



## **Students and Scholars Against Corporate Misbehaviour**

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# **Blood and Sweat Behind the Screen of iPhones – Another Investigative Report on Apple’s Largest Display Screen Supplier**



Figure 1: Workers lining up to enter Biel Huizhou Plant

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## **Executive Summary**

Since 2009, Students and Scholars Against Corporate Misbehaviour (SACOM) has been concerning with the labour condition of Apple's supply chain in China. A series of investigations and campaigns were held in the years to urge Apple and its manufacturers to stop abusing workers in China. In 2013, SACOM published its first investigative report of Biel Crystal, Apple's largest display screen manufacturer, disclosing the inhumane working conditions in factory. In 2015, SACOM organized a second round of investigation on the same factory targeting to re-examine the working conditions. Researchers applied as general workers of Biel's Huizhou factory and conducted undercover investigation inside the plant to collect evident and materials.

According to the research result, it was found that labour right violations are still widespread in Biel Huizhou:

### **1. Endless Bleeding on the Production Lines**

#### **1.1 Occupation Risk-related Terms Crossed Out in Contract**

Biel has crossed out the terms stating the potential occupation risks workers would face and the protection measures employer should take. This is unfair to workers as they have no way of understanding potential dangers in the workplace.

#### **1.2 Frequent Workplace Injury**

Workplace injuries are still frequent in Biel Huizhou. Almost 30 workers get injured per month in average. Biel is also found to be asking some workers to sign an agreement to give up the right to undertake official injury assessment.

### **2. High Pressure Management**

#### **2.1 Intensive Surveillance and Discipline**

There are around 1500 security staff members in Biel Huizhou monitoring every single part of workers' factory life. Biel's security staff are well-known to be rude and ill-mannered which made workers living under high pressure.

## **2.2 Fines and Wage Deduction without Legal Ground**

Although fining workers is legally groundless in China, fine and wage deduction are still widely used in the factory to punish workers who violated factory's regulations. Fines are issued frequently even on minor issues such as not able to finish food or not dining in assigned canteen.

## **2.3 Numerous Workplace Suicides**

At least 3 in-plant suicide were found during 2014-2015. Deceased's relatives protested that Biel has been refusing to investigate and disclose the reasons and details of the death. Workers were also prohibited from discussing the suicides.

## **3. Playing a Game on Apple's Supplier Code of Conduct**

### **3.1 Forced Signing of Overtime Work Application**

Workers are coerced into signing an agreement to claim they are voluntarily applying overtime work and will not pursue Biel for any liabilities. The agreement was given to workers together with the employment contract. Workers who refuse to make the claim will not be hired. The agreement is misleading to workers regarding their legal labour rights.

### **3.2 Excessive Working Hours**

The overtime hours of workers are found to be up to 140 hours per month while the legal maximum overtime hour is 36 per month. The Just-in-time manufacturing system adapted by Apple and Biel is the root of the problem. Another reason is the low basic wage of workers that forces them to work overtime just to earn a living.

## **4. Underpaying Social Securities and Not Paying Housing Provident Fund**

Biel is found to be not paying workers' housing provident fund. Also, Biel is paying workers' pension and unemployment insurance in a base far lower than the actual gross wage of workers.

## **5. Absent of a Democratic Workers' Union**

Vast majority of workers in Biel do not know the existence of the trade union. The union room is found to be always empty and workers have no way to contact the union representatives at all. The Union is not performing the function of voicing for workers.

Based on the violations and abuses mentioned above, we condemn the misbehavior of Biel and Apple. These two corporate entities must carry out corrective measures immediately:

### **SACOM Demands to Biel Crystal**

1. To raise the basic wage of workers in order to guarantee workers' income for a decent life without excessive overtime working hours;
2. To undertake all social securities and housing provident fund cover for all workers according to relative legal requirements;
3. To abandon the legally-groundless fining system immediately;
4. To abandon the military-style management and set up an effective counseling system to avoid worker from committing suicide due to the high working pressure;
5. To complete the occupation risks-related terms in employment contracts and provide sufficient training and PPEs to avoid occupation injuries;
6. To reform the union and enable workers to democratically elect their representatives in accordance with the Trade Union Law of the People's Republic of China;

## **SACOM's Demands to Apple**

1. To ensure Biel Crystal acts upon the above demands and compliance to labour-related laws;
2. To guarantee Biel Crystal's compliance to Chinese Labour Law, Social Insurance Law, Regulations on Management of Housing Provident Fund and other related laws;
3. To guarantee Biel Crystal's compliance to Apple's Suppliers' Code of Conduct;
4. To actively and effectively monitor and disclose the production behaviors in its whole supply chain;
5. To enhance the transparency of its supply chain;
6. To organize a round-table meeting involving representatives from SACOM, Apple and Biel Crystal for discussing a timetable to rectify the labour rights violations

## 1.1 Introduction

In 2013, Students and Scholars Against Corporate Misbehaviour (SACOM) published the first investigative report on Biel Crystal, Apple's largest display screen manufacturer, to disclose its unsatisfactory working condition. Numerous labour right violations and abuses were revealed in the report including excessive working hours, blank working contract, workers' suicide, military-style management and other problems<sup>1</sup>.

In 2015 and 2016, a new investigation was organized in order to examine updated labour conditions in Biel after the previous report. It was found that the violations have not been improved. Labour abuses are still widespread in the Huizhou factory.

In the report, background of Apple and Biel Crystal will be discussed. 9 major findings of the investigation will then be examined. The last sessions will be the responsibilities of the two corporates and SACOM's demands to these corporates.

Majority of the materials and information in this report were collected through undercover investigation conducted by researchers. To ensure the anonymity, pseudonyms will be used throughout this re-visiting report

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<sup>1</sup> Full version of the 2013 report can be downloaded here: <http://sacom.hk/wp-content/uploads/2013/11/2013-11-Stains-on-iPhones%E2%80%99-Cover-Glass-%E2%80%93-Dehumanized-Working-Condition-of-Biel-Crystal-for-Apple%E2%80%99s-Products.pdf>

## 1.2 Apple Inc. and its Global Supply Chain

On 25<sup>th</sup> October 2016, Apple Inc. had just announced its financial results for its fiscal fourth quarter ended 24 September 2016. As usual, the report breaks down the total quarter revenue of US\$46,852 million into five operating segments including Americas (43.2%), Europe (23.1%), Greater China (18.8%), Japan (9.2%) and Rest of the Asia Pacific (5.7%)<sup>2</sup>.

Operating Segments	Revenue (In millions)	Percentage
America	\$20,229	43.2%
Europe	\$10,842	23.1%
Greater China	\$8,785	18.8%
Japan	\$4,324	9.2%
Rest of Asia Pacific	\$2,672	5.7%
Total	\$46,852	100%

Table 1: Unaudited Summary Data of Apple Inc. in Q4 2016

Unsurprisingly, although America contributed near 45% of the quarter sales, most of the manufacturing centers of Apple are not located in America. In fact, the supply chain of Apple mainly falls into China (43.9%), Japan (15.9%) and other Asian countries.

Suppling Country	Number of Supplier Located	Percentage
China	348	43.9%
Japan	126	15.9%
USA	82	10.4%
Taiwan	42	5.3%
South Korea	29	3.7%
Malaysia	23	2.9%
Singapore	20	2.5%
Philippines	19	2.4%

<sup>2</sup> Apple Q4 2016 Financial Result. Retrieved <http://www.macworld.co.uk/news/apple/apple-q4-2016-financial-results-iphone-mac-sales-down-again-3581769/>

Thailand	19	2.4%
Vietnam	18	2.3%
Other 17 countries	66	8.3%

Table 2: Location of of Apple’s Suppliers in 2015

The table above demonstrated the regional distribution of 97% of Apple’s supplier worldwide in 2015<sup>3</sup>. It is easy to figure out that overwhelming majority of these suppliers are located in developing countries such as China, Taiwan, South Korea, Philippines, Thailand and Vietnam. In previous years, Students and Scholars Against Corporate Misbehavior (SACOM) and other labour right organization have been disclosing numerous labour abuses and exploitation happened in Apple’s supply chain. Apple has not been taking up its due diligence to protect the labour rights of workers in their supply chain at the developing countries. Since 2009, SACOM have been actively monitoring the working condition of Apple’s Chinese supplying factories such as Foxconn, Wintek and Biel Crystal. We believe that Apple, as a multi-national leading company with a US\$215 billion of revenue per year, should have the sole responsibility to guarantee every single section of it global supply chain is clean, socially responsible and exploitation-free.

In 2013, SACOM has published the “Stains on iPhones’ Cover Glass – Dehumanized Working Condition of Biel Crystal for Apple’s Products” disclosing the abusive and illegal working condition in Biel Crystal, the largest display screen supplier of Apple. After three years, this re-visiting report is published to examine if Biel Crystal has corrected its labour right violations and allow the public to continuously monitor the behavior of the factory.

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<sup>3</sup> Apple’s Supplier List 2016. Retrieved <http://images.apple.com/supplier-responsibility/pdf/Suppliers.pdf>

### 1.3 Biel Crystal – The Largest Glass Supplier of Apple

Biel Crystal Manufactory Limited (hereafter Biel) is a Hong Kong-based company that manufactures phone screens, sapphire crystal, watch faces and other glass products. Founded in 1986, Biel is currently owning two manufacturing plants in Guangdong Province in Southern China — the Biel Crystal Manufactory (Shenzhen) Limited and the Biel Crystal Company (Huizhou) Limited (hereafter Huizhou). The total area of Biel’s factory plants and workers’ dormitories has reached 1.5 million square meters in 2015 including a 210,000 square meters manufacturing building which is the largest one in Guangdong Province. Approximately, the number of staff hired by Biel is around 120,000 in 2016<sup>4</sup>.

Being the largest display screen supplier of Apple and other leading electronic brands, Biel has occupied over 60% of the global smart phone display screen market. In 2015, Biel’s annual production value has reached over RMB 30 billion (approximately US\$ 4.4 billion) in 2015. According to an interview of Yeung Kin-man, Biel’s founder and chief executive, the production value is expected to reach RMB 40 billion (approximately US\$ 5.8 billion) in 2016<sup>5</sup>. The giant is not only leading the global glass market, but also functions as the largest display screen manufacturer of Apple. Biel is currently responsible for more than 60% of Apple’s display screen used<sup>6</sup>. Using the annual sales statistics announced by Apple, it is estimated that Biel has produced at least 165 million pieces of screen glasses for Apple in 2016, despite the huge number of glass pieces used for warranty and repair.

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<sup>4</sup> “Promoting re-industrialization in Hong Kong” by Chief Executive of HKSAR. Retrieved <http://www.ceo.gov.hk/eng/blog/blog20160417.html>

<sup>5</sup> “Biel Crystal to be On List” by Sina, Retrieved <http://sina.com.hk/news/article/20160126/0/5/2/%E4%BC%AF%E6%81%A9%E5%85%89%E5%AD%B8%E5%95%9F%E5%8B%95%E4%B8%8A%E5%B8%82-%E6%93%AC%E5%8B%9F%E8%B3%8720%E5%84%84%E7%BE%8E%E5%85%83%E5%B0%8D%E6%8A%97%E8%97%8D%E6%80%9D%E7%A7%91%E6%8A%80-5337459.html>

<sup>6</sup> “Inside Biel’s Production Line” by kknews. Retrieved <https://kknews.cc/news/oyz34q.html>



Figure 2: YEUNG, Kin Man, the founder and CEO of Biel

Some would agree with Yeung, the CEO of Biel, that the secret of quick Biel’s success is “creativity’ and ‘innovation”. Yet, there many workers who are on Biel’s production lines have been forgotten. Behind billions of profits earned by Biel, the working condition and legal rights of Biel’s workers have been sacrificed for these “creativity” and innovation”.

Factory Profile:

<b>Name</b>	Biel Crystal Manufactory (Huizhou) Company Limited
<b>Location</b>	Biel Crystal Industrial Park, Baishi, Qiuchang, Huiyang District, Huizhou, Guangdong, China
<b>Age Range of Workers</b>	18 to 40 years old
<b>Major Clients</b>	Apple, Samsung, Huawei, Xiaomi etc.
<b>Major Products</b>	Camera cover glasses and display screens for smart phones and tablets

Table 3: Profile of Biel Huizhou

## **1.4 Methodology**

Two rounds of undercover in-house investigation and one round of off-site interview were conducted in order to collect information and materials for this re-visiting report.

In 2015, a researcher based in mainland China applied to work as a general worker in Biel Huizhou and undertook undercover in-house investigation to collect targeted materials and information for the report.

At the beginning of 2016, SACOM organized around 60 volunteers in mainland China to discuss the re-visiting project. Volunteers then joined Biel Huizhou to work in different departments. Experience notes and other materials were provided by these volunteers.

In September 2016, a round of off-site research was conducted. Another group of researchers stayed around Biel Huizhou's factory for a week to interview workers.

To ensure anonymity, pseudonyms will be used throughout this report.

## 2. Findings

### 2.1 Endless Bleeding on the Production Lines

#### 2.1.1 Occupation Risk-related Terms Crossed Out in Contract

The following photo is a picture of the working contract given to Biel's workers in 2016:

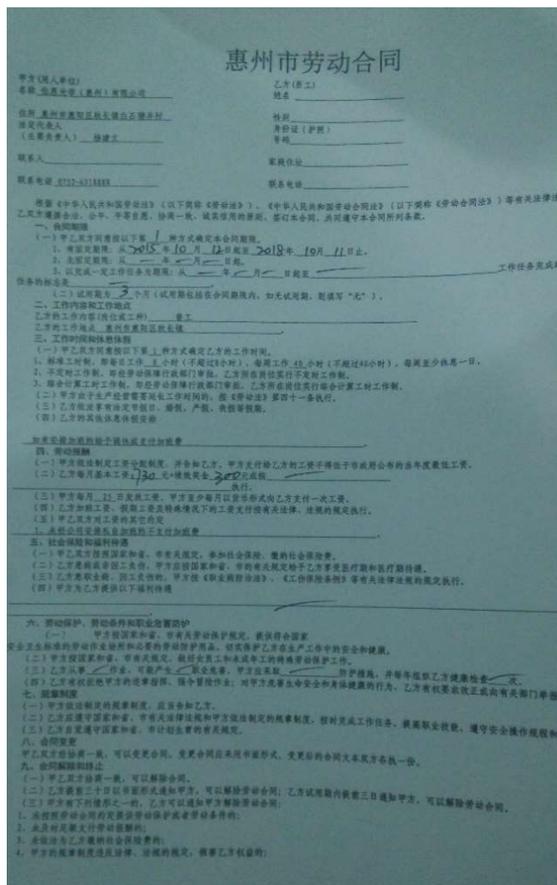


Figure 3: Official working contract of Huizhou city

From the photo above, it was found that Biel had crossed out the job nature and risks related terms in the contract:

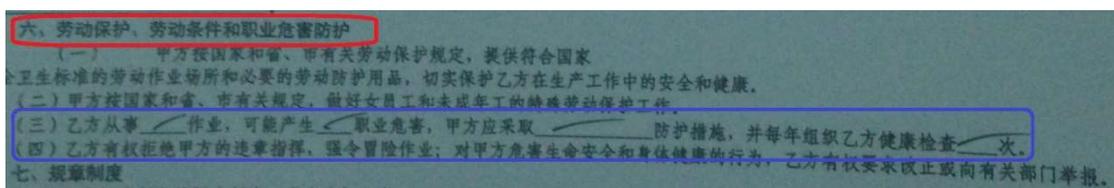


Figure 4: Terms related to occupation risks in figure 3

English translation:

“Labour Protection, Labour Terms and Occupation Risks Prevention” (In red box)

“The employee will be responsible to (crossed out) tasks, occupation risks including (crossed out) are possible. The employer should take (crossed out) measures to prevent these risks and arrange health check for the employee (crossed out) times per year” (In blue box)

As mentioned in the 2013 report, working injuries in Biel are very common especially in the grinding and coarse departments. Workers must be well-informed about the occupation risks before they start working in the production lines in order to avoid potential harms. The contract also required the employer to state the frequency of regular body checks to be arranged for workers in order to seek early suspect on any possible occupation diseases. However, these terms have also been crossed out.

## 2.1.2 Frequent Work-related Injuries

Occupation injuries are common in Biel. In 2013, SACOM disclosed details of injury cases happened in Biel. From the recent research, it was found that the situation has not improved.



Figure 5: Ambulance inside Biel Huizhou's Plant

According to workers interviewed, ambulances are often witnessed in Biel's Huizhou. Injuries happen mostly in the grinding department.

After receiving immediate treatments, workers are to go through injury assessment. According to an injured worker, Biel groups the recently injured and arranges mass injury assessments twice a month. The worker reported that the average number of injured workers sent is around 30 persons per month. Shuttle is arranged to send the injured to the First People's Hospital of Huizhou and the Third People's Hospital of Huizhou all together with the company of manager assigned by the factory. This practice has hindered the work of labour right education units as workers are less willing to talk to the units' members under the supervision of the factory manager.

Also, another worker reported that several workers including herself were asked to

sign an agreement of “Consent to Give Up Injury Assessment” without being well-informed about its actual meaning. She reported that the agreement was given together with a stack of hospital expenditure receipts. The management staff from Biel asked her to sign the stack of documents without explaining the content of agreements one by one. In fact, the worker did not realize that she should undertake an official injury assessment due to lack of relative knowledge. Only when she received relative information months after the injury did she understand this legal right.

Without an official injury assessment result, workers are not able to undertake the legal procedures to pursue the factory’s liabilities and receive a reasonable compensation. It is shameful that Biel tries to escape from the legal liability of properly compensating injured workers. In addition, it is suspicious if Biel has conducted any investigations for the frequent workplace injuries and the way to avoid these cases. As the employing unit, Biel has the sole responsibility to provide proper and enough pre-job occupational safety training and adequate personal protective equipment’s (PPEs) for workers to ensure the occupation safety.

## 2.2 High Pressure Management

### 2.2.1 Intensive Surveillance and Discipline

Biel has always been known for its large number of security staff and military-style management. During the investigation in 2016, teams of security staff are still frequently witnessed around the factory buildings and dormitory area.



Figure 6: Security staff marching from factory area to dormitory area



Figure 7: Security staff in military-style uniform

According to a volunteer who got into the security team to work, the number of security staff in Biel Huizhou is around 1,500 in 2016. The duties of security staff include performing strict body inspection on workers when they enter and leave the production lines, marching inside production lines, around the factory and dormitory in teams regularly, checking if workers are dining in their assigned canteen during meal time, fine workers if they have violated any regulations such as not finishing their food etc.

According to a security staff, Biel has slightly lowered the number of security staff when compared to 2013. Also, workers have pointed out that Biel has been trying to increase the ratio of female staff in the security department. According to the worker, Biel is trying to soften the image of its security teams that was notoriously rude and disrespectful. Workers said the attitude and wordings of security staff are not as ill-mannered and insulting compared to earlier years.

However, a softer attitude does not mean that control over workers have lessened. The ratio of security staff to workers in Biel is still very high compared to other manufacturers in China. For those workers who are living in the dormitory provided by Biel, their life is almost 24/7 under the surveillance and monitor from the factory. In fact, a worker told our researcher “The way that security staff look at us are always so inspective that it makes me feel uncomfortable.” The security teams marching around the factory and living areas are the permanent reminder of the existence of surveillance. The authoritarian and oppressive practices of the security teams are demonstrated by the fining system of Biel.

## 2.2.2 Fines and Wage deduction without Legal Ground

Following the abolishment of “Regulation on Employees’ Award and Punishment” in 2008, corporations in China have no any legal ground to deduct employees’ wages for mistakes made anymore. Workers must not receive fines from corporations for any reason. Nevertheless, Biel has still been utilizing a monetary punishment system on workers, in a devious way.

To avoid being challenged for wage deduction from workers, Biel created the “performance bonus” system. All deductions are made from the performance bonuses of workers’ regular monthly salary. Separating the basic wage and performance bonus, Biel claims that no wage deduction has happened on its factory.

However, according to Biel’s official policy, workers’ monthly ground wage is RMB ¥2030. The number comprises of two part: basic wage of RMB ¥1730 and performance bonus of RMB ¥300. All overtime hourly wages are calculated based on this amount of RMB ¥2030. In other words, Biel’s official wage calculation actually considers both the basic wage and performance bonus as the foundation wage of workers. The claim that wage deduction has not occurred is therefore deceptive wordplay and in no way reflects the truth.

Fines are still extremely common in Biel. Fines are issued by deducting workers’ “performance bonus points” that worth RMB ¥10 per point. The following photo is a notice in Biel living area stating the monthly fine record of the D2 plant:

BIEL

**伯恩光学（惠州）有限公司（D2厂）**  
**改善金明细（九月份汇总）**

序号	工号	姓名	部门	改善事项	日期	扣绩效分	类绩效分	备注
1	295	黄	FQC1部	携带火种进入厂区	2015-09-21	10		
2	430	卓	FQC1部	插队打卡	2015-09-02	5		
3	440	刘	FQC2部A	倒剩饭过多浪费粮食	2015-09-01	2		2015-08-29
4	360	王	FQC2部A	无就餐权限混入食堂就餐	2015-09-09	10		8月21日-8月31日之间就餐
5	44	蒋	FQC2部B	上班期间玩手机	2015-09-12	10		
6	45	龙	FQC2部B	不按规定佩戴厂牌	2015-09-06	2		
7	46	廖	FQC2部B	倒剩饭过多浪费粮食	2015-09-01	2		2015-08-31
8	50	许	FQC2部B	携带具有摄像功能手机进入车间	2015-09-02	10		
9	50	朱	FQC2部B	倒剩饭过多浪费粮食	2015-09-01	2		2015-08-31
10	27	蓝	QC部	携带火种进入厂区	2015-09-15	10		
11	38	田	QC部	无就餐权限混入食堂就餐	2015-09-09	10		8月21日-8月31日之间就餐
12	29	邹	QC部	无就餐权限混入食堂就餐	2015-09-22	10		9月1日-9月10日之间就餐
13	29	邹	QC部	上班期间睡觉	2015-09-20	5		
14	46	陈	电膜部	倒剩饭过多浪费粮食	2015-09-01	2		2015-08-31
16	48	蔡	电膜部	倒剩饭过多浪费粮食	2015-09-01	2		2015-08-29
16	52	张	电膜部	倒剩饭过多浪费粮食	2015-09-22	2		
17	43	邓	镭雕部	倒剩饭过多浪费粮食	2015-09-01	2		2015-08-31
18	45	周	镭雕部	携带火种进入车间	2015-09-16	10		
19	0	赵	磨机返修	倒剩饭过多浪费粮食	2015-09-15	2		
20	43	勾	磨机精磨	插队打卡	2015-09-18	5		
21	43	廖	磨机精磨	未经允许携带内存卡进入车间	2015-09-11	10		
22	39	陆	磨机精磨	插队打卡	2015-09-06	5		
23	51	王	磨机精磨	携带具有摄像功能手机进入车间	2015-09-18	10		
24	25	肖	磨机精磨	工作失职将公司产品带出车间	2015-09-01	30		
25	53	周	磨机强化	倒剩饭过多浪费粮食	2015-09-22	2		
26	37	刘	磨机抛光	不按规定佩戴厂牌	2015-09-19	2		
27	42	丁	磨机抛光	倒剩饭过多浪费粮食	2015-09-20	2		
28	50	余	品质部	不按规定佩戴厂牌	2015-09-12	2		
29	39	黄	丝印部A	携带火种进入车间	2015-09-09	10		
30	50	黎	丝印部A	携带火种进入厂区	2015-09-14	10		
31	52	卢	丝印部A	倒剩饭过多浪费粮食	2015-09-20	2		
32	31	汪	丝印部A	携带火种进入厂区	2015-09-15	10		
33	24	韦	丝印部A	无就餐权限混入食堂就餐	2015-09-09	10		8月21日-8月31日之间就餐
34	41	唐	丝印部A	携带具有摄像功能手机进入车间	2015-09-24	10		8月21日-8月31日之间就餐
35	5	郑	丝印部A	携带火种进入车间	2015-09-01	10		
36	3	黄	丝印部B	无就餐权限混入食堂就餐	2015-09-09	10		2015-08-28
37	4	李	丝印部B	倒剩饭过多浪费粮食	2015-09-01	2		8月21日-8月31日之间就餐
合计						250		2015-08-29

制表：杨亚军  
人事行政部审核：[Signature]  
人事行政部核准：[Signature]  
2015.10.6

Figure 8: A notice in Biel living area stating the monthly fine record of the D2 plant

Following is a table translating the first 20 fine items in the notice:

No.	Name	Department	Violation Item	Date	Performance Point Deduced
1	Huang	FQC1	Bring lighter into factory area	2015-09-21	10
2	Zhuo	FQC1	Not lining up while waiting to punch time card	2015-09-02	5
3	Liu	FQC2A	Wasting food (not finishing meal)	2015-09-01	2
4	Wang	FQC2A	Not dining in assigned canteen	2015-09-09	10

5	Jiang	FQC2B	Using mobile phone during work	2015-09-12	10
6	Long	FQC2B	Not wearing the factory batch	2015-09-06	2
7	Wu	FQC2B	Wasting food (not finishing meal)	2015-09-01	2
8	Xu	FQC2B	Bringing mobile phone with camera into production line	2015-09-02	10
9	Zhu	FQC2B	Wasting food (not finishing meal)	2015-09-01	2
10	Lan	QC	Bring lighter into factory area	2015-09-15	10
11	Tian	QC	Not dining in assigned canteen	2015-09-09	10
12	Zhou	QC	Not dining in assigned canteen	2015-09-22	10
13	Zhou	QC	Falling asleep during work	2015-09-20	5
14	Chen	Electric film	Wasting food (not finishing meal)	2015-09-01	2
15	Nie	Electric film	Wasting food (not finishing meal)	2015-09-01	2
16	Zhang	Electric film	Wasting food (not finishing meal)	2015-09-22	2
17	Deng	Laser	Wasting food (not finishing meal)	2015-09-01	2
18	Zhou	Laser	Bring lighter into production line	2015-09-16	10
19	Zhao	Grinding	Wasting food (not finishing meal)	2015-09-15	2
20	Gou	Fine Grinding	Not lining up while waiting to punch time card	2015-09-18	5

Table 4: Translation of the first 20 fine items in figure 8

Despite of the fining record of the D2 plant, researchers also received copies of other plants' fining record in September 2015. According to the Biel's official notices, 52 workers from D3 plant, 27 workers from D6 plant, 27 workers from L1-TP(A) plant, 70 workers from L1-TP(B) plant and 52 workers from L1 plant were fined in September 2015. One single fine ranges from RMB ¥10 to RMB ¥200. From the figure above, we get a picture of how common wage deduction in Biel is.

### 2.2.3 Numerous Workplace Suicides

In the previous report, SACOM discovered that at least five workplace suicide cases have happened in Biel's factory during 2011 to 2013. Sadly, in-plant suicides have not come to an end. From 2014 to 2015, at least three workplace suicide cases<sup>7</sup> were found in Biel.

The first known case happened on 24<sup>th</sup> April, 2014. Following are two photos of a poster posted by the deceased's relative complaining to Biel for its cruel management against workers that forced Suen to choose death as the only way out.

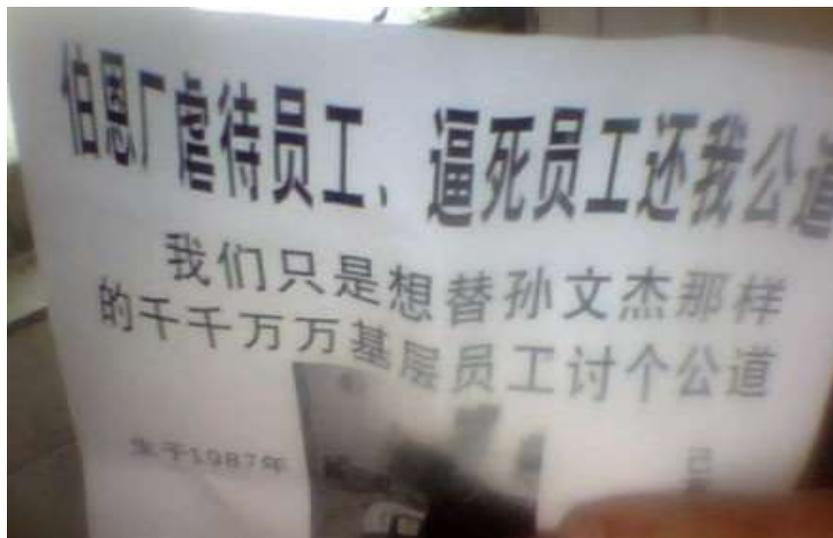


Figure 9: First Case: A poster posted by the deceased's relative outside the factory

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<sup>7</sup> 1<sup>st</sup> Case: SUN, Wen Jai, a 27-old male worker, committed suicide in the dormitory area on 24<sup>th</sup> April, 2014.

2<sup>nd</sup> Case: HU, Tian Mei, a female worker, jumped to death from 4<sup>th</sup> Floor on 2B canteen at around 20:15 on 30<sup>th</sup> April, 2014

3<sup>rd</sup> Case: A male worker who has worked in Biel's fine grinding department for 2.5 years jumped to death from the roof of A5 plant at 09:00 on 28<sup>th</sup> September, 2015

English translation of figure 9:

First line: "Biel Crystal Abuse Workers til Death. We Demand for Justice."

Second and third lines: "We just want to gain true justice for thousands of workers like Sun"



Figure 10: First Case: A poster posted by the deceased's relative outside the factory (con't)

English translation of figure 10:

First line: "Dead on 24<sup>th</sup> April, 2014"

Second and third lines: "Sun, my brother, was found dead in Biel's dormitory. Biel claimed that was a jump to death"

Forth line: "If you know any details, please contact me via these numbers"

The second known suicide happened on 30<sup>th</sup> April 2014 in Biel's dormitory area.

Following photo was taken outside Biel's plant capturing a protest demanding Biel to disclose the details of the death.



Figure 11: Second Case: Deceased's relatives protesting outside the factory

English translation of figure 11:

First and second lines: "The reason of Hu's death is still unknown. We demand for truth and justice from Biel Crystal! Unjust! Unjust! Unjust!"

The third known case happened at around 9am on 28<sup>th</sup> September, 2015. A male worker who had been working in Biel's fine grinding department for two and a half year jumped to death from the roof of A5 plant. As it occurred during the day, many workers witnessed his death.

Whenever workplace suicides happens, Biel sends a large team of security staff to cover the case immediately. Workers are also warned not to discuss the case within or outside the factory. Therefore, although SACOM has discovered only figure out three suicide cases between 2014 and 2015, the actual number of suicides in Biel during the period is unknown.

As mentioned in figure 9, 10 and 11, Biel has refused to disclose the details of workers' suicide cases to the deceased's relatives and the public. The relatives and public can only rely on witnesses who are willing to disclose what they have seen.

It is the responsibility of Biel to conduct transparent investigations on these suicide cases. Many of these workers lived under Biel's workplace management for almost

24 hours. Biel is responsible for the disclosure of the details regarding these cases. Otherwise, Biel can be conceived of suspiciously trying to escape from potential legal and social liabilities.

## 2.3 Playing a Game on Apple’s Code of Conduct

### 2.3.1 Forced Signing of Overtime Work Application

In 2013, Biel was found to be asking workers to sign an “Application for Overtime Work” and declare their “voluntary wish” to work overtime on the day workers start working in the factory. In 2016, this practice is still adapted in Biel. The application agreement was given to workers together with the working contract. Workers will not be hired if they refuse to sign on the application agreement. Here is a picture of the agreement given to workers in 2015.

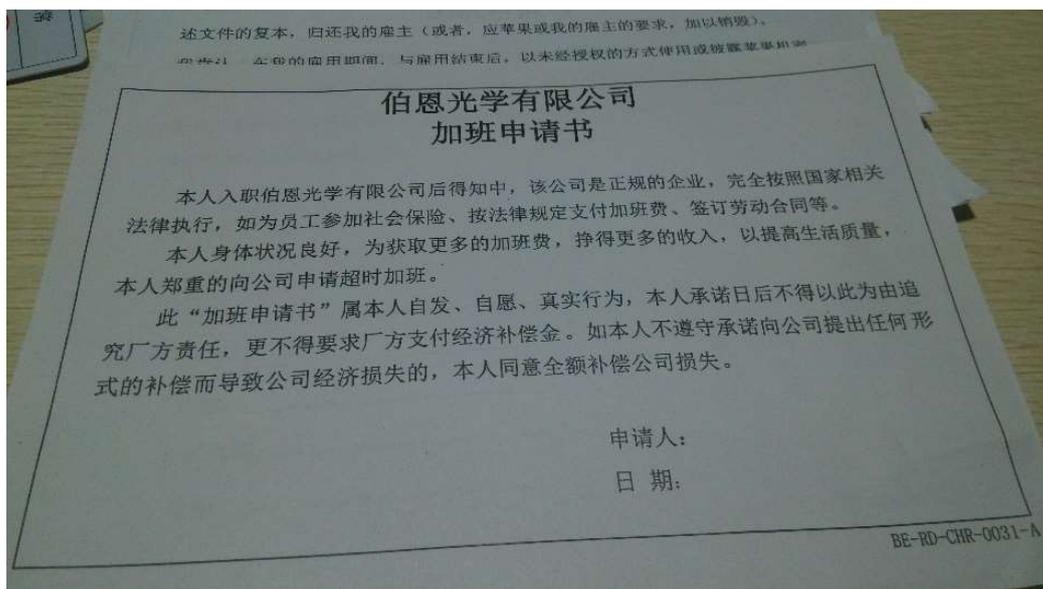


Figure 12: “Application for Overtime Work” workers are asked to sign

English Translation:

Biel Crystal Manufactory Limited  
Overtime Work Application Letter

After I joined Biel Crystal Manufactory (Shenzhen) Limited<sup>8</sup>, I know that this company is a legitimate enterprise. It follows every related law and regulation in

<sup>8</sup> This document is shared between Biel Crystal (Huizhou) and Biel Crystal (Shenzhen).

China, such as enrolling workers in social security system, paying overtime work according to the Labour Law and signing work contract with workers.

I am in good physical condition. With the purpose of having more overtime work to increase my income to improve my quality of life, I sincerely send this overtime work opportunities application to the factory.

This “Overtime Work Application Letter” is a self-initiated, voluntary and true act. I hereby promise not to use this as a reason to inquire (Biel) factory’s liability. Besides, I cannot request the factory to pay for any economical compensation by this. If I break the promise and request the factory to offer me compensation in any form and causing the factory’s economic loss, I agree to compensate the factory’s full losses.

Applicant: (signature)

Date:

The reason of doing so is because Biel must fulfill the requirement of “all overtime shall be voluntary” stated in Apple’s Code of Conduct for its manufacturers. If workers refuse to sign the document, they will not be employed even they have already gone through all other application procedures. However, any employment contracts between employer and employees should not override national laws or regulations. Legal labour protection measures cannot be abolished by any private agreements between employers and employees.

“In conclusion or performing a contract, **the parties shall abide by the relevant laws and administrative regulations**, as well as observe social ethics, and may not disrupt social and economic order or harm the public interests.”

(Article 7, Contract Law of the People’s Republic of China)

Also,

**“A labour contract shall be invalid** or partially invalid if:

.....

**(3) the labour contract violates laws** or administrative regulations.”

(Article 26, Labour Contract Law of the People’s Republic of China)

Therefore, the agreement does not have a legal binding power that prevents workers from enjoying their legal labour protections and rights. Workers are still entitled to economic and other compensations for overtime working hours. However, although the “Application for Overtime Work” does not override related laws and regulations, signing of the agreement is still misleading to workers as workers without relative legal knowledge would believe that they have lost the legal right to claim compensations for their overtime work that are stipulated in laws.

### 2.3.2 Excessive Working Hours

Regarding the maximum overtime working hours a worker should have, the State Council of the People's Republic of China has a clear regulation,

“Workers and staffs shall work **8 hours a day and 40 hours a week.**”

(Article 3, Decision of the State Council on Revising the Provision of the State Council on Working Hours of Workers and Staff)

“The employer can prolong work hours due to needs of production or businesses after consultation with its trade union and labourers. The work hours to be prolonged, in general, shall be no longer than one hour a day, or no more than three hours a day if such prolonging is called for due to special reasons and under the condition that the physical health of labourers is guaranteed. **The work time to be prolonged shall not exceed, however, 36 hours a month.**”

(Article 41, Labour Law of the People's Republic of China)

While Chinese Labour Law clearly states that the monthly overtime working hours of a worker should not exceed 36 hours, overtime hours that exceed this legal ceiling are extremely common in Biel Huizhou. Wage slips collected can tell the actual overtime hours workers in Biel are having:

加班时	资率	加班费	周日加班小时	周日加班基数	周日加班工资	法定假日加班小时	法定假日加班基数
42.00	5.26	640.92	40.00	10.34	813.60	0	

Figure 13: Wage Slip of a worker collected in 2016 showing the overtime working hours of the month

This wage slip in figure 13 shows that the worker had 42 overtime working hours on weekdays (in red) and 40 overtime working hours at weekend (in blue) in the waged month. The total monthly overtime hours of this worker are 82 hours which is 46 hours (2.3 times) over the legal ceiling.

出勤 -法假 合计	加班 时	资率	加班费	周日加 班小时	周日加 班基数	周日加 班工资	法定 假日 加班 小时	法定 日加班 费
390	63	6.29	1026.27	77	21.72	1672.44	0	32

Figure 14: Wage Slip of another worker collected in 2016 showing the overtime working hours of the month

Another wage slip in figure 14 shows a weekdays overtime of 63 hours (in red) and weekend overtime of 77 hours (in blue). Total monthly overtime hour of this worker is 140 hours which is 106 hours (3.9 times) over the legal ceiling of 36 hours in maximum per month..

Researchers have also interviewed workers for their working hours. A worker working in fine grinding department reported that he works six days per week and about 11 hours per day in average. He also reported that workers are only allowed to have holiday once a month during peak season. Another worker working in packaging department in A8 plant reported that her current average working hour is 15 hours per day. If she does not want to work overtime, a permission from her line manager must be granted which is very difficult to.

There are two factors leading to the long working hours phenomenon in Biel. Firstly, both Apple and Biel have adapted a Just-in-time (JIT) manufacturing model<sup>9</sup>. On one hand, Apple does not keep inventory for parts but instead requires its suppliers to

<sup>9</sup> JIT model was introduced in Japan to minimize flow times within production process to minimize storage cost of raw materials and finished goods. Corporates adapting the JIT model do not keep inventory but instead order raw materials immediately when the they received orders from its clients.

finish and deliver the ordered parts in a very short period of time after the orders were placed. On the other hand, Biel does not manufacture goods in advance before receiving orders but instead start manufacturing after orders are received. Biel's workers therefore have to work excessively long during the peak season because both Apple and Biel are trying to minimize the production flow time.

Another reason why workers are "willing" to work so many overtime hours is because the basic wage offered by Biel is too miniscule for the workers and their families to survive. While the average monthly wage in Huizhou is RMB ¥4883.9, the basic wage of Biel's workers is just RMB ¥2030 which is far lower than average.

## 2.4 Underpaying Social Securities and Housing Provident Fund

Delaying of social security covering for workers in Biel was found in 2013. According to SACOM’s most updated investigation, the situation has been improved. Most of the workers get social security cover within a month after they started working which is required by the Chinese “Social Insurance Law”. However, another serious problem on Biel’s social security policy was discovered in the current investigation.

**惠州市社会保险费征缴费率费基执行标准**

根据《关于公布2016社会保险年度企业职工基本养老保险缴费工资上限和下限的通知》（粤人社函〔2016〕2861号）及社保费相关政策规定，从2016年7月1日起，我市社保费征缴各险种费率、缴费基数上下限按下表执行：

险种	费率		缴费基数	缴费基数下限	缴费基数上限	
	单位	个人				
养老保险	机关、全额拨款事业单位	0	8%	缴费工资	2906	16575
	机关、全额拨款事业单位 (合同制职工、临时工)	13%	8%	缴费工资	2906	16575
	差额拨款事业单位	13%	8%	缴费工资	2906	16575
	国有、集体企业	13%	8%	缴费工资	2906	16575
	外资、民营企业	13%	8%	缴费工资	2906	16575
	个体工商户、 灵活就业人员	12%	8%	缴费工资	2906	16575
农村基层干部养老保险	13%	8%	缴费工资	2906	16575	
失业保险	失业保险	0.8%	0.2%	缴费工资	1350	14652
工伤保险	工伤保险（一、二类）	0.2%	0	缴费工资	2906	16575
	工伤保险（三、四类）	0.5%	0	缴费工资	2906	16575
	工伤保险（五、六类）	0.8%	0	缴费工资	2906	16575
	工伤保险（七、八类）	1.2%	0	缴费工资	2906	16575
医疗(生育)保险	综合(一般)	6.5%	2%	缴费工资	2356	11781
	综合(退休续缴)	6.5%	2%	养老金 (退休金)	2356	11781
	综合(灵活就业)	6.5%	2%	缴费工资	2356	11781
	住院	2%	0	社平工资	3927	3927
	门诊	0.5%	0	社平工资	3927	3927



2016年10月10日

Figure 15: The Standard of Social Security Calculation for Huizhou City issued by the Huizhou Government

Type of Insurance	Ratio		Base of Calculation	Minimum Base	Maximum Base
	Employer	Employee			
Pension	13%	8%	Personal Gross Wage	2906	16575
Unemployment	0.8%	0.2%	Personal Gross Wage	1350	14652
Work Injury	0.2%	0	Personal Gross Wage	2906	16575
Medical	0.5%	0	Average Social Wage	3927	3927

Table 5: Translation of terms applying to Biel Huizhou in figure 13

The table above shows the legal requirement of the payment for four types of social security. Corporations should be paying insurances based on the gross wage of workers unless the gross wage is lower than the minimum base or higher than the maximum base. For example, if the gross wage of worker A is RMB ¥5000, the amount of pension that should be paid by his employer should be  $5000 \times 13\% = \text{RMB } ¥650$  and worker A should pay  $5000 \times 8\% = \text{RMB } ¥400$ .

The only situation for employer and employing paying based on the minimum base is when the gross wage of workers is lower than the minimum base. In this and only in this situation, the minimum base should be taken as the base for calculating the insurance premium. However, it is found that Biel is paying workers' insurance based on the minimum base, instead of the gross wage of workers.

The practice of paying social security in Biel is this: the factory deducts the amount of insurance premium and tax that workers should pay from their gross income. Workers will then receive the after tax and premium net income. Therefore, the formula of income is:

$$\text{Gross Wage} = \text{Net Wage} + \text{Tax Payable} + \text{Worker's Insurance Premium Payable}$$

Again, the base of calculation for insurance premium payable should be the actual gross wage of workers, not the minimum base (unless the actual gross wage is lower than the minimum base). However, Biel has founded to be violating this legal requirement.

Following are two wage slips from two Biel's workers:

养老	医疗	失业保险	个人所得税	伙食费	水电费	住宿费	其他扣项	补扣	上月尾数	本月尾数	实发工资
192.64	0	2.7	86.33	0	0	0	0	0	0	0	5327.01

Figure 16: Wage slip A issued in August 2016

养老	医疗	失业保险	个人所得税	伙食费	水电费	住宿费	其他扣项	补扣	上月尾数	本月尾数	实发工资
192.64	0	2.7	176.9	360	0	0	0	0	0	0	5792.1

Figure 17: Wage slip B issued in September 2016

The problematic insurance-related information in the slips are as follows,

	Employee's Pension Paid (In red)	Employee's Unemployment Insurance Paid (In Blue)	Income Tax Paid (In orange)	Net Wage (In Green)
Slip A	RMB ¥192.64	RMB ¥2.7	RMB ¥86.33	RMB ¥5327.01
Slip B	RMB ¥192.64	RMB ¥2.7	RMB ¥176.9	RMB ¥5792.11

Table 6: Translation of figure 16 and 17

From the information above, the gross wage that were supposed to be the base of calculation for insurance premium payable are as follows,

Slip A's Gross Wage = RMB ¥5608.86 = 5327.01 + 192.64 + 2.7 + 86.33

Slip B's Gross Wage = RMB ¥6164.35 = 5792.11 + 192.64 + 2.7 + 176.9

From the amount of employee's pension paid, the base for calculating pension and unemployment insurance premium payable used by Biel in these two slips can be calculated as follow,

	Employee's Pension Paid (8%)	Employer's Pension Paid (13%)	Base of Calculation Used	Gross Wage (Legal Base of Calculation)	Difference Between Base Used and Legal Base	Employer's Part of Pension Premium Shorted (13%)
Slip A	¥192.64	¥313.04	¥2408	¥5608.86	¥3200.86	¥416.11
Slip B	¥192.64	¥313.04	¥2408	¥6164.35	¥3756.35	¥488.33

Table 7: Actual amount of pension paid and legal amount to be paid

	Employee's Unemployment Insurance Paid (0.2%)	Employer's Unemployment Insurance Paid (0.8%)	Base of Calculation Used	Gross Wage (Legal Base of Calculation)	Difference Between Base Used and Legal Base	Employer's Part of Unemployment Insurance Premium Shorted (0.8%)
Slip A	¥2.7	¥10.8	¥1350	¥5608.86	¥4258.86	¥34.07
Slip B	¥2.7	¥10.8	¥1350	¥6164.35	¥4814.35	¥38.51

Table 8: Actual amount of unemployment insurance paid and legal amount to be paid

From the tables, it is clearly showed that Biel has been under-paying workers' pension and unemployment insurance by using a lower base of calculation which is illegal. Take slip B as an example, the under-paid premium amount is RBM ¥526.84, which occupies 8.5% of the gross wage of the month.

Despite the Social Insurance Law, the Chinese government has also published the new "Regulations on Management of Housing Provident Fund" in 2002 requiring corporates to undertake housing provident fund for workers:

"When employing new staff or workers, the units shall undertake housing provident fund payment and deposit registration at a housing provident fund management center **within 30 days from the date of the employment**, and shall go through the formalities of opening or transferring housing provident fund accounts of staff and workers at a commissioned bank with the verified documents of the housing provident fund management center."

(Article 15, Regulations on Management of Housing Provident Fund of the People's Republic of China)

“The payment and deposit rates for housing provident fund of both staff and workers and units **shall not be less than five percent of the average monthly salary** of an individual staff member or worker in the previous year”

(Article 18, Regulations on Management of Housing Provident Fund of the People’s Republic of China)

Reported by all workers interviewed, Biel has never undertaken housing provident fund for its workers. In other words, workers are again losing 5% of their average monthly salary that should be deposited into their housing fund account. This practice is obviously violating the related regulation. Regarding to penalty of violation, the regulation has clearly state the fine amount:

“Where, **in violation of the provisions of these Regulations**, a unit fails to undertake payment and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund accounts for its staff and workers, the housing provident fund management center shall order it to go through the formalities within a prescribed time limit; where failing to do so at the expiration of the time limit, **a fine of not less than 10,000 yuan nor more than 50,000 yuan shall be imposed.**”

(Article 37, Regulations on Management of Housing Provident Fund of the People’s Republic of China)

Using the monthly gross wage in slip B as an example, the unpaid amount of employer’s part of housing provident fund premium is RMB ¥308.22. Adding up the premium amount shorted of pension, unemployment insurance and housing provident fund, Biel is owing workers almost a thousand yuan per month. Considering the average monthly wage of workers is only around RMB ¥5000, that amount of premium shorted is definitely not a small number.

## 2.5 Absent of a Democratic Workers' Union

While the currently working conditions in Biel are still far from satisfactory, the absent of a democratically elected workers' union has worsened the situation. A democratically elected workers' union is an effective means for workers to collectively negotiate with the employer. However, as reported in 2013, Biel's workers' union has not been properly functioning. Many workers never know there is a trade union in the factory. In 2016, the situation is still the same.

During the investigation, none of the workers interviewed knew of the existence of Biel's trade union. In fact, our researchers have found that the union room in plant was perpetually empty. Researchers have tried to knock on the union room's door at times during the day but no one ever responded.



Figure 18: The Labour Union Room in Biel Huizhou

Also, there is no contact information regarding the union representative on the union notice boards throughout the factory. Workers have no way of contacting union

representatives or participating in union affairs. A democratically elected representative or union is absent and voice for the workers is cannot be heard and effectively reflected.



Figure 19: The Biel's Trade Union Notice Board

### 3.1 Conclusion

This new report demonstrates that Biel Crystal still operates through misconduct and earns revenue through the exploitation of workers' legal and individual right. SACOM condemns Biel for its misbehavior and also condemns Apple for its failure to monitor its global supply chain. Apple's products are high-ended luxury products mostly consumed by middle and upper classes with decent economic conditions that elude the workers who manufacture the very products that they take for granted. SACOM believes that basic rights of workers in developing countries should not be a traded off for luxury enjoyments enjoyed by the privileged in already-developed countries.

Overall, Biel's improvement during these three years is very limited. The operation and management models of the factory are still far from satisfactory and many practices do not even comply with legal requirements.

Problems	Situation in 2016
Excessive Working Hours	Still extremely long. Still violating the legal maximum over-time hours ceiling. "Labour Law" is violated.
Military-style Management	Security model remains. The monitoring and control against workers are still tight
Numerous Worker Suicides	At least 3 cases from 2014 to 2015
Fine System	Adapted in previous way
Blank Contract	Terms about job natures and occupation risks are still blank
Frequent Occupation Injury	Still frequent. Some workers are asked to sign the "Consent to Give Up Injury Assessment" agreement.
Under-paying Social Securities and Housing Fund	"Social Insurance Law" and "Regulations on Management of Housing Provident Fund" are violated. The factory adopted a much lower base pension and unemployment insurance contribution which are below legal requirement. Also, housing provident fund contribution has been missing by the factory.

Table 9: Summary of updates of the 7 problems in 2016

The average working hours in the factory is still excessively long. The fining system without legal grounds and high-pressure military-style management are still adopted. Work related injuries are still common. Terms in contracts are still left blank. Besides all these old problems, the factory has also been found to be under-paying or even not paying workers' social securities.

While Biel's revenue continues to rise rapidly, the workers who manufacture the valuable products do not share the immense profits of the company's success. Being the largest display screen manufacturer in the world, Biel has failed to comply to even the most basic of legal requirements and provide universally accepted humanitarian labour conditions. Here, we must demand Biel Crystal Manufactory Limited:

### **3.2 SACOM's Demands to Biel Crystal**

1. Raise the basic wage of workers in order to guarantee workers' income for a decent life without excessive overtime working hours;
2. Undertake all social securities and housing provident fund cover for all workers according to relative legal requirements;
3. Abandon the legally-groundless fining system immediately;
4. Abandon the military-style management and set up an effective counseling system to avoid worker from committing suicide due to the high working pressure;
5. Complete the occupation risks-related terms in employment contacts and provide sufficient training and PPEs to avoid occupation injuries;
6. Reform the union and enable workers to democratically elect their representatives in accordance with the Trade Union Law of the People's Republic of China

### **3.3 The Responsibility of Apple**

Apple and Biel Crystal have been cooperating for years. While Apple is Biel's largest client, Biel is also Apple's largest display screen supplier. Outsourcing 60% of its display screen manufacturing to Biel, Apple has a responsibility to guarantee that every single production procedures of Biel Crystal is legal, ethical and socially responsible.

SACOM is concerned with not only the production behavior of Biel Crystal, but also that of every single manufacturer in Apple's supply chain, irrespective of their locations. SACOM will continue to monitor corporations and manufacturers' misbehavior and reveal these misbehaviors to the global society. Here, we demand that Apple Inc.:

### **3.4 SACOM's Demands to Apple**

1. Ensure Biel Crystal acts upon the above demands and compliance to labour-related laws;
2. Guarantee Biel Crystal's compliance to Chinese Labour Law, Social Insurance Law, Regulations on Management of Housing Provident Fund and other related laws;
3. Guarantee Biel Crystal's compliance to Apple's Suppliers' Code of Conduct;
4. Actively and effectively monitor and disclose the production behaviors in its whole supply chain;
5. Disclose Suppliers' Code of Conduct compliance reports for all suppliers to enhance the transparency of its global supply chain;
6. To organize a round-table meeting involving representatives from SACOM, Apple and Biel Crystal for discussing a timetable to rectify the labour rights violations