

# Pou Chen Group

## 《Supplier – Friendly Workplace Guidelines》

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# Preamble

**Professionalism, Dedication, Innovation and Service** are the core values of Pou Chen Group (hereinafter referred to as “PCG”). We evaluate ourselves by these core values and also evaluate our suppliers in the same manner. We expect all contractors, subcontractors and suppliers having business dealings with us to strive for fairness, honesty and accountability in the course of business operation.

To help suppliers identify potential issues and to help resolve these issues, we have drafted these 《Supplier – Friendly Workplace Guidelines》 (hereinafter referred to as “Guidelines”) as the guiding principles for reference. Suppliers can refer to these Guidelines to establish and promote effective action plans and build friendly workplaces through continuous monitoring and improvement of the work environment together with the suppliers’ contact window of PCG’s sustainable development department. We also ask our suppliers to apply these Guidelines with their suppliers and monitor their execution.

PCG is dedicated to compliance with labor related legislations in the places where it operates. It follows the core values under international human rights guidelines such as 《the United Nations’ Universal Declaration of Human Rights》, 《the United Nations Global Compact》, 《the United Nations Guiding Principles on Business and Human Rights》, 《the OECD Guidelines for Multinational Enterprises》, 《the ILO Declaration of Fundamental Principles and Rights at Work》 and 《the FLA Workplace Code of Conduct and Compliance Benchmarks》, as well as the standards published by organizations such as the Social Accountability International (SAI) and the Ethical Trading Initiative (ETI). We ask our suppliers to follow these Guidelines and commit to respect for relevant labor standards and regulations to eliminate human trafficking, and to protect and promote the basic interests of the employees at their work.

These Guidelines are based on the structure of the Code of conduct of PCG, with further developments of friendly workplace related benchmarks. The Code of conduct of PCG provides as following:

## **Employment Relationship**

Employers shall adopt and adhere to rules and conditions of employment that respect workers and, at a minimum, safeguard their rights under national and international labor and social security laws and regulations.

## **Nondiscrimination**

No person shall be subject to any discrimination in employment, including hiring, compensation, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, social status or ethnic origin.

## **Harassment or Abuse**

Every employee shall be treated with respect. It's not allowed to treat any employee by physical, sexual, psychological or verbal harassment or abuse..

## **Forced Labor**

No use of forced labor shall be allowed, including prison labor, indentured labor, bonded labor or other forms of forced labor.

## **Child Labor**

No person shall be employed under the age of 15 or under the age for completion of compulsory education, whichever is higher.

## **Freedom of Association and Collective Bargaining**

Employers shall recognize and respect the right of employees to freedom of association and collective bargaining.

## **Health, Safety and Environment**

Employers shall provide a safe and healthy workplace setting to prevent accidents and injury jeopardizing health when workers engage in work-related tasks or the operation of employers' facilities. Employers shall adopt responsible measures to mitigate negative impacts that the workplace has on the environment.

## **Hours of Work**

Employers shall not require workers to work more than the regular and overtime hours allowed by the law of the country where the workers are employed. The regular work week shall not exceed 48 hours. Employers shall allow workers at least 24 consecutive hours of rest in every seven-day period. All overtime work shall be consensual. Employers shall not request overtime on a frequent basis and shall compensate all overtime work at a premium rate. Other than in exceptional circumstances, the sum of regular and overtime hours in a week shall not exceed 60 hours.

## **Compensation**

Every worker has a right to compensation for a regular work week that is sufficient to meet the workers' basic needs and provide some discretionary income. Employers shall pay at least the minimum wage or the appropriate prevailing wage, whichever is higher, comply with all legal requirements on wages, and provide any fringe benefits required by law or contract. Where compensation does not meet workers' basic needs and provide some discretionary income, each employer shall take appropriate actions that seek to progressively realize a level of compensation that does.

## **Community Outreach and Partnership**

PCG dedicates itself to active participation in community beneficial activity, enhancement of the community development, and creation of harmonized society.

## 1. Employment Relationship

### 1.1 General Principle

Compliance with local laws of operational sites and respect for basic human rights are the basic philosophy of PCG's dedication to sustainable development and also the highest-level guiding principles of these Guidelines.

### 1.2 Highest Standards

In case of conflict between the employment standards and local legislations, the stricter legislations or standards shall apply.

### 1.3 Definitions

- "Employee" in these Guidelines includes any person directly hired by the supplier and any person performing work in the supplier's workplace who is hired by the supplier's contractor or subcontractor, such as canteen staff, driver, security guard, dormitory cleaner, etc., regardless of whether the person is a non-official employee (temporary worker) or non-local employee (migrant worker, foreign worker), apprentice/trainee or employee with short-term or long-term special needs (such as pregnant employees, juvenile workers, employees with disabilities, etc.)
- "Temporary worker" is an employee who has signed a short-term contract with the employer or an employee without a specific length of work period and without a guarantee for contract renewal.

### 1.4 Compliance Principles

- ◆ Provide pre-job training for new employees and provide regulations and handbooks in order for the employees to understand their own basic interests.
- ◆ Sign labor contracts with employees in accordance with local legal requirements. The contracts shall be written in the local language and signed by both parties, with a duplicate copy for the employee.
- ◆ Comply with local laws and regulations about employment, hours of work, compensation, leave and other benefits, dismissal and dispute resolution.
- ◆ The suppliers shall maintain human resource, administration and labor safety management documents and records in order to guarantee effective operation of the systems.
- ◆ Verify labor conditions and status before issuing orders to or signing contracts with contractors and subcontractors. Engage in communication and discussion in order to comply with the requirements of these Guidelines.
- ◆ Engage reliable employment agencies for recruitment. The supplier shall bear the relevant cost. No business cost shall be transferred to the workers.
- ◆ It is prohibited for the supplier's executives or employees to charge referral or recruitment fees from employees. It is suggested relevant questions be included in the job application forms or interview materials in order to verify whether employees are made to pay recruitment fees and related costs to third parties.
- ◆ The employer shall ensure that employees with special protective needs such as pregnant employees, juvenile workers and employees with disabilities shall enjoy salaries, work hours and benefits in consistency with legal requirements.
- ◆ Temporary workers shall only be used if it is consistent with local laws. Proper written policies and management regulations shall be established to govern the recruitment and hiring of temporary workers.

### 1.5 Common examples of breach of employment relationship

- ◆ Lack of understanding of the latest labor legislations by the human resource department of the supplier.
- ◆ Failure of the supplier to provide employees with company regulations, systems or compensation and benefit policies.
- ◆ Failure of the supplier to sign labor contracts with employees, failure to provide duplicate copies of labor contracts to employees, or providing duplicate copies of labor contracts to employees in a language that is not understandable by the employees.
- ◆ Failure to duly manage employees' personnel files or records, creating difficulty in review.
- ◆ Failure of the supplier to communicate, investigate or supervise compliance with these Guidelines by its contractors and subcontractors.
- ◆ Recruitment of employees by the supplier through agencies without investing or supervising compliance with these Guidelines by the agencies.
- ◆ Employees are required to be guaranteed employment by paying referral or recruitment fees to third parties.
- ◆ Failure to execute management and protection requirements for employees with special protective needs, such as pregnant employees, juvenile workers and employees with disabilities.
- ◆ Excessive use temporary workers through multiple short-term contracts or using temporary workers to support regular work through consecutive or routine means.

## 2. Nondiscrimination

### 2.1 Definition

- "Discrimination" is deprivation of equal opportunity or treatment in the course of employment through distinction, exclusion or preference based on personal features (such as gender, race, nationality, religion, age, disability, sexual orientation, marital status, parental status, organization membership, political opinion, social or ethnic origin status, etc.)

### 2.2 Illustration

The employment process of the supplier, such as recruitment, probation, training, promotion, compensation, benefit, discipline and dismissal, shall not be based on any personal feature, but on the employees' work capabilities and work performance.

To avoid discrimination against women due to marriage and childbirth and to protect their work rights, proper measures shall be taken to prohibit the employer from dismissing women due to pregnancy or maternity leave.

### 2.3 Principles

- ◆ The job application forms, recruitment conditions and advertisements shall include information related to the recruiting entity or job requirements. These documents shall not have any discriminative language.
- ◆ Employees of the same nature of work and with the same experience (including migrant workers, temporary workers and apprentices/trainees) shall be entitled to equal basic work conditions and treatment. Differences in salary may be adjusted in consideration of factors such as experience, special skills, actual hours of work, level of difficulty of work and level of risk of work.

- ◆ Pregnancy tests shall only be performed on employees if it is required by law or the local government. If an employee becomes pregnant during the employment period, she shall be entitled to legally required protection and benefits. Employees have the right to choose to work during pregnancy (to the extent permitted by law) or to return to work after childbirth.
- ◆ If the law requires a specific medical examination on specific employees, an explanation about the relevant law/policy shall be provided to employees in advance and no charge shall be collected from the employees.

#### 2.4 Common examples of breach of nondiscrimination

- ◆ Reference in recruitment conditions or advertisements to age, marital status, military service, gender or the requirement of any other personal feature that is not related to the job, or asking for information during interviews that is not related to work capability or work requirement.
- ◆ Refusal to hire an employee participating in the interview based on union membership or blacklist.
- ◆ Performance of pregnancy test on female employees during or after recruitment or asking employees to accept any medical examination that is not required by law.
- ◆ Using results of medical examination required by law to dismiss employees or treat employees unfairly.
- ◆ Offering conditions to migrant workers that are worse than those offered to local employees, including salary, allocation of work or living conditions, etc.
- ◆ Dismissal of employee due to pregnancy, illness, disability or attempt to establish a union.

### 3. Harassment or Abuse

#### 3.1 Definition

- “Harassment” is any unsolicited and unwelcomed act performed on a person, including physical, sexual, psychological or verbal acts, which may be one-off or repeated acts.
- “Abuse” is an improper or excessive act on another that causes psychological or physical harm.
- “Retaliation” is when there is a threat to or punishment on an employee for reflecting any issue to the management or competent authority, participation in employee interview in audit or assisting another employee with a complaint or investigation.
- “Non-retaliation policy” means, when an employee duly exercises relevant rights, it is prohibited to adopt any punitive measure against the employee and that the employee shall be assured that he/she can reflect or complain about an issue with the relevant unit or person without being punished in retaliation.

#### 3.2 Illustration

In order to avoid harassment or abuse, the supplier can execute relevant steps:

First, announce that anyone has the right against abuse and oppression, and relevant training must be provided to management.

Second, a fully effective grievance system must be established to ensure proper handling towards incorrect behavior.

Third, a commitment for non-retaliation policy must be given to ensure that employees can trust and use the grievance system to provide feedback.

#### 3.3 Principles

- ◆ Any harassment, abuse, repeated use of rude or improper language or any form of improper behavior to intimidate employees is unacceptable.

- ◆ Provide management with training about cultural sensitivity to avoid harassment or abuse due to differences in cultural backgrounds.
- ◆ Allow employees to understand the company's regulations and systems, including the consequences of breaching the regulations and systems and how the company's complaint system operates. These regulations and systems must be expressed in a language that is understandable by the employees.
- ◆ The supplier shall establish transparent and confidential reporting channels that enable employees to file complaints, and provide comments and suggestions. Employees shall also be encouraged to use these communications channels.
- ◆ Suggestion boxes shall be locked and placed in a public area or a more private area (such as canteen, bulletin board area, recreation rooms, restrooms or dormitory). Only designated personnel can open the suggestion boxes and review the complaints or concerns provided.
- ◆ Complaints or concerns provided by employees shall be kept confidential, particularly when employees file a complaint or give notice to management about the situations that they are suffering from through the suggestion boxes.
- ◆ The supplier shall establish a non-retaliation policy and communicate such policy to all managers and employees. It shall specifically point out that no negative consequences will come of any employee's reflection of issues, provision of suggestions or participation in employee interviews in the course of audit.
- ◆ Disciplinary actions must be consistent with local laws, with full records. The supplier shall establish a progressive disciplinary system, such as: (1) Verbal warning, (2) Written warning, (3) Minor reprimand, (4) Major reprimand, (5) Dismissal, etc., to urge corrections by the employees.
- ◆ Any disciplinary sanction shall be confirmed by the sanctioned employee by signature on the disciplinary records. If the employee refuses to sign, a record shall also be made. Employees are entitled to raise objections to any unreasonable disciplinary sanction.
- ◆ Establish an employee complaint consultation service unit to perform functions related to discipline.
- ◆ Do not use fines as a disciplinary measure.

#### 3.4 Common examples of breach against harassment or abuse

- ◆ The supplier fails to publish company regulations and fails to inform employees about the disciplinary and grievance system.
- ◆ Employees are unable to raise complaints about improper disciplinary sanctions.
- ◆ No record kept about disciplinary sanctions.
- ◆ Employees are forced by management to sign records of disciplinary sanction even though they are disagreeable to the sanctions imposed.
- ◆ Suggestion boxes are set up in locations subject to supervision by the security guard or the management; or, even though the suggestion box is set up in a public area, there is no display or explanation about how replies will be provided to the grievances.
- ◆ Physical punishment or penalty imposed without justification, such as throwing objects at someone, standing at the front of production line or unpleasant cleaning tasks.
- ◆ Publication of disciplinary sanction records on bulletin boards, showing the employees' names, breaches, penalties or sanctions.



- ◆ The supplier's management commits verbal violence against employees, such as shouting at employees, use of abusive language or calling employees disparaging names.
- ◆ Management uses threats (such as dismissal) to manage and control employees.
- ◆ Commitment of verbal violence, physical punishment, fine, restriction on access to toilet/water drinking or cancellation of basic service or benefit as punishment against employees who breached factory regulations.
- ◆ Unreasonable or improper disciplinary sanctions against employees who breached company regulations or differentiation in punitive actions against same breach due to special relationships.
- ◆ Express or implied request by supplier's management for employees not to discuss much about the work situation in their reply to auditors' questions in the course of audit or providing standard answers for the employees. Strict penalty on employees who fail to reply based on standard answers or even dismissal.

#### 4. Forced Labor

##### 4.1 Definition

- "Forced labor" means when an employee performs any work or service against his/her free will under penalty or threat, including all slavery, human trafficking, bonded/involuntary workers, prison labor, etc.
- "Human trafficking" means the recruitment, transportation, concealment or acceptance of workforce for the purpose of slavery, forced labor (including contract labor or mortgaged labor) or labor servitude.
- "Involuntary contract/bonded labor" means when an employee is forced to provide labor to the supplier without consideration in order to repay third-party debt owed to the supplier and the employee is not allowed to leave the workplace at will.
- "Migrant worker" means a worker that migrates between countries or between regions/provinces inside a country for the purpose of engaging in specific economic activities to receive income.

##### 4.2 Illustration

Forced labor usually takes place because the workers and their family members are at a vulnerable position in the places of employment because they are away from their home countries or hometowns and are thus forced to perform labor or to work without consideration, including the following:

First, restriction on the freedom of movement, such as restricting employees' access to restrooms, drinking water or preventing workers from leaving the production/factory/dormitory area.

Second, illegal detention, such as keeping original copies of employees' identification documents, travel documents or work permits in a centralized manner to prevent them from leaving the work area or country.

Third, use of improper force, such as using the military or police to guard the factory or providing workers' information to the police without precise criminal evidence, result in their arrests.

##### 4.3 Principles

- ◆ It is prohibited for the supplier to use forced labor.
- ◆ The supplier may keep photocopies of employees' identification documents but may not withhold original copies for any reason.
- ◆ If the supplier pays wages through banking transfer, employees shall have their own bank accounts and shall be able to use such accounts without involvement of the supplier.
- ◆ Employees shall be permitted to leave the workplace freely at any time after completing the workplace access/exit application procedures.

- ◆ Employees shall be allowed unrestricted access to restrooms, drinking water or other basic facilities.
- ◆ If the supplier recruits employees through an agency, the travel expense or recruitment fee shall be paid by the supplier.

#### 4.4 Common examples of breach against forced labor

- ◆ Although employees receive compensation, they are not allowed to leave the workplace freely.
- ◆ Employees, especially child labor, provide labor without compensation in order to repay debt owed by others (usually employees' parents or relatives) to the supplier.
- ◆ Subcontract work to contractors using prison labor, regardless of whether the work is completed inside prison or in the supplier's workplace.
- ◆ Employees must stay inside the workplace until debts are repaid such as travel cost or recruitment fees. Usually the supplier has already paid such fees to the agency directly on behalf of the employees and then debits amounts from the employees' monthly wages until repaid in full.
- ◆ Asking employees to perform overtime without compensation in order to achieve production targets or to repair defective products.
- ◆ Asking employees to hand over original copies of identification documents, such as ID card, passport, work visa or residence permit.
- ◆ Withholding or imposing custody of employees' personal identification or financial documents to prevent employees from returning home, using their bank accounts or looking for another job.
- ◆ Prohibition or unreasonable restriction on employees' access to basic facilities, such as restrooms, pantry room or canteen.
- ◆ Preventing employees from leaving the factory or restricting employees' activities to be stayed at the supplier's workplace.

## 5. Child Labor

### 5.1 Definition

- "Child labor" is an employee below the age of 15 or the age for completion of local mandatory education.
- "Juvenile worker" is an employee between the age of 15 to 17 (i.e. an employee below the age of 18).

### 5.2 Illustration

In accordance with international standards or the laws of different countries, in order to protect the physical and mental health of child labors and juvenile workers, relevant measures are put in place for supervision, mainly the following:

First, prohibition against hiring child labors.

Second, if juvenile workers are hired and if there are local legislations applicable, records shall be established, filing shall be made, or proper physical examinations shall be arranged.

Third, if juvenile workers are hired, they shall not be made to work in hazardous work conditions or to perform hazardous work in hazardous environments, including work in elevated or enclosed spaces, use of hazardous tools and equipment, load-bearing work, access to toxic substance, overtime work or night shift or work in high/low temperatures, noisy or vibrating environments.

### 5.3 Principles

- ◆ Verify statutory minimum age requirement for child labor in the place where the supplier is located. If the local minimum age for child labor is over 15, such as 16, such age limit shall be followed.
- ◆ Establish a system to evaluate the ages of new employees recruited by the supplier. If an employee is obviously over the age limit, it is sufficient to verify identification documents. Otherwise, reference shall be made to other supporting documents, such as birth certificate, driver's license, passport, diploma, etc. Photocopies of all age-supporting documents shall be kept.
- ◆ If any identification document or age-supporting document does not appear genuine and if the actual age of the jobseeker cannot be verified, the person should not be hired.
- ◆ If the supplier discovers any child labor in the workplace, the following measures shall be taken: (1) Report to the supplier's contact window of PCG's sustainable development department; (2) Verify the family status with the child or his/her parent or guardian and send the child back to the original place of residence under guardianship, with necessary travel, food and lodging expense paid, as well as wages for work actually performed.

### 5.4 Common examples of breach involving use of child labor

- ◆ Hiring any person below the age of 15 to perform any work in any of the supplier's workplaces.
- ◆ Use of child labor in order to save money, without record, without registration or while concealing the child labors.
- ◆ Hiring of juvenile workers without establishing records and making filings in accordance with the law or while concealing the fact of employment.
- ◆ Hiring of juvenile workers to perform work that is not permitted by law or to perform overtime/night shift.

## 6. Freedom of Association and Collective Bargaining

### 6.1 Definition

- "Organize" is the process of preparation and establishment of a union or an employee representative organization.
- "Collective bargaining" is the process of negotiation by employee representatives or union members with the supplier and management on behalf of all employees.

### 6.2 Illustration

- In accordance with international labor standards and in consistency with local legislations, employees' right to organize unions or employee representatives shall be respected. Employees' right to freely choose a union and to participate in collective bargaining and legal congregations shall also be respected. The supplier shall also ensure that employees can fully express their opinions and exercise the above rights without concern for retaliation, discrimination, threat or harassment.
- Collective bargaining is a process participated in by both the employer and the employees to achieve the final collective agreement. Both parties will discuss the work treatments and benefits and reach a consensus.

### 6.3 Principles

- ◆ The supplier shall provide a union office to hold meetings. Documents related to the operation of the union shall be placed in a good environment.

- ◆ Legal strikes and demonstrations shall be deemed as labor disputes and shall be handled together by the supplier, the union and the labor department. No police or force shall be involved unless it is necessary to maintain security.
- ◆ Any official agreement (such as collective bargaining) shall have formal records, and shall be filed with or approved by the labor department in accordance with local laws.
- ◆ Suppliers shall respect and follow the clauses of collective agreements that are negotiated, agreed and that have taken effect in accordance with the law.
- ◆ Official meetings between the supplier and the union or employee representatives shall have proper records, available for review by meeting participants.

#### 6.4 Common examples of breach against freedom of association and collective bargaining

- ◆ The supplier prohibits employees from joining a union, committee or any other form of employee representation organization.
- ◆ Penalty or discrimination against employees for participation in legal union activities, such as unjustified bonus reduction, disciplinary action or dismissal.
- ◆ Disallowing employees from challenging the supplier's relevant work clauses and benefits during collective bargaining.
- ◆ Supplier's failure to submit collective agreement to the labor department for approval of records in accordance with the law, or failure to comply with the provisions of the collective agreement.
- ◆ Supplier's refusal to have regular meetings or communications with employee representatives, including engaging in collective bargaining, whether in a formal or informal manner, required by local laws.

## 7. Hours of Work

### 7.1 Definition

- "Overtime": Any work time beyond normal work hours is considered to be overtime.
- "Annual/paid leave" means time off from employee's occupation provided to employees in the form of paid vacation for a certain number of paid days every year in accordance with the law.
- "Special situation," also referred to as "extraordinary circumstances" or "emergency situations," means any special event or situation beyond the employer's control that seriously causes work interruption, including earthquake, flood, fire, nationwide emergency, force majeure or long-term political unrest, etc. Frequently occurring situations (such as scheduled power-offs, shortage of raw materials) are not special situations.

### 7.2 Illustration

In accordance with international standards and regulations, everyone is entitled to fair and good work conditions, particularly with guaranteed work hours, break, leisure, paid leave and paid statutory holidays to a reasonable extent.

### 7.3 Principles for swapping days to extend holidays and other special situations

In many countries, swapping days with work days has become practice in order to allow management and employees extend holidays or due to the nature of the industry. This usually takes place during Chinese New Year, national holidays, Christmas, Eid al-Fitr, Labor Day and other significant holiday periods. The rule of "one day off per 7 days" shall still be complied with.

- If a normal workday is exchanged with a statutory holiday due to production schedule, employees shall be paid wages at the normal pay rates during normal work hours in accordance with the law. If overtime is

performed on swapped rest day, it should be done voluntarily, the supplier shall acquire proof showing employees' consent to overtime, and correct overtime premiums shall be paid based on the overtime fee rate on statutory holidays.

- If the supplier arranges downtime in accordance with the production schedule and wishes to provide more convenient holidays for the employees, it shall first seek the consent of the union or the relevant employees in accordance with the law to ensure their consent for swapped rest day and confirmation that they have not been forced to schedule annual leave before arrangements are made for swapped rest day or annual/paid leave scheduling. Relevant conditions including wages and overtime shall still be compliant with the law. The supplier shall also keep relevant documents.
- If the supplier may not be able to meet the requirement of "one day off per 7 days," please seek compliance advice from the suppliers' contact window of PCG's sustainable development department.

#### 7.4 Principles

- ◆ The work hour record system should be directly linked to the wage system. The system should differentiate between normal work hours and overtime. All employees shall clock in and clock out in person. Work hours shall be clearly indicated in the salary sheet and salary details.
- ◆ Overtime hours shall not exceed the legal limits. Any change to overtime hours shall be subject to approval by the local labor department and the consent of relevant organizations such as employer-labor meeting or union and the competent authority. In addition to acquiring approval or consent, the supplier shall also keep documents related to overtime filing, overtime records, approvals and consents.
- ◆ Employees shall sign their names on the voluntary overtime sheets to confirm that the overtime work is performed voluntarily. The voluntary overtime rules shall be included in the employee handbook or factory regulations and shall also be included in all employee orientation and on-job training materials.
- ◆ If morning exercises, pre-work meeting or post-work cleaning take place outside normal work hours, the supplier shall pay wages based on overtime hours.
- ◆ The supplier shall put in place a sufficient number of punch-card machines and shall allow all employees to clock in/clock out within 15 minutes. Records outside such time period shall be deemed work arranged outside normal work hours and salaries shall be paid based on overtime wage rates.
- ◆ To ensure that employees do not perform work during lunch/dinner time in private or due to pressure, the supplier may adopt measures such as cutting off electric power in the work area, closing the gate to the production area and providing employees with proper rest areas.
- ◆ All employees (including drivers, security guards, cooks, etc.) shall have at least one day off (24 hours) every 7 days.
- ◆ The supplier shall establish an annual/paid leave rules and the taking of annual/paid leave by employees shall not impact their full-attendance bonus or other bonus.
- ◆ Employees shall be encouraged to take annual/paid leave. Any unused annual/paid leave shall be paid with the corresponding wages to the employees in accordance with the law.
- ◆ If an employee resigns or if the supplier terminates the employment contract, the supplier shall calculate the proportional number of paid leave days due in accordance with the law or pay off unused annual/paid leave.
- ◆ The supplier shall establish a leave record system which allows employees to track personal leave records correctly. Employees shall be responsible for filling out their own leave application forms.

- ◆ It shall be guaranteed that there is no duplicate work attendance records or wage system. Work hour records and salary statements shall be kept properly (at least 5 years or minimum period required by law).

#### 7.5 Common examples of breach of hours of Work

- ◆ No reliable mechanical or electronic punch-card system, such as mechanical clock, fingerprint scanner or facial recognition system.
- ◆ Work hours are recorded manually by management and forwarded to accounting or human resource department and employees are not able to verify them.
- ◆ Even though there is a mechanical or electronic punch-card system, the management or designated persons punch or swipe the cards for the employees.
- ◆ The work hour record system does not differentiate between normal work hours and overtime.
- ◆ The supplier fails to control overtime in accordance with the law or fails to keep relevant documents such as overtime application and overtime hour records.
- ◆ Employees are unable to refuse overtime and the supplier also fails to provide training to management about the voluntary overtime system.
- ◆ Work-related activities (such as morning exercise, pre-work or lunch-time meeting, post-work cleaning) are not included as normal work hours or overtime.
- ◆ Employee weekly work exceeding 60 hours on a recurrent basis.
- ◆ The supplier uses two sets of punch-card records to conceal consecutive shifts by employees or overtime beyond local legal limits.
- ◆ Employees are not given rest day of at least one day (consecutive 24 hours) per 7 days.
- ◆ The supplier frequently shifts workdays with break days or holidays due to delayed delivery of raw materials or to meet other work requirements without prior communication with or consent from employees.
- ◆ The supplier fails to grant annual/paid leave to employees or forces employees to submit annual/paid leave applications during the period of full-factory downtime.
- ◆ Failure to provide sufficient break time, statutory break day or statutory holiday to employees as required by law.

## 8. Compensation

### 8.1 Definition

- “Basic needs” means employees’ minimum requirements of living resources, including food, healthy drinking water, medical/health services, etc.
- “Disposable income” means the amount of wage for the employees’ free consumption or saving after meeting the basic needs, such as educational fee, entertainment cost or purchase of residence.
- “Wage payment record” means the record of all wage payments in an effective and transparent manner, which serves as evidence to show the employees that wages have been correctly paid by the supplier.
- “Legal benefits” means benefits that must be provided to the employees in accordance with the law, such as annual/paid leave, social insurance, medical care, etc.
- “Maternity leave”: Female employees shall be made to stop work before and after childbirth and maternity leave shall be granted. The period of maternity leave shall be in accordance with the laws of each country. In

the event of involuntary termination of pregnancy and if provided by the law, (miscarried) maternity leave shall be granted.

- “Salary compensation” is salary paid and topped-up to the employees due to payment failure, delayed payment or insufficient payment.

## 8.2 Illustration

- A minimum wage standard shall be established. Suppliers are asked to ensure the living standards of the employees, taking into consideration the economic level of the relevant country or region. It is recommended to pay wages directly to employees in legal tender, without any illegal or unreasonable deduction. All employees shall be entitled to receive corresponding compensation in exchange base on normal work and such compensation shall satisfy their basic needs and shall bring certain disposable income. If the compensation fails to meet the employees’ basic needs and bring disposable income, the Group encourages suppliers to strive to seek proper solutions in order to gradually achieve a compliant compensation standard.
- Employees shall be entitled to social protections in relation to medical care, illness, unemployment, retirement (pension), work injury, disability, family, birth, decease and family consolation in accordance with the law.
- Females shall be entitled to special protection or benefit before and after childbirth or during special physiological periods in accordance with the laws of each country, such as the granting of maternity examination leave, maternity leave, flexible work hours or work environment.

## 8.3 Principles

- ◆ No employee of any form shall receive a wage below the statutory minimum wage or proper current wage in the industry (whichever is higher).
- ◆ Wages and piece-rate wages for normal work hours and overtime calculated in accordance with the law shall be detailed in the salary sheets provided to employees.
- ◆ The salary details shall provide information on each payment item in detail, such as performance bonus or special allowance. Such items shall be indicated separately from basic wage.
- ◆ Regardless of whether wages are paid in cash or by bank/online transfer system, payment shall be made in a timely manner (within the time required by local laws) and all payment details shall be kept and provided to employees in a language and form understandable by the employees.
- ◆ If the statutory minimum wage increases, the new minimum wage shall be applied starting from the statutory effective date. Otherwise, the supplier shall compensate employees for the wage loss. If the supplier has a certificate issued by the local government to be exempt from the increased minimum wage, PCG shall not recognize such exemption and the supplier shall still apply the new minimum wage starting from the statutory effective date.
- ◆ If the supplier fails to pay wages based on the latest statutory minimum wage or defers the application of the new statutory minimum wage, the supplier shall compensate the full wage shortfall starting from the date of wage deduction/issuance or the date when the supplier becomes a supplier of PCG(whichever is later). Otherwise, PCG has the right to terminate the partnership with the supplier.

- ◆ The supplier shall provide employees with statutory social insurance or medical benefits (including employees on probation). Charges deducted in accordance with the law shall be specified in the salary sheets and salary details.
- ◆ Employees of involuntary termination or dismissal shall receive severance, termination compensation or other statutory payment in accordance with the law.
- ◆ Employees shall be granted sufficient break, statutory holiday and other leave in accordance with the law, such as wedding leave and sick leave.
- ◆ Female employees shall be provided with proper childbirth benefits. The supplier shall establish a proper system and provide explanations about the rules of maternity leave application and the payment of wages during maternity leave, as well as the rules of allowances for relevant nursing and medical costs before and after childbirth. These systems shall be consistent with local laws and government social protection plans.
- ◆ Objects required for work shall be provided free of charge, such as personal protective equipment. Drinking water, domestic water and other basic services shall not be deducted from wages.
- ◆ The supplier shall bear the cost of hiring migrant workers as factory operating cost and the cost of hiring foreign workers, such as the cost of work permit, visa and the cost of annual physical examination required by law.
- ◆ The employment of trainees and fixed-term employees shall also be consistent with labor laws. Wages during new employees' probation periods shall not be lower than the minimum wage. Employees' seniority shall start to accrue from the commencement date after the probation period is completed.
- ◆ The supplier's human resource department shall verify with the local labor department regularly as to whether the statutory minimum wage has increased and whether there has been any amendment to the labor laws.
- ◆ The supplier shall keep salary statements and work hour records. The work hour record system shall be directly linked to the salary statements. Training shall be provided to new employees to understand the compensation and benefits to which they are entitled.
- ◆ The salary sheets and employee salary details shall include all information in the calculation of salary and allowance, including all statutory and reasonable deduction information.
- ◆ It is prohibited to use a home worker to produce the products of PCG.

#### 8.4 Common examples contrary to compensation requirements

- ◆ Salary paid by the supplier to employees (including temporary workers and trainees) is lower than the statutory minimum wage or the minimum wage is not increased in time.
- ◆ The supplier fails to calculate and pay wages in accordance with the statutory minimum wage, using fluctuation of orders as an excuse.
- ◆ The supplier fails to calculate and pay wages based on normal work hours and overtime.
- ◆ The supplier delays in the issuance of employee wages or issues supplies to the employees in lieu of wages, such as distribution of rice or cooking oil instead of payment.
- ◆ The supplier fails to provide employees with detailed salary slip.
- ◆ Failure to pay overtime to employees based on the correct overtime rates.
- ◆ Failure to pay corresponding wages to employees for participation in work-related activities, such as work meetings, trainings, pre-work meetings and post-work cleaning.



- ◆ In special situations when employees perform work on break days, statutory national holidays or outside normal work hours, the supplier fails to pay compensation to employees based on legal fee rates.
- ◆ The supplier fails to pay pension, social insurance or medical insurance or fails to make such statutory payments on time.
- ◆ Failure to follow legal procedures in the dismissal of employees or failure to pay statutory severance, termination compensation or other statutory fees.
- ◆ Although the supplier provides transportation services, it fails to properly control the safety and quality thereof, such as when the driver charges fares to employees at will despite charges collected from the supplier.
- ◆ Failure to provide any or sufficient maternity leave or other childbirth benefits to female employees in accordance with the law.
- ◆ The supplier lends money to employees without establishing proper repayment plans and makes large-amount deductions directly from employees' wages as repayment.
- ◆ If an employee resigns before the expiry of a labor contract, the supplier imposes a significant penalty on the employee (especially for migrant workers), commonly deducting such penalty from wages.
- ◆ When an employee is late for work or produces defective products, the supplier makes deductions from their wages. When an employee is late for work, the supplier prevents the employee from accessing the workplace, resulting in the loss of one day's wages of the employee.
- ◆ When an employee is absent from work due to illness or must take leave due to emergency, regardless of whether the employee has given prior notice, the supplier deducts the employee's wages automatically, or the supplier fails to establish specific attendance procedures and ignores employees' actual situations.
- ◆ The supplier makes unreasonable deductions or unauthorized deduction from employee wages, such as work visa cost, recruitment fee, security deposit for tools/equipment, uniform cost or other unidentified sums.
- ◆ When employees already pay for lodging and meals, the supplier still charges additional drinking water fee, water fee for dormitories or fees for other basic services.