTS

As described in the initial verification report, Foxconn management has put in place numerous physical changes to improve worker health and safety since the investigation, including the enforcement of ergonomic breaks, changing the design of workers’ equipment to guard against repetitive stress injuries, updating of maintenance policies to ensure equipment is working properly, and testing of emergency protective equipment like eyewashes and sprinklers. Since June 2012, Foxconn management also enhanced factory grievance systems; and performed additional risk analysis in the areas of health and safety, which provides guidance to improve existing health and safety policies and procedures. With respect to sustainable improvement regarding construction of additional fire escapes and toilets, the required actions to carry out such construction have been taken but the actual construction is ongoing and is not due to be completed until July-August 2013.<sup>4</sup>

FLA assessors reported notable increases in the participation of workers in union

<sup>4</sup> See verification tracking charts: Guanlan (rows 94 & 97) and Longhua (rows 25 & 28).

committees and a corresponding decline in management participation in such committees since the first verification visit in June 2012. As a result of union elections held to fill in vacancies and to increase the strength of workers representation, from the first verification assessment through January 2013, the percentage of worker representatives in the main union committees increased significantly in all three facilities (see Table 2), to 38.7% in Guanlan in January 2013 (from 0% in June 2012), to 40.9% in Longhua (from 10.3%), and to 29.5% in Chengdu (from 7.1%). It is expected that workers’ participation will rise even higher when the next election is held. The schedule of these elections at the three Foxconn units assessed is as follows:

- General Labor Union for Foxconn Group – Shenzhen Area  
New election will be held on January 3, 2015 (Guanlan & Longhua)
- General Labor Union for Foxconn Group – Chengdu Area  
New election will be held on March 24, 2014 (Chengdu)

**TABLE 2. MAKE UP OF LABOR UNIONS AT THREE FOXCONN FACTORIES, JUNE 2012 AND JANUARY 2013**

	TOTAL REPRESENTATIVES	WORKER REPRESENTATIVES	% WORKER/TOTAL REPRESENTATIVES
<b>Guanlan</b>			
June 2012	27	0	<b>0</b>
January 2013	62	24	<b>38.7</b>
<b>Longhua</b>			
June 2012	29	3	<b>10.3</b>
January 2013	44	18	<b>40.9</b>
<b>Chengdu</b>			
June 2012	85	6	<b>7.1</b>
January 2013	112	33	<b>29.5</b>

With respect to hours of work, FLA assessors confirmed that workers at the Longhua and Chengdu facilities worked between 40 and 60 hours during every week of the period under review; the same was true in the Guanlan facility, with the exception of two weeks in September and one in October when working hours were between 40 and 70 hours per week. Foxconn has made significant progress in reducing hours to 60 per week (including overtime) consistent with FLA and Apple's code standards, with the goal of reaching full compliance with the Chinese legal limit of 40 hours per week plus an average of 9 hours of overtime per week while protecting worker compensation.

Assessors found no interns had been engaged at Chengdu since September 2011 and interns had not been engaged at Longhua since June 2012. At Guanlan, a total of 1,392 interns were employed in the second half of 2012 in three groups (374 in June 2012; 1,001 in July 2012; and 17 in September 2012). The internship program for the last group of interns at Guanlan concluded on January 5, 2013. Assessors verified that all of the planned actions regarding the internship program due for this verification period had been completed.<sup>5</sup> One remaining item is due for completion by June 30, 2013.

As is customary in FLA verifications, assessors also conducted a walk-through of the facilities, examined records, and held interviews with management and workers. During these activities, the assessors identified a series of additional issues that represented risks of non-compliance if not promptly addressed, such as insufficient

lighting at some work stations and high noise levels in some areas. The FLA has forwarded these items and recommendations to Apple for the development of an action plan in the ongoing implementation of FLA obligations as an affiliated Participating Company.

## CONCLUSION AND NEXT STEPS

Foxconn and Apple continue to carry out the robust action plan developed following FLA's investigation, published on March 28, 2012. Over the past nine months, steady progress has been made at the three facilities employing an estimated 178,000 workers, and all action items due through December 31, 2012 have been completed, with others completed ahead of schedule. Progress has been made with respect to election of worker representatives to unions. Perhaps the most challenging action item – compliance with Chinese labor law regarding hours of work – is still in process. The FLA will continue to engage with Apple and Foxconn to monitor and verify progress.

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<sup>5</sup> View the original internship program action plan at [http://www.fairlabor.org/sites/default/files/documents/reports/appendix\\_5\\_internships.pdf](http://www.fairlabor.org/sites/default/files/documents/reports/appendix_5_internships.pdf) and an update following the first verification at [http://www.fairlabor.org/sites/default/files/documents/reports/appendix1\\_interns\\_final.pdf](http://www.fairlabor.org/sites/default/files/documents/reports/appendix1_interns_final.pdf).