

**Sedex Members Ethical Trade Audit
(Report)**

Audit Conducted By			
Commercial	<input checked="" type="checkbox"/>	Purchaser	<input type="checkbox"/>
NGO	<input type="checkbox"/>	Retailer	<input type="checkbox"/>
Trade Union	<input type="checkbox"/>	Brandowner	<input type="checkbox"/>
		Multi-stakeholder	<input type="checkbox"/>

	Intertek SEDEX Members Ethical Trade Audit	CLIENT: Hosberg Group Limited

Audit Details	
REPORT #:	GUZ-09331-01
Date of Audit:	31 st January 2008
Audit Type:	Initial <input checked="" type="checkbox"/> Follow-Up <input type="checkbox"/> __ (1,2,3...) Re-audit <input type="checkbox"/>
TIME(S) IN:	10:10am
TIME(S) OUT:	17:30pm
Previous audit date:	N/A
Previous audit type:	N/A Follow-Up <input type="checkbox"/> __ (1,2,3...) Re-audit <input type="checkbox"/>
Report Date:	4 th February 2008
Supplier Name:	Hosberg Group Limited
Auditor Name(s):	Justin Huang
Report Written by:	Justin Huang
Report Reviewed by:	Macy Fung
Facility Country:	China
Facility Name:	Zhaoqing Gaoyao Zhenhua Jiaju Co., Ltd.
Facility Contact:	Mr. Guan Quan Hui
Contact Title:	Assistant Factory Manager
Facility Address:	Shichang, XiaAn Village, Yaonan Rd 2, Gaoyao, Zhaoqing, Guangdong
Facility Address:	Same as above
Facility Phone:	86-758-8359663
Facility Fax:	86-758-8356171
Facility E-Mail:	Not provide

Products Being Manufactured at Facility e.g. garments, electricals, toys	Charcoal, Briquets
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Audit Scope Details

Please select the Code and Additional Requirements that were audited against during this audit	
ETI Base Code	<input checked="" type="checkbox"/>
A: Entitlement to Work & Immigration	
B: Code and System Implementation	
C: Sub-Contracting & Homeworking	
Additional Requirements	
D: Environmental	<input checked="" type="checkbox"/>
Note: <i>The main focus of this ethical audit is on the ETI Base Code and local law. The additional elements A,B,C,D will not be audited with such depth or scope but the audit process will still highlight any specific issues.</i>	

Non-Compliance Table

Issue	Area of Non-Conformity <i>(Only check box when there is a non-conformity)</i>			Rating <i>(Currently only to be completed as a specific client requirement)</i>	
	ETI Base Code	Local Law	Additional Elements		
1	Employment Freely Chosen	<input type="checkbox"/>	<input type="checkbox"/>	Not applicable	
2	Freedom of Association	<input type="checkbox"/>	<input type="checkbox"/>	Not applicable	
3	Safety and Hygienic Conditions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Not applicable	
4	Child Labour	<input type="checkbox"/>	<input type="checkbox"/>	Not applicable	
5	Wages and Benefits	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Not applicable	
6	Working Hours	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Not applicable	
7	Discrimination	<input type="checkbox"/>	<input type="checkbox"/>	Not applicable	
8	Regular Employment	<input type="checkbox"/>	<input type="checkbox"/>	Not applicable	
9	Harsh or Inhumane Treatment	<input type="checkbox"/>	<input type="checkbox"/>	Not applicable	
A	Entitlement to Work		<input type="checkbox"/>	<input type="checkbox"/>	Not applicable
B	Code & System Implementation		<input type="checkbox"/>	<input type="checkbox"/>	Not applicable
C	Sub-Contracting & Home-working		<input type="checkbox"/>	<input type="checkbox"/>	Not applicable
D	Environment		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Not applicable

Audit Overview

Facility Description:

(Include size, location, age, structure, number of buildings)

Zhaoqing Gaoyao Zhenhua Jiaju Co., Ltd. is located in Shichang, XiaAn Village, Yaonan Rd 2, Gaoyao, Zhaoqing, Guangdong, China. The total land occupied by the facility is 7,500 square meters. They have started their operation at the existing location since 3rd January 2008.

In view of the facilities, the factory consists of four flat building which is used as the production floors; two flat building which is

in creating; One 3-storey building which is used as office and dormitory; one kitchen & canteen is available for employees. A total of 40 employees are currently working in the factory, which includes 20 production employees and 20 non-production employees. 80% of employees are local in the factory. The employees work for 5 days per week, the normal working hour is from 8:00am to 17:00pm with 1 hour's lunch break from 12:00am to 13:00pm. Employees' wages are calculated on hourly-rate basis. The peak season is not obvious.

Process Overview:
(Include products being produced, main operations, number of lines, main equipment used)

The main products manufactured by the factory cover charcoal and briquets. The main production processes are listed as following:
Moulding, Drying, Inspection, Packing
The main equipments include moulding machine, transport machine, oven, boiler, forklift, etc.

Attitude of Workers:
(Include their attitude to management, workplace and the interview process. Both positive and negative information should be included)
Note: Do not document any information that could put workers at risk

6 employees were selected for the individual interview and total 4 employees in 1 group were selected for the group interview, all the interviewees were favorable with the management and factory environment and no negative information was raised.

Summary of Main Findings: (positive and negative)

This initial audit was conducted by Intertek Testing Services. 1 auditor assessed / verified the factory's operations against the ETI Base Code and local legislations on a sampling basis in one day.
In view of the findings raised, non-compliances were covered in the area of Hygienic Conditions, Wages and Benefits, Working Hours and Environment. For other areas, no violation was noted.
The factory management was found to be cooperative throughout the audit.

Worker Analysis

	Permanent	Temporary	Migrant	Agency
<i>Worker numbers (male)</i>	30	0	0	0
<i>Worker numbers (female)</i>	10	0	0	0

This Facility

<i>Facility activities</i> <i>e.g. growing/packing/machining</i>	Manufacturing		
<i>Where appropriate records available to verify hours of worker and wage compliance:</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <i>If "no" refer to comments in</i>	<i>Applicable business and other legally required licence numbers:</i> <i>e.g. (liability insurance)</i>	The number of the factory's business license is

	<i>summary section</i>		441200400000612
<i>Month(s) of peak season (if applicable):</i>	Not obvious	<i>Normal Work Days: e.g. Mon – Sat</i>	Mon-Fri
<i>Max. overtime hours found (per day, week, month):</i>	Could not be verified		
<i>What is the general overtime pay rate?</i>	150%, 200% and 300% of normal rate for weekdays, rest days and holidays respectively.		
<i>Overtime paid correctly?</i>	Yes <input type="checkbox"/> No <input type="checkbox"/> Could not be verified		
<i>Combined hours (reg. & OT) over 60 per week found?</i>	Yes <input type="checkbox"/> No <input type="checkbox"/> If "Yes" refer to comments in summary section Could not be verified	<i>% of piece rate workers (if applicable)</i>	Nil
<i>Is there any night production work at the facility?</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>		
<i>% of workers living in dorms (if applicable):</i>	25%		
<i>Are workers paid by cash/cheque/BACS? (if not explain)</i>	Yes <input type="checkbox"/> No <input type="checkbox"/> Could not be verified		
<i>Youngest worker found:</i>	21 years old		
<i>Workers under 18 subject to hazardous work assignments?</i>	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/>		
<i>Were workers aware of the audit?</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>		
<i>Which time keeping system is used?</i>	Time cards <input type="checkbox"/> Swipe cards <input checked="" type="checkbox"/> Manual <input type="checkbox"/> Other:		
<i>If applicable, name of union and union representative:</i>	N/A		
<i>If no union what is parallel means of consultation with workers?</i>	Suggestion Box		
<i>Was the union's or workers' representative involved in the audit? (if no, explain)</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>		
<i>The percentage of workers at the site covered by collective bargaining with one or more recognised trade unions</i>	Nil		
<i>The percentage of workers at the site covered by negotiation with workers' representatives who are NOT members of one or more recognised trade unions</i>	Nil		
<i>Were workers aware of the code?</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>		
<i>Audit results reviewed with facility management?</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>		
<i>Were union reps. or workers' reps. present at opening and closing meeting?</i>	Opening Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Closing Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>		

Audit Results by Clause

1: Employment is Freely Chosen	ETI <i>1.1 There is no forced, bonded or involuntary prison labour. 1.2 Workers are not required to lodge "deposits" or their identity papers with their employer and are free to leave their employer after reasonable notice.</i>
<p>Non-compliance:</p> <p><u>Description of non-compliance:</u> Nil</p> <p><u>Local law or ETI requirement:</u> N/A</p> <p><u>Recommended corrective action:</u> N/A</p> <p><u>Objective evidence observed:</u> N/A</p> <p>Other potential issues: Nil</p> <p>Current status: The factory established a policy to ensure employment is freely chosen. The policy includes the following clause:</p> <ol style="list-style-type: none"> 1. The factory should sign labor contract with every employee and there must not be unfair clause in the labor contract. 2. The factory should not require deposit or employees ID card. 3. The factory should not limit the employees' freedom. 4. The factory should not force employees to work overtime and should not threaten employees to work overtime by fine or fire. 5. The factory should not use any prisoner labor and do not use prison as subcontractor. <p>Best practices observed: Nil</p>	

<p>2: Freedom Of Association & Right To Collective Bargaining Are Respected:</p>	<p><i>ETI</i> 2.1 Workers, without distinction, have the right to join or form trade unions of their own choosing and to bargain collectively. 2.2 The employer adopts an open attitude towards the activities of trade unions and their organisational activities. 2.3 Workers' representatives are not discriminated against and have access to carry out their representative functions in the workplace. 2.4 Where the right to freedom of association and collective bargaining is restricted under law, the employer facilitates, and does not hinder, the development of parallel means for independent and free association and bargaining.</p>
<p>Non-compliance:</p> <p><u>Description of non-compliance:</u> Nil</p> <p><u>Local law or ETI requirement:</u> N/A</p> <p><u>Recommended corrective action:</u> N/A</p> <p><u>Objective evidence observed:</u> N/A</p> <p>Other potential issues: Nil</p> <p>Current status: Through the factory management interview and workers interview, it was noted that the employees could express their complaint through suggestion box, and all complaint case would be well handled by factory management.</p> <p>Best practices observed: Nil</p>	

**3: Working
Conditions are
Safe & Hygienic**

ETI

3.1 A safe and hygienic working environment shall be provided, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working environment. 3.2 Workers shall receive regular and recorded health & safety training, and such training shall be repeated for new or reassigned workers. 3.3 Access to clean toilet facilities and to potable water, and, if appropriate, sanitary facilities for food storage shall be provided. 3.4 Accommodation, where provided, shall be clean, safe, and meet the basic needs of the workers. 3.5 The company observing the code shall assign responsibility for health & safety to a senior management representative.

Non-compliance:

Description of non-compliance:

1. It was noted that no emergency light was installed at the production and dormitory areas.
2. It was noted that no exit sign was affixed on the production and dormitory areas.
3. It was noted that all fire extinguishers were placed on the floor in the factory.
4. It was noted that no fire extinguisher was installed in the canteen of the factory.
5. It was noted that no fire service inspection certificate was provided by the factory.
6. It was noted that the factory did not have the hygiene certificate for its kitchen.
7. It was noted that the fork lift operator's certificate had expired on 28th July 2007
8. It was noted that the factory did not have effective inspection certificates of competency for its two forklifts.

Local law or ETI requirement:

1. In accordance with Fire Safety of Building Design Regulation (GB50016-2006) article 11.3.3, Lamps for emergency shall be installed on the upper part of walls, the ceilings or the top of exits.
2. In accordance with the PRC Fire Service Law article 14(6), enterprises and business units shall ensure that all evacuation passages and emergency exits are clear, and affixed with fire safety evacuation signs.
3. In accordance with the Code for Design of Extinguisher Distribution in Buildings (GB 50140-2005) article 5.1.3, portable fire extinguishers shall be installed in a way that the height from the top of the extinguisher to the floor should be less than 1.50m, and the height from the bottom of the extinguisher to the floor should not less than 0.08m. The box for containing fire extinguisher should not be locked.
4. In accordance with PRC Fire Service Law article 14(5), enterprises and business units shall be responsible for the installation of appropriate fire service equipment and facilities, posting the fire safety signs and arrange regular inspections and maintenance to ensure all the equipment and facilities operate properly and are in good condition.
5. In accordance with PRC Fire Service Law article 10, fire services department shall conduct inspection of the building when construction is completed. The building shall not be used, if inspection had not been conducted or when such building had not passed the inspection.
6. In accordance with the PRC Food Hygiene Law article 27, the unit operating with the connection to food, must pass the hygiene check and get the hygiene certificate before the operation.

7. In accordance with Special Appliance Quality Safety Monitoring Regulation article 39, the operator of special appliances (mentioned in Article 2, such as boiler, compressing equipment, lift, lifting appliance, etc) shall undergo relevant examination and qualifications to obtain special appliances certificate from the Special Appliance Quality Safety Monitoring department before operating those appliances.

8. In accordance with Special Appliance Quality Safety Monitoring Regulation article 28, the operating unit with special appliances should follow the requirements of Quality Technical Monitoring Administration Department, to apply for regularly inspection at the Special Appliance inspection unit one month before the expiry date of the safety inspection approval. After the application, the Special Appliance inspection unit shall follow the requirements of the Quality Technical Monitoring Administration Department to carry out the inspection on time. The Special Appliance shall not be used when it has not undergone regularly inspection or if it failed the inspection.

Recommended corrective action:

1. It is recommended that emergency light should be installed at the mentioned areas.
2. It is recommended that exit signs should be affixed on the mentioned areas.
3. It is recommended that factory should ensure the fire extinguishers at the proper height level as per the law.
4. It is recommended that at least 2 fire extinguishers should be installed in the canteen of the factory.
5. It is recommended that factory should maintain relevant fire service certificate or documents for review.
6. It is recommended that the factory should pass the hygiene check before operating its kitchen.
7. It is recommended that all those workers should obtain proper certificates before operating those appliances.
8. It is recommended that factory should apply for the regularly inspection for forklift in Special Appliance inspection unit at least one month before the expiry date of the safety inspection.

Objective evidence observed:

Factory tour and document review.

Other potential issues: Nil

Current status: N/A

Best practices observed: Nil

<p>4: Child Labour Shall Not Be Used</p>	<p><i>ETI</i></p> <p>4.1 There shall be no new recruitment of child labour. 4.2 Companies shall develop or participate in and contribute to policies and programmes which provide for the transition of any child found to be performing child labour to enable her or him to attend and remain in quality education until no longer a child. 4.3 Children and young persons under 18 shall not be employed at night or in hazardous conditions. 4.4 These policies and procedures shall conform to the provisions of the relevant ILO Standards.</p>
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Non-compliance:

Description of non-compliance:

Nil

Local law or ETI requirement:

N/A

Recommended corrective action:

N/A

Objective evidence observed:

N/A

Other potential issues: Nil

Current status:

Through the factory management interview and workers' interview, it was noted that:

1. Employees' ID and photo should be checked. The employees without valid ID certificates should not be hired.
2. Child who was under 16 years old will not be hired.
3. The youngest employee in the factory was 21 years old.

Best practices observed: Nil

5: Living Wages Are Paid	<p>ETI</p> <p>5.1 Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher. In any event wages should always be enough to meet basic needs and to provide some discretionary income. 5.2 All workers shall be provided with written and understandable information about their employment conditions in respect to wages before they enter employment and about the particulars of their wages for the pay period concerned each time that they are paid.</p> <p>5.3 Deductions from wages as a disciplinary measure shall not be permitted nor shall any deductions from wages not provided for by national law be permitted without the expressed permission of the worker concerned. All disciplinary measures should be recorded.</p>
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Wages analysis

Sample size (number of wages checked and which weeks or months): No payroll record was provided for review.

Legal minimum wage for standard time: RMB 500 per month

Industry norm for this region: N/A

Legal overtime premium for weekdays: 150% of normal rate

Legal overtime premium for rest days: 200% of normal rate

Legal overtime premium for holidays: 300% of normal rate

For the following table please select one worker's records from each "Worker Type" and populate the boxes

Worker Type	Pay Period (mm/week)	Employee Name/ Staff ID#/ Dept	Contract Monthly/ Daily	Regular Working Hours	Regular Work Pay Rate	Regular Day OT		Rest Day OT		Statutory Holiday OT		Total OT Hours	Incentives/ Bonus/ Allowances etc.	Gross Wages	Social Insurance and Other Deductions	Actual Wage Paid After Deduction
						Hour	Wage	Hour	Wage	Hour	Wage					
Process Operator (Highest paid)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Process Operator (Average paid)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Process Operator (Lowest paid)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Comments: Due to the factory had started operation since 3rd January 2008 in current location, no wages had been paid for workers till the audit day, so no payroll record could be provided for review.

1. Contracted O/T premium for ...	
Weekdays	150% of normal rate
Rest days	200% of normal rate
Holidays	300% of normal rate
2. Actual O/T premium paid in sample for ...	
Weekdays	Could not be verified
Rest days	Could not be verified
Holidays	Could not be verified
3. Average wage paid to operators	Could not be verified

Non-compliance:

Description of non-compliance:

During this audit, working hours and wages could not be verified due to the factory started the operation in current location on 3rd January 2008, and no wage had been paid for workers.

Local law or ETI requirement:

Not applicable.

Recommended corrective action:

It is recommended that the factory should provide the complete and accurate payroll and attendance record to ensure the wages and working hours could be verified.

Objective evidence observed:

Document review

Other potential issues: Nil

Current status: N/A

Best practices observed: Nil

Remark:

1. One month attendance records of January 2008 were reviewed;
2. Local minimum wage standard is RMB500 per month equivalent to RMB2.99 per hour.

6: Working Hours Are Not Excessive:	<p><i>ETI</i></p> <p>6.1 Working hours comply with national laws and benchmark industry standards, whichever affords greater protection. 6.2 In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every seven-day period on average. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate.</p>
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Working hours analysis

Sample size checked (number of workers): 10 samples from January 2008.

Legal standard work-week (hours): 40

1. Contracted standard work-week this factory (hrs)	40
2. Actual standard work-week averaged over sample (hrs)	Could not be verified
3. Lowest basic hours worked	Could not be verified
4. Highest basic hours worked	Could not be verified

Legal permitted overtime hours: 3 hours per day and 36 hours per month
 Any local waivers for this factory: None

Comments: Due to the factory had started operation since 3rd January 2008 in current location, no wages had been paid for workers till the audit day, so that working hours could not be verified.

1. Actual overtime hours (averaged over sample)	Could not be verified
2. Range of overtime hours over <u>all operators</u> (quote highest and lowest)	Could not be verified
3. Peak seasons	Not obvious

Non-compliance:

Description of non-compliance:
 During this audit, working hours and wages could not be verified due to the factory started the operation in current location on 3rd January 2008, and no wage had been paid for workers.

Local law or ETI requirement:
 Not applicable.

Recommended corrective action:
 It is recommended that the factory should provide the complete and accurate payroll and attendance record to ensure the wages and working hours could be verified.

Objective evidence observed:
 Document review

Other potential issues: Nil

Current status: N/A

Best practices observed: Nil

Remark:

One month attendance records of January 2008 were reviewed.

<p style="text-align: center;">7: No Discrimination Is Practised</p>	<p>ETI</p> <p><i>7.1 There is no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation.</i></p>
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Non-compliance:

Description of non-compliance:
Nil

Local law or ETI requirement:
N/A

Recommended corrective action:
N/A

Objective evidence observed:
N/A

Other potential issues: Nil

Current status:
 No discrimination was found in gender, hiring, compensation, access to training, promotion, termination, etc.

Best practices observed: Nil

<p style="text-align: center;">8: Regular Employment Is Provided</p>	<p>ETI</p> <p><i>8.1 To every extent possible work performed must be on the basis of recognised employment relationship established through national law and practice. 8.2 Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting, sub-contracting, or homeworking arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment, nor shall any such obligations be avoided through the excessive use of fixed-term contracts of employment.</i></p>
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Non-compliance:

Description of non-compliance:
Nil

Local law or ETI requirement:
N/A

Recommended corrective action:
N/A

<p><u>Objective evidence observed:</u> N/A</p> <p>Other potential issues: Nil</p> <p>Current status: The factory employs workers based on their ages and skills, and will sign contract with every worker when they join in the factory.</p> <p>Best practices observed: Nil</p>

<p>9: No Harsh Or Inhumane Treatment Is Allowed</p>	<p>ETI</p> <p>9.1 Physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation be prohibited.</p>
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<p>Non-compliance:</p> <p><u>Description of non-compliance:</u> Nil</p> <p><u>Local law or ETI requirement:</u> N/A</p> <p><u>Recommended corrective action:</u> N/A</p> <p><u>Objective evidence observed:</u> N/A</p> <p>Other potential issues: Nil</p> <p>Current status: Through the factory management and workers' interview, it was noted that the employees were treated equally and with respect. There was no physical abuse or discipline, the treat of physical abuse, sexual or other harassment and verbal abuse or other for of intimidation being reported.</p> <p>Best practices observed: Nil</p>
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<p>A: Entitlement to Work & Immigration</p>	<p>Additional Retailer Specific Elements</p> <p>A1 Only workers with a legal right to work shall be employed or used by the supplier. A2 All workers including employment agency staff, must be validated by the supplier for their legal right to work by reviewing original documentation. A3 Employment agencies must only supply workers registered with them. A4 The supplier shall implement processes to enable adequate control over agencies with regards the above points and related legislation.</p>
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<p>Non-compliance:</p> <p><u>Description of non-compliance:</u> Nil</p>
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<p><u>Local law or ETI requirement:</u> N/A</p> <p><u>Recommended corrective action:</u> N/A</p> <p><u>Objective evidence observed:</u> N/A</p> <p>Other potential issues: Nil</p> <p>Current status: No any agency staff, employment agencies and immigration worker was used in the factory.</p> <p>Best practices observed: Nil</p>

<p>B: Code and System Implementation:</p>	<p>Retailer Specific Additional Elements <i>B1 Suppliers are expected to implement and maintain systems for delivering compliance to this Code. B2 Suppliers shall appoint a senior member of management who shall be responsible for compliance with the Code. B3 Suppliers are expected to communicate this Code to all employees and to their suppliers. B4 Suppliers should, where reasonably practicable extend the principles of this Ethical Code through their supply chain.</i></p>
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<p>Non-compliance:</p> <p><u>Description of non-compliance:</u> Nil</p> <p><u>Local law or ETI requirement:</u> N/A</p> <p><u>Recommended corrective action:</u> N/A</p> <p><u>Objective evidence observed:</u> N/A</p> <p>Other potential issues: Nil</p> <p>Current status: The factory communicated the code of conduct to all employees by bulletin.</p> <p>Best practices observed: Nil</p>
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C: Sub-Contracting & Home-working:	<p><i>C1 There should be no sub-contracting unless previously agreed with the main client. C2 Home-working should be properly managed.</i></p> <p><i>Note to auditor on home-working: Report on whether it is direct or via agents. How many workers, relationship with factory and what control systems are in place.</i></p>
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Summary of sub-contracting and/or homeworking.

1. Number of sub-contractors/agents used	Nil
2. Number of homeworkers	Total: Male: Female: N/A
3. Is there a facility policy on sub-contracting?	N/A
4. Is there a facility policy on homeworking?	N/A
5. What checks are in place to ensure no child labour is being used and work is safe?	N/A
6. How does facility ensure worker hours and pay meet local laws for homeworkers?	N/A
7. What processes are sub-contracted?	N/A
8. What processes are carried out by homeworkers?	N/A
9. Are written agreements in place for homeworkers that include regular employment?	N/A

Non-compliance:

Description of non-compliance:

Nil

Local law or ETI requirement:

N/A

Recommended corrective action:

N/A

Objective evidence observed:

N/A

Other potential issues: Nil

Current status:

Through the factory management and workers interview, it was noted that the factory did not use any Sub-Contracting & Home-working.

Best practices observed: Nil

Additional Requirements

D: Environmental	<i>D1 Suppliers shall seek to make continuous improvements in their environmental performance and, as a minimum, comply with the requirements of local and international laws and regulations. D2 The supplier shall be aware of and comply with their end clients' environmental requirements.</i>
<p>Non-compliance:</p> <p><u>Description of non-compliance:</u> It was noted that the factory had not been registered with the local environmental department and no air pollution prevention and protection technical data and information was provided for the local protection department.</p> <p><u>Local law or ETI requirement:</u> In accordance with the Law of the People's Republic of China on Prevention and Treatment of Air Pollution article 12, any unit, which emits air pollutant, must register with the local environmental protection administrative supervise department the emitting facility, treatment facility and the type, quantity, concentration of pollutant. The unit must also provide air pollution prevention and protection technical data and information.</p> <p><u>Recommended corrective action:</u> It is recommended that the factory should register with the local environmental department and provide related information.</p> <p><u>Objective evidence observed:</u> Document review</p> <p>Other potential issues: Nil</p> <p>Current status: N/A</p> <p>Best practices observed: Nil</p>	

Worker Interview Summary

<i>Total N° of group interviews</i>	4 employees in 1 group
<i>Total N° of individual interviews</i>	M__6__ F__0__
<i>Total N° of interviewed workers (male/female)</i>	M__10__ F__0__
<i>Interviews were done in private and the confidentiality of the interview process was communicated to the workers?</i>	<input checked="" type="checkbox"/> Yes No <input type="checkbox"/>
<i>In general, what was the attitude of the workers towards their workplace?</i>	<input checked="" type="checkbox"/> Favourable <input type="checkbox"/> Non-favourable <input type="checkbox"/> Indifferent
<i>What was the most common worker complaint?</i>	Nil
<i>What did the workers like the most about working at this facility?</i>	Nil
<i>Any additional comment(s) regarding interviews:</i>	Nil

Local Law

<i>Legal work-week (total hours):</i>	8 hours per day and 40 hours per week.
<i>Legal maximum allowed overtime hours (per day, week, month):</i>	Maximum 3 overtime hours per day and 36 overtime hours per month.
<i>Legal minimum work age:</i>	16 years old
<i>Legal minimum wage(s):</i>	RMB500 per month equivalent to RMB2.99 per hour
<i>Legal overtime wage(s):</i>	PRC Labor Law article 44, the overtime payment shall not be lower than 150%, 200% and 300% of employee normal rate for overtime on normal workdays, rest days and official public holidays respectively.

Agency Workers (Workers sourced from a local agent who are not directly paid by the factory)

<i>Number of agencies used (average)</i>	Nil
<i>Were agency workers' age/pay/hours included within scope of this audit</i>	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A

Community Benefits (Please list below any specific community benefits that the factory management stated that they were involved in, *e.g. HIV programme, education, sports facilities*)

<p>Nil</p>

Photo Form

Best Practice Photos: No best practice observed.

Non Compliance Photos:

		
<p><i>Fire extinguishers were placed on floor.</i></p>	<p><i>No fire extinguisher was installed in canteen</i></p>	

General Tour / Other Photos:

		
<p><i>Office & dormitory building</i></p>	<p><i>Production building</i></p>	<p><i>Production Building in creating</i></p>
		
<p><i>Moulding department</i></p>	<p><i>Oven</i></p>	<p><i>Transporting department</i></p>

		
<p><i>Packing department</i></p>	<p><i>Bedroom</i></p>	<p><i>Canteen</i></p>
		
<p><i>Fire hydrant</i></p>	<p><i>First aid kit</i></p>	