



## China Labor Watch's Announcement as to its Lawsuit Against Intertek Group PLC

Friday, December 9, 2011

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New York, Nov.10,2011

China Labor Watch (CLW) filed a complaint against Intertek Group PLC (Intertek) in the New York County Supreme Court on Nov 8, 2011. The decision to sue Intertek was very difficult for CLW. Intertek is a huge corporation with global visibility and several billion dollars of revenue every year. It is willing to pay for expensive lawyers to handle this lawsuit. By contrast, CLW is a small NGO that lacks the experience and resources for a lawsuit like this one. We have not even been able to find a lawyer to take on the case officially. All the legal documents and procedures have been handled by volunteers. This lawsuit is starting as a one-sided war in Intertek's favor.

CLW is pursuing a lawsuit because we hope that this case will help bring attention to the factory auditing system used by multinational corporations. A fraudulent or mistaken action by an auditor not only leads to a financial loss to the workers at these factories, it also harms consumers by allowing unsafe products into the market. In China, around 100,000 factories are audited every year. There are millions upon millions Chinese workers working in those factories. If the auditing system is improved, the working conditions and the rights of Chinese workers would be greatly improved. These improvements can't be measured solely in monetary terms.

Although we have already filed the lawsuit, we are still in urgent need of lawyers who can commit a portion of their time to this case. We are looking forward to hearing from lawyers who are committed to fighting for justice and workers' rights.

Below please find a summary and review of the facts of the case.

### Background:

Beginning in 2007, China Labor Watch (CLW) began to make efforts to uncover corruption in social responsibility audits. CLW believes such corruption negates the positive effects of social responsibility standards and destroys improvement of the labor rights situation in China.

Through long-term engagement, CLW has developed confidential relationships with informants who are willing to report on auditing corruption inside factories and the social responsibility auditing industry.

Starting from 2009, CLW has been providing cases of corruption to multi-national corporations and auditing companies. Some information CLW provided has been proven accurate, either directly or indirectly.

In 2009, Intertek contacted CLW and expressed a strong desire to cooperate with CLW in fighting corruption in the social responsibility auditing industry. Intertek promised to CLW and Yuan Chaowen ("Yuan") that it would not make public Yuan's identity and his relationship with CLW. However, after Yuan reported that an auditor had accepted bribes, the company violated the confidentiality agreement between itself and CLW. Intertek published Yuan's name and his relationship with CLW in newsletters released in English and Chinese on the company's China and international websites. This exposure of Yuan's identity has seriously harmed Yuan and hindered CLW's efforts fighting corruption.

Because of the factual omissions, Intertek's newsletters tend to lead the readers to false conclusions about CLW's role. Some of the content of the newsletters is so distorted that it is libelous. As a corrective, this document provides a detailed overview of the events in question.

1. Intertek is an international social responsibility auditing firm. Intertek is authorized by the International Council of Toy Industries (ICTI) to audit various toy factories in China. Only factories that satisfy the ICTI social responsibility standard and pass the ICTI audit process can obtain manufacturing orders from ICTI member companies (80% of the toy companies in the world).
2. China Labor Watch pays close attention to corruption in social responsibility audits. Unfortunately, such corruption is common. Many factories will choose to bribe the auditor in order to pass the audit and thus obtain ICTI certification, rather to take more expensive

improvements to meet audit standards. CLW has been investigating and exposing such corruption for years. Part of our mission is to push these factories to take real, necessary steps to improve workers' working conditions and increase their wages.

3. Through years of efforts, China Labor Watch has established its own sources of information in order to investigate corruption in the auditing process. Many people working for the factories and the audit companies choose to cooperate with CLW secretly in order to help expose corruption. The confidentiality of the identities of these companies and individuals is of crucial importance to encourage others to come forward with this information. CLW always keeps the sources of this information confidential.

4. When Intertek learned of CLW's mission, it said that it hoped to cooperate with us and our informants in China to fight against corruption. Then CLW and Intertek agreed that CLW would introduce our collaborator, Mr. Yuan Chaowen to Intertek under the condition that Intertek would never reveal Yuan's identity and his relationship with CLW to the outside.

5. Through secret, independent sources, Yuan discovered that, during the audit of Hang Fat Factory from Dec. 15 to 16, 2009, Intertek's auditor, Tang Zhujun, found fraud in the factory's salary and working hours records. The actual salary paid to the workers did not meet ICTI standards. Ms. Tang asked the Hang Fat Factory to pay her a bribe in order for her to let the factory pass the audit. The factory paid the required bribe on the morning of Dec. 16, 2009 and thus passed the audit. Yuan reported this case to Intertek on Dec. 18, 2009.

6. By March, 2010, Yuan and China Labor Watch received no further communication from Intertek about how it planned to pursue the corruption case. Then CLW reported this case to ICTI on March 4, 2010. On March 16, 2010, ICTI in an independent audit identified fraudulent manipulation in the Hang Fat Company salary and working hours records. ICTI cancelled the certification of Hang Fat Company and informed Intertek.

7. Intertek met with Ms. Tang and the manager of the Hang Fat Factory on March 23, 2010. On April 1, Ms. Tang resigned from Intertek.

8. ICTI talked with the manager of the Hang Fat Factory in its Hong Kong office. The manager admitted to the fraud in the factory's salary and work hour records, but he denied that there was bribery which denial is not credible. It is highly unlikely that a professional auditor like Ms. Tang, who had two and a half years of experience, would fail to detect significant wage and hours fraud.

9. In May 2010, without Yuan's prior consent, Intertek disclosed his name in its company's Compliance Newsletter Issue No. 1; the article also wrongly identified Yuan as an employee of CLW.

10. Soon after the newsletter's publication, Yuan received anonymous calls in which he was threatened. The Shenzhen police looked for Yuan. As a result, Yuan became afraid and was forced to abandon his livelihood and personal life in Shenzhen. He returned to his hometown, Zigong, Sichuan. In Zigong, twice in 2010 and a third time in early 2011, Yuan was taken to the police and interrogated about his association with Plaintiff. Yuan appears now to be on a government blacklist.

11. After the exposure of his identity, Yuan had not been able to continue to work for CLW. Other confidential informants, fearful that what happened to Yuan would happen to them, also stopped their cooperation with China Labor Watch. The result was that our ability to fight against audit corruption in Chinese toy factories was severely damaged.

Intertek 's version of the events	The Truth
Intertek omitted that CLW reported the corruption case to ICTI.	March 4th, 2010, CLW reported the audit corruption to ICTI.
Intertek omitted the salary and working hours fraud at the Hang Fat factory.	March 16th, ICTI discovered that there were fraud in the salary and work hour records at Hang Fat. ICTI later notified Intertek.
In its report, Intertek published Yuan Chaowen's name and his relationship with CLW.	Intertek agreed that it would not reveal Yuan Chaowen's name and his relationship with CLW.

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