



2010

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL VERIFICATION REPORT*

COMPANY: Electronic Arts
COUNTRY: Mexico
FACTORY CODE: 690050203HV
MONITOR: Accordia Global Compliance
AUDIT DATE: September 10 – 11, 2010
PRODUCTS: DVD-Video, DVD-ROM, CD-ROM
PROCESSES: Manufacturing, Distributing
Pre-Recorded Products
NUMBER OF WORKERS: 452 Unionized,
186 Outsourced

*To read the original IEM report of this factory, please visit the FLA website [here](#).
For an explanation on how to read this report, please visit the FLA website [here](#).



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Wages, Benefits and Overtime Compensation: General Compliance Wages, Benefits and Overtime Compensation

WBOT.1 Employers shall comply with all local laws, regulations and procedures concerning the payment of wages and benefits, including overtime compensation. In any case where laws and the FLA Code are contradictory, the standard that provides the greatest protection for workers shall apply. Where provisions are lacking, employers shall take measures to reasonably accommodate matters concerning the payments of wages and benefits, including overtime compensation. (S)

Noncompliance

Explanation: Through payroll analysis and worker interviews, monitor found that deductions from pay exceeded the legal 30% limitation of the salary for contributions to the Fondo de Ahorro, Caja de Ahorro, etc. Federal Labor Code, Article 110.

Plan Of Action: The Applicable Supplier has identified the causes of this issue:

1. Savings Plan Administration. -- Employees are allowed to voluntarily withhold an unlimited amount of savings from their salaries. New rules will be implemented to cap the amount of savings that can be withheld from an employee's salary. The target date to change the savings plan rules is January 1, 2010.
2. Car Insurance Benefit. -- Employees are allowed to voluntarily withhold an unlimited amount of car insurance premiums from their salaries. New rules will be implemented to cap the amount of car insurance premiums that can be withheld from an employee's salary. The target date to change the car insurance rules is May 31, 2010.
3. Employees Credit Union. -- "Caja de Ahorro." -- Employees are allowed to take out loans from the credit union and have their loan payments deducted from their salaries. New rules will be implemented so that before granting a loan the credit union must review the employee's deductions and limit the amount of loan payment deductions so that loan payments do not exceed the legal limit. The target date to change the loan payment rules is January 30, 2010.

Deadline Date: 05/31/2010

Action Taken:

Plan Complete: Yes

Plan 05/31/2010

Complete

Date:

Action Yes

Verified:

Action COMPLETED - Human Resources department modified the payroll software to detect
Verified and prevent deductions that exceed the legal 30% limitation of the salary for
Text: contributions to "Fondo de Ahorro, Caja de Ahorro." At the IEV, as part of document
review, the auditor was able to confirm that company has made the correction and no
more than 30% deductions are being made. Worker interviews with a sample of 25
workers confirmed change has been made and maximum deduction is not over 30%
amount. The pay periods reviewed were from June 28, 2010 to September 5, 2010.

Action 09/09/2010

Verified

Date:

Follow-up The Applicable Supplier has modified their rules to conform to legal limits.

Plan of

Action:

Wages, Benefits and Overtime Compensation: Wage Receipt

WBOT.27 All payments of wages and benefits in cash and in-kind made directly to the worker must be properly documented and their receipt and accuracy must be confirmed by the relevant worker in writing (signature, thumbprint, etc.). No one can receive wages on behalf of a worker, unless the worker concerned has, in full freedom, authorized in writing for another person to do so. (P)

Noncompliance

Explanation: Monitor's review of payroll system and pay receipts found that workers do not sign the pay stubs as evidence of receipt of salary.

Federal Labor Code, article 132-VII

Plan Of Action: No action is required, as Mexican Federal Labor Code does not require employees to sign a receipt. However, the Applicable Supplier provides each employee with a pay stub/receipt each payday.

Deadline Date: 05/31/2010

Action Taken:

Plan Complete: Yes

Plan Complete Date: 05/31/2010

Action Verified: Yes

Action Verified Text: COMPLETED - During document review it was noted that workers now sign in acknowledgment of their receipt of the pay stubs. This change to the practice was also confirmed through the employee interview process. The pay periods reviewed by the auditor are from June 28, 2010 to September 5, 2010.

Action Verified Date: 09/09/2010



Freedom of Association: Employer Interference/Constitution, Elections, Administration, Activities and Programs

FOA.5 Employers shall not interfere with the right of workers to draw up their constitutions and rules, to elect their representatives in full freedom, to organize their administration and activities and to formulate their programs. (S)

Noncompliance

Explanation: During the audit it was observed that as a part of hiring process workers are required by factory to affiliate with and join the union. Local law provides that workers shall have a choice of joining or not at the time of hire. (Federal Labor Code, Art. 358)

Plan Of Action: Federal Law of Labor does require that Applicable Supplier cannot force any worker to join the union, but it also establishes that the union that has the contract can require that only workers affiliated with their union can join the Applicable Supplier. Every worker voluntarily signs an application to join union when hired. Union employees are not forced to belong to this union; however, all persons wanting to work for Applicable Supplier need to be a member of this union according to Federal Law of Labor Article 395. The process is that if a candidate accepts employment and signs a labor contract with Applicable Supplier, a representative from the union asks employee to voluntarily sign union affiliation form which demonstrates that the candidate has joined the union. If employee does not sign the form, then employee must be removed from Applicable Supplier according to Article 395 of Federal Labor Law. HR staff of Applicable Supplier does not ask worker to affiliate with the union; that task falls to a union representative.

Deadline Date: 03/31/2010

Action Taken:

Plan Complete: Yes

Plan Complete Date: 03/31/2010

Action Verified: Yes



Action Verified Text: COMPLETED - Human Resources Department modified hiring process and eliminated the practice of HR department handing out membership documents to workers for the union during the hiring process. Auditor observed membership documents are now stored in the union office. The practice was confirmed during worker and management interviews, and with union representative, [Employee name].

Action Verified Date: 09/10/2010

Code Awareness:

GEN.1 Establish and articulate clear, written workplace standards. Formally convey those standards to Company factories as well as to licensees, contractors and suppliers.

Noncompliance

Explanation: The monitor did not find any posting of the EA Code of Conduct or that of the Fair Labor Association.

Plan Of Action: The applicable supplier will post the Electronic Arts Labor Standards for Product Suppliers by December 5, 2009.

Deadline Date: 12/05/2009

Action Taken:

Plan Complete: Yes

Plan Complete Date: 12/05/2009

Action Verified: Yes



Action Verified Text: COMPLETED - During factory tour was observed that Code of Conduct of Electronics Arts was posted on communications boards maintained by HR department and located in public places of the facility.

Action Verified Date: 09/09/2010

Code Awareness:

GEN.2 Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.

Noncompliance

Explanation: Monitor did not find evidence that factory trains workers on Electronic Arts or FLA Code of Conduct at any point from hiring or throughout the longevity of the workers.

Plan Of Action: Applicable Supplier will post Electronic Arts Labor Standards for Product Suppliers. It will train employees by providing copies of Electronic Arts Labor Standards and will provide an explanation of the Labor Standards. This training will be provided by the supervisors/managers of each area. Training will be completed by the end of 2009.

Deadline Date: 12/31/2009

Action Taken:

Plan Complete: Yes

Plan Complete Date: 12/31/2009



Action Verified: Yes

Action Verified Text: COMPLETED - During document review and worker interviews with sample of 25 workers, monitor found written evidence that factory trains all workers on EA Code of Conduct. Oral training provided to workers in March 2010. This was only training that occurred; however, facility will be conducting two trainings per year due to low rotation. Workers confirmed training during interviews. Factory has a confidentiality policy that restricts anyone, including monitor, from obtaining a copy of training for audit file.

Action Verified Date: 09/10/2010

Code Awareness:

GEN.3 Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.

Noncompliance

Explanation: The monitor did not find evidence of a confidential communication channel for use by workers to report noncompliance to the Code to EA.

Plan Of Action: Applicable Supplier promotes open communications by employees. Employees are encouraged to report any noncompliance to HR or their immediate supervisor. Applicable Supplier will add following language to Electronic Arts' Labor Standards: "Notice to Employees of EA's Product Suppliers: If you believe there has been a violation of Electronic Arts' Labor Standards, you may confidentially report it to EA. Please direct your report in writing to Electronic Arts Inc. and include all relevant details regarding the suspected violation. If you have concerns about contacting EA directly, you may contact the Fair Labor Association."

Deadline Date:

**Action
Taken:**

**Plan
Complete:** Yes

**Plan
Complete
Date:** 04/07/2010

**Action
Verified:** Yes

**Action
Verified
Text:** COMPLETED - Auditor observed that the EA Code of Conduct indicates a telephone number as a confidential communication channel between workers and company. Additionally, the telephone number of the FLA was posted on the code.

**Action
Verified
Date:** 09/09/2010

**Follow-up
Plan of
Action:** In addition to the telephone number, the EA Labor Standards provide an address as a confidential communication channel between workers and EA.

Health and Safety: General Compliance Health and Safety

H&S.1 Employers shall comply with all local laws, regulations and procedures concerning health and safety. (S)

Noncompliance

- Explanation:**
1. Fire extinguishers observed directly installed on floor as opposed to being affixed to walls/support structures, as required.
 2. Monitor observed compressed gas tanks with argon were not secured to any structure to prevent accidental tipping/falling.
 3. It was noted that one eye wash was not functioning properly. (Reglamento Federal de Seguridad, Higiene y Medio Ambiente en el Trabajo. Article 45)
 4. Fire extinguishers observed installed outside factory were not protected from weather (NOM-002-STPS-2000 9.2.3 .d)

- Plan Of Action:**
1. Extinguisher found on floor is part of an inventory of 15 extinguishers used for temporary contractor work in building. It is not a legal requirement for these extinguishers to be affixed to a wall or supported in any other way. However, a tracking system is now implemented to control this spare equipment.
 2. Review of all tanks was conducted and any unsecured tanks were secured at moment of audit. Revision to process now includes Replication and safety committee will conduct monthly inspections to ensure all tanks are secured.
 3. Non-functioning eye wash station was repaired. Preventive maintenance program was revised to assure time between services is no more than one week. Safety committee will specifically include eye wash stations in monthly inspections.
 4. This is not a legal requirement; however, providing covers will be adopted as a best practice. Covers have been ordered and will deliver by the end of the month.

Deadline Date:

- Action Taken:**
1. Done on September 15, 2009.
 2. Done on September 30, 2009.
 3. Done on September 30, 2009.

Plan Complete: Yes

**Plan
Complete
Date:** 09/30/2009

**Action
Verified:** Yes

**Action
Verified
Text:** 1. COMPLETED - During factory tour auditor observed fire extinguishers are installed at an appropriate height. Mexican law requires fire extinguishers must be installed at 1.5m (maximum height) and at 10cm (minimum height) from floor.

2. COMPLETED - During factory tour was observed that compressed gas tanks with argon are secured with a chain to cabinet to prevent accidental tipping/falling.

3. COMPLETED - During factory tour was observed that eye wash stations and emergency showers were tested and functioning properly.

4. COMPLETED - During factory tour was observed that fire extinguishers located at exterior of factory are inside a cabinet and therefore protected from the weather.

**Action
Verified
Date:** 09/09/2010

Health and Safety: Evacuation Requirements and Procedure

H&S.9 All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, the installation and maintenance of an employee alarm and emergency lighting systems, ensuring aisles/exits are not blocked and that workers are not blocked within their workstations, employee education, evacuation procedures, etc.) shall be complied with. Workers shall be trained in evacuation procedures. Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually. (S)

Noncompliance

Explanation: 1. Monitor's inspection of factory found an emergency exit installed and located in one area of factory was obstructed. This limits ability of workers to safely evacuate in event of emergency. Forklift being repaired and parked directly in front of an emergency exit.

2. Observed by monitor there were three powered forklifts lacking fire extinguishers.

Plan Of Action: 1. All emergency exits audited together to verify each exit is alarmed and working. The officers will report any blocked exits in daily rounds, and blockages will be immediately remedied. Equipment will not be repaired in any area that would block emergency exits.

2. Extinguishers were installed as required.

Deadline Date: 09/30/2009

Action Taken: 1. Done on September 30, 2009.
2. Done on September 30, 2009.

Plan Complete: Yes

Plan Complete Date: 11/09/2010

Action Verified: Yes

Action Verified Text: 1. PENDING - During factory tour auditor observed an emergency exit located at mini-plant 9 obstructed, limiting ability of workers to safely evacuate in event of emergency. Forklift parked directly in front of emergency exit.

2. COMPLETED - During factory tour monitor observed fire extinguishers are properly installed on forklifts.

Action Verified Date: 09/09/2010

Follow-up Plan of Action: 1. COMPLETED - Forklift removed from in front of emergency #9. Quality and Best Practices department is responsible for maintaining emergency exits and passageways.

Health and Safety: Personal Protective Equipment

H&S.11 Workers shall be provided with effective and all necessary personal protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to health and safety hazards, including medical waste. (S)

Noncompliance

Explanation: Some workers were not using hearing protection (earplugs) and eye protection in areas where they are mandatory.

Plan Of Action: Supervisors will enforce regulation to properly use all required personal protection equipment (PPE). Audit group will include this issue in process audits.

Deadline Date: 09/30/2009

Action Taken: Done on September 30, 2009.

Plan Complete: Yes

Plan 11/09/2010

Complete

Date:

Action Yes

Verified:

Action PENDING - During factory tour monitor observed 5 workers not using earplugs in the
Verified production area, indicating that supervisors are not effectively enforcing PPE policy.
Text:

Action 09/09/2010

Verified

Date:

Follow-up COMPLETED - Applicable supplier has implemented training course by medical
Plan of department to remind employees of need to use earplugs for their health. Additionally,
Action: supervisors made aware of need to reinforce this directive. Training course takes place
every month and all operations employees will receive training once a year.

Health and Safety: Material Safety Data Sheets/Worker Access and Awareness

H&S.14 Material Safety Data Sheets (MSDS) for all chemicals used in the factory must be available at the usage and storage sites of the chemicals, in the local language and the language(s) spoken by workers, if different from the local language. Workers shall have free access to MSDS. (P)

Noncompliance

Explanation: There is no MSDS available in some of the working areas. MSDS were found only in certain areas of production floor.

Plan Of MSDS now available in all work areas, and medical department will review them weekly.
Action:

Deadline 09/30/2009

Date:

Action Taken: Done on September 30, 2009.

Plan Complete: Yes

Plan Complete Date: 09/30/2009

Action Verified: Yes

Action Verified Text: COMPLETED - During factory tour monitor observed MSDS of chemicals used are available at each working area in a file folder.

Action Verified Date:

Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance

H&S.17 All necessary ventilation, plumbing, electrical, noise and lighting services shall be installed and maintained to conform to applicable laws and in such a manner as to prevent or minimize hazardous conditions to workers in the facility. (S)

Noncompliance

Explanation: It was observed electrical panels blocked in the warehouse and forklift area.

Plan Of Action: Injection molding machine thermoregulators partially blocked one electrical panel in one area of plant. Regulation states panels must be "free-to-reach"; no distance is specified. All panels will be reviewed to assure free access.

Deadline Date: 10/01/2009

Action Taken: Done on October 1, 2009.

Plan Complete:	Yes
Plan Complete Date:	11/09/2010
Action Verified:	Yes
Action Verified Text:	ONGOING - During factory tour observed that electrical panels in warehouse 9 were blocked by forklift. Monitor found wires partially blocking access to electrical panels.
Action Verified Date:	09/10/2010
Follow-up Plan of Action:	COMPLETED - Area has been unblocked and space has been added between electrical panels and battery charging stations. Quality and Best Practices department is responsible for maintaining battery charging stations and electrical panels.

Health and Safety: Machinery Maintenance and Worker Training

H&S.18 All production machinery, equipment and tools shall be regularly maintained and properly guarded. Workers shall receive training in the proper use and safe operation of machinery, equipment and tools they use. Employers shall ensure safety instructions are either displayed/posted near all machinery or are readily accessible to the workers. (S)

Noncompliance

Explanation:	One machine installed on production line was found without proper guarding.
Plan Of Action:	Guarding was installed on this production line. A revision to audit process now includes Replication and safety committee will conduct monthly inspections to ensure all guards are appropriately installed on all lines.
Deadline Date:	09/15/2009

Action Taken: Done on September 15, 2009.

Plan Complete: Yes

Plan Complete Date: 09/15/2009

Action Verified: Yes

Action Verified Text: COMPLETED - During factory tour observed all machines now have appropriate guarding, including machine on line 211G.

Action Verified Date: 09/09/2010

Health and Safety: Medical Facilities

H&S.21 Medical facilities shall be established and maintained in factories as required by applicable laws. Medical staff shall be fully licensed and recognized under applicable local rules and regulations. An appropriate number of medical staff shall be on duty during all working hours, including any type of overtime, as required under local law. An appropriate stock of medical supplies shall be maintained at all times. Medicines of which the expiration date has passed must be replaced immediately and disposed of in a safe manner. (P)

Noncompliance

Explanation: Was observed that medicines in first aid kit and in Internal Medical Service were expired.

Plan Of Action: An additional process has been implemented to avoid use of expired medicine, which requires physician to review all medicines before medication is given to any employee. All medical kits outside medical department have been removed.



Deadline Date: 09/30/2009

Action Taken: Done on September 30, 2009.

Plan Complete: Yes

Plan Complete Date: 09/30/2009

Action Verified: Yes

Action Verified Text: COMPLETED - During factory tour was observed that medicines in first aid kit and in Internal Medical Service were replaced and found to be current and within their expiration date.

Action Verified Date: 09/10/2010
