



## **Media Statement**

**October 11, 2010**

### **Foxconn is Committed to a Safe and Positive Working Environment**

#### ***Unsubstantiated Allegations Attributed to Academics and Students Not Reflective of Company Policy or Practice***

Foxconn Technology Group strongly and categorically rejects reports in the Chinese and international media that are attributed to research by academics and students alleging worker abuse, illegal labor practices, and unsafe working conditions at our operations in China.

We are responding to the media coverage because we believe it is important to correct these unsubstantiated allegations which many media outlets are treating as facts without giving our company an opportunity to present our side of the issue.

Foxconn is certainly not perfect, but we take our responsibility to our employees very seriously and we are committed to giving each and every one of our more than 937,000 employees in China a safe and positive working environment and compensation and benefits that are competitive with all of our industry peers. We are also committed to continuing to contribute to the economy of the cities where we operate and respecting all government laws and regulations, including those related to employment, overtime work, and the treatment of our workforce, and to cooperating with accredited labor unions to address issues that are raised regarding any employee matters.

We would like to address specific areas that have been highlighted in the media reports:

#### **Minimum Wage Increases**

Effective October 1, we instituted across-the-board increases in the minimum wage payments in all of our operations in China. This move follows three months of worker evaluations that have resulted in some 85% of our workforce qualifying for this increase with the remaining 15% having another evaluation in the future because they have not yet passed the evaluation process. This increase and the review standards are part of our goals of ensuring that we maintain a high-quality workforce and that we are the employer-of-choice wherever we operate. In line with this, our objective with these increases is to ensure we remain one of the highest paying employers in our industry.

The increase in each location, which employees will see in their paychecks for October due to be received in the first week of November, is based on a review of government-mandated wage levels, local cost of living, and industry wage levels in that location. In the case of Shenzhen, where more than 500,000 of our employees work, the minimum wage has been significantly increased to RMB 2,000 per month and this is in addition to benefits including free or subsidized housing and meals, medical coverage, and other government required insurance and trust funds. Contrary to the allegations included in some media reports, these wage increases have not included any reduction or elimination of any benefits or payments.

## **Overtime**

Chinese government law states that employees can legally request overtime work in excess of the government-mandated maximum of 36 hours per month and our policy is to honor such voluntary requests but to also ensure that such work does not exceed the Electronic Industry Citizenship Coalition (EICC) guidelines of no more than 60 hours per week including overtime that are the accepted industry standards. Workers are paid 1.5 times the basic salary when working overtime on weekdays and 2 times the basic salary when working overtime on weekends and 3 times the basic salary when working overtime on national holidays. All overtime is voluntary and all overtime is compensated in compliance with Chinese government law.

Average monthly overtime from June to September for employees volunteering for such work was 57.3 hours for June, 58.5 hours for July, 59.7 hours for August, and 63.1 hours for September (to compensate for the Mid-Autumn Festival), which is well within the EICC guidelines.

In line with the significant salary increases we have instituted, we are working to bring overtime hours down to no more than 36 hours per month from the current EICC standard and we are doing this through the hiring of more workers and the expansion of our operations to regions that are closer to the home provinces of the majority of our workforce. While we remain compliant with government laws and regulations regarding overtime, our goal is to meet the target of 36 hours within 2011. The new wage levels will ensure that our workers maintain the same or higher income levels with these reduced overtime hours that they had if they worked more hours under the previous compensation arrangement.

## **Student Interns**

Like many of our industry peers, Foxconn cooperates with accredited vocational and technical schools in China to provide short-term on-the-job training for their students who are aged 16 years and above. While these training programs are administered by the individual schools, who remain responsible for general insurance coverage for the trainees, Foxconn does provide a full package of compensation and benefits during these internship periods. This includes housing and meals and medical and accident coverage for all trainees. Foxconn compensation levels for interns are equivalent to that of the basic workers and higher than the government regulated levels and the average internship period is between two and six months.

Interns currently comprise 7.6% of our total employee population in China and at no time has this percentage ever exceeded 15% even during the summer peak seasons when more students want to enroll in the internship program. Interns are not allowed to engage in any job that is classified as dangerous or hazardous.

While we have found a small number of incidents where interns have voluntarily and legally worked overtime hours, we are working hard to institute a ban on any overtime work by interns and we are in the process of ensuring that this important policy is enforced across all of our operations.

## **Workplace Safety**

Our policy is to strictly abide by government laws and regulations and industry standards to provide not only proper protection to workers but to also provide regular monitoring of the health of workers who may be involved in areas with potential workplace hazards.

We also have very strict workplace safety rules and regulations that have contributed to our firm having one of the lowest industrial accident records in Shenzhen. These rules and regulations include reporting all accidents to Central Human Resources, Security, and to the labor union within two hours of each incident. There are incentives in place to encourage such reporting and penalties applied to those who do not follow these guidelines.

Our company policy requires that all management and supervisory staff treat our employees and interns with the highest level of respect and we have formal grievance procedures that all employees can use should they have any issues with any aspect of their treatment by anyone associated with Foxconn or any other matter related to their employment. These procedures are in place and they have been shown to be effective in resolving issues that have been raised in the past. If any employee or intern, or any third party, is aware of any violations of either Chinese government law, our contractual terms with any employee, or any employee or intern grievances, we ask that they provide us with the specifics of that matter or that they direct the employee or intern in question to contact our Central Human Resources Department at the relevant work location. The matter will be addressed professionally and expeditiously and any violations will be immediately rectified.

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