

Sedex Members Ethical Trade Audit (SMETA) Report

Version 5.0 Dec 2014, 2/4 Pillar Audit; replaces version 4.0 May 2012

Supplier name:		
Site country:	China	
Site name:		
Parent Company name (of the site):	N/A	
SMETA Audit Type:	<input checked="" type="checkbox"/> 2-Pillar	<input type="checkbox"/> 4-Pillar
Date of Audit	23rd October, 2015	

Audit Content:

- (1) A SMETA audit was conducted which included some or all of Labour Standards, Health and Safety, Environment and Business ethics. The SMETA Best Practice Guidance Version 5 December 2015 was applied. The scope of workers included all types at the site e.g. direct employees, agency workers, workers employed by service providers, and workers provided by other contractors. Any deviations from the SMETA Methodology are stated (with reasons for deviation) in the SMETA Declaration.
 - (2) The audit scope was against the following reference documents
 - 2-Pillar SMETA Audit
 - ETI Base Code
 - SMETA Additions
 - Management systems and code implementation,
 - Entitlement to Work & Immigration,
 - Sub-Contracting and Home working,
 - 4-Pillar SMETA
 - 2-Pillar requirements plus
 - Additional Pillar assessment of Environment
 - Additional Pillar assessment of Business Ethics
- The new ETI Working Hours Clause
- Now integrated into this latest SMETA version.

Where appropriate non-compliances were raised against the ETI code / SMETA Additions & local law and recorded as non compliances on both the audit report, CAPR and on Sedex.



Intertek

Audit Company Name: Intertek	Report Owner (payee): Bagco Asia Ltd
Sedex Company Reference: <i>(only available on Sedex System)</i>	S: Not supplied
Sedex Site Reference: <i>(only available on Sedex System)</i>	P: Not supplied

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"/>	Brand Owner	<input type="checkbox"/>
Multi-stakeholder	<input type="checkbox"/>	Combined Audit (select all that apply)	

Auditor Reference Number: <i>(If applicable)</i>	Not applicable
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SMETA Declaration

I declare that the audit underpinning the following report was conducted in accordance with SMETA Best Practice Guidance and SMETA Measurement Criteria.

Any exceptions to this must be recorded here (e.g. different sample size): None

Auditor Name(s) (please list all including all interviewers):

Lead auditor: Aaron Gao

Team auditor: Simper Song

Interviewers: Aaron Gao, Simper Song

Date: 23rd October, 2015

Non-Compliance Table

Issue (please click on the issue title to go direct to the appropriate audit results by clause)	Area of Non-Conformity (Only check box when there is a non-conformity, and only in the box/es where the non-conformity can be found)			Record the number of issues by line*:		
	ETI Base Code	Local Law	Additional Elements (i.e. not part of ETI code)	NC	Obs	GE
0 Management systems and code implementation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	0	0	0
1 Employment Freely Chosen	<input type="checkbox"/>	<input type="checkbox"/>		0	0	0
2 Freedom of Association	<input type="checkbox"/>	<input type="checkbox"/>		0	0	0
3 Safety and Hygienic Conditions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		4	0	0
4 Child Labour	<input type="checkbox"/>	<input type="checkbox"/>		0	0	0
5 Wages and Benefits	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		1	0	0
6 Working Hours	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		1	0	0
7 Discrimination	<input type="checkbox"/>	<input type="checkbox"/>		0	0	0
8 Regular Employment	<input type="checkbox"/>	<input type="checkbox"/>		0	0	0
8A Sub-Contracting and Homeworking		<input type="checkbox"/>	<input type="checkbox"/>	0	0	0
9 Harsh or Inhumane Treatment	<input type="checkbox"/>	<input type="checkbox"/>		0	0	0
10A Entitlement to Work		<input type="checkbox"/>	<input type="checkbox"/>	0	0	0
10B2 Environment 2-Pillar		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	2	0	0
10B4 Environment 4-Pillar		<input type="checkbox"/>	<input type="checkbox"/>	N/A	N/A	N/A
10C Business Ethics		<input type="checkbox"/>	<input type="checkbox"/>		N/A	N/A

*Please note the table above records the total number of Non compliances (NC), Observations (Obs) and Good Examples (GE). This gives the reviewer an indication of problem areas but does not detail severities of each issue – Reviewers need to check audit results by clause.

Summary of Findings

Summary of main findings: (positive and negative)
(Please give a short summary of the main findings per clause)

Site Summary

- The products manufactured at this site were Stationary, such as: leather and plastic folder.
- Overall responsibility for meeting the standards was taken by Ms. Ye Miao Feng / Marketing Manager.
- There were a total of 258 employees on site (170 were migrant employees and 88 Local employees, all were permanent). Migrant employees were mainly from Sichuan, Yunnan and Guangxi.
- The youngest employee on site was 18 year old.
- Worker committee were present during the audit, however the facility management said the employee representative could not be spared for opening and closing meeting. The management would communicate the outcome of the audit to the employees through poster in the workshops, and would discuss at next worker committee meeting.
- There is no union at this facility.
- There is evidence of both male and female in management and among supervisor. The distribution was Male 60%, Female 40%.
- The peak season in this facility was not obvious.
- 26 employees were randomly selected for interview including 5 male and 21 female employees, they were interviewed as 4 groups of 5 some mixed groups and some single sex and the balance of 6 employees were interviewed individually.
- Payrolls for the period from September 2014 to August 2015 and attendance records for the period from 1st September, 2014 to 23rd October, 2015 (audit day) were provided for review. Randomly sampled 26 employees' payrolls and attendance records from August 2015 (Current month), April 2015 (Random month) and December 2014 (Random month) for further checking on status of wages and working hours.
- Based on the provided attendance records, standard working hours in this facility were 8 hours per day, 40 hours per week with at least 1 day off in a week.
- Based on the provided payroll records, the facility paid 150% of the normal wages for the extension of working hours on normal days, paid 200% of the normal wages for the extended hours on rest days, and there was no overtime work on statutory holidays.
- Based on the provided attendance records, the status of overtime hours in sample was as below:
 - 20 hours/month in August 2015 (Current month)
 - 16 hours/month in April 2015 (Random month)
 - 16 hours/month in December 2014 (Random month)

Issues Found

NC's

3.

- Dormitory and warehouse were set at a same building. During facility tour, auditor found that the 1/F (about 200 square meters) of the Dormitory Building was used to store the moulds and disused machines.
 - Health certificates of Kitchen staff were expired. During the document review, 3 out of 4 kitchen staff in the facility obtained the health certificates on 11th November, 2013 (the other one obtained on 20th April, 2015), which were valid for one year. These licenses expired on 11th November, 2014.
 - No fire certificate or registered record was provided. During facility tour, auditor found that there were one 4-storey building used as office, production floor & warehouse, one 4-storey building used as dormitories, one 3-storey building used as kitchen and canteen. However, the facility could not provide fire certificate or registered record for the 4-storey building used as dormitories to review.
 - No construction safety certificate was provided. During facility tour, auditor found that there were one 4-storey building used as office, production floor & warehouse, one 4-storey building used as dormitories, one 3-storey building used as kitchen and canteen. However, the facility could not provide certificate or report of acceptance checks for completion of the 4-storey building used as dormitories to review.
- 5.
- Minimum Wage and Overtime Wage could not be verified due to the following reason: 1) Inconsistencies were found between Process Quality Control Records provided in the office and electronic attendance records provided by the facility. Such as according to the Process Quality Control Records, employee A had inspection record at 15:22 on 11th July, 2015, while according to the electronic attendance records, employee A was off duty in the afternoon on the 11th July, 2015; employee B had inspection record at 14:00 on 5th September, 2015 and 15:21 on 26th September, 2015, while according to the electronic attendance records, employee b was off duty in the afternoons on the 5th September, 2015 and 26th September, 2015. 2) Inconsistencies were found between Broken Needles Records provided in the office and electronic attendance records provided by the facility. Such as according to the Broken Needles Records, employee C had record on 6th July, 2015, while according to the electronic attendance records, employee C was off duty on the 6th July, 2015.
- 6.
- Working Hours including Overtime Hours could not be verified due to the following reason: 1) Inconsistencies were found between manual attendance records obtained in the production office room and electronic attendance records provided by the facility. Such as according to the manual attendance records, employee A was on duty on 7 December 2014 and off duty on 13 December 2014 and 20 December 2014, and she worked from 8:00 to 15:00 on 11 December 2014; while according to the electronic attendance records, employee A were off duty on 7 December 2014 and on duty on 13 December 2014 and 20 December 2014, and she worked full day from 8:00 to 16:30 on 11 December 2014; 2) Inconsistencies were found between product delivery records obtained in the warehouse and electronic attendance records provided by the facility, such as according to the product delivery records there were product delivery out records with employees' signatures on 4 May 2014, 11 May 2014, 25 May 2014, 2 November 2014 and 30 November 2014, while according to the provided electronic attendance records, the relevant employees were off duty on the above days.
- 10B2.
- The facility did not perform monitoring tests for pollutants. During facility tour, auditor found that the waste gas was generated from Gluing workshop at production building. However, the facility could not provide monitoring report of waste gas for review.
 - Hazardous wastes were not transferred to qualified unit. During facility tour, auditor found that the hazardous wastes, including waste empty containers with glue were generated from gluing workshop. During document review, the facility could not provide the evidences (such as contract, duplicated form for transferring hazardous waste and qualification of hazardous waste disposal unit) to prove that they had transferred the hazardous waste to the qualified unit.

Observation
None observed

GE

None observed

Additional Auditor Remark:
None

Audit Details

Audit Details			
A: Report #:	GUZ-20833-03		
B: Time in and time out (SMETA Best Practice Guidance and Measurement Criteria recommends 9.00–17.00 hrs. if any different please state why in the SMETA declaration)	Day 1 Time in: 09:00 Day 1 Time out: 17:00	Day 2 Time in: N/A Day 2 Time out: N/A	Day 3 Time in: N/A Day 3 Time out: N/A
C: Number of Auditor Days Used: (number of auditor x number of days)	2 (Two auditors in one day)		
D: Audit type:	<input type="checkbox"/> Full Initial <input checked="" type="checkbox"/> Periodic <input type="checkbox"/> Full Follow-up <input type="checkbox"/> Partial Follow-Up <input type="checkbox"/> Partial Other - Define		
E: Was the audit announced? (AAG recommends a window of three weeks for semi-announced, this gives optimum results)	<input checked="" type="checkbox"/> Announced <input type="checkbox"/> Semi – announced: Window detail: N/A weeks <input type="checkbox"/> Unannounced		
F: Was the Sedex SAQ available for review?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
If No, why not? (Examples would be, site has not completed SAQ, site has not been asked to complete the SAQ.)	The facility did not provide SAQ during the on-site audit.		
G: Any conflicting information SAQ/Pre-Audit Info to Audit findings?	<input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, please capture detail in appropriate audit by clause N/A. The facility did not provide SAQ during the on-site audit.		
H: Auditor name(s) and role(s):	Aaron Gao (lead auditor and interviewer), Simper Song (team auditor and interviewer)		
I: Report written by:	Aaron Gao		
J: Report reviewed by:	Cathy Zhang		
K: Report issue date:	2015-10-30		
L: Supplier name:			
M: Site name:			

N: Site country:	China			
O: Site contact and job title:				
P: Site address: (Please include full address)				
Site phone:				
Site fax:				
Site e-mail:				
Q: Applicable business and other legally required licence numbers: for example, business license no, and liability insurance	Valid Date: from 1 st February, 2000 to 1 st February, 2020			
R: Products/Activities at site, for example, garment manufacture, electricals, toys, grower	Stationary, such as: leather and plastic folder			
S: Audit results reviewed with site management?	Yes			
T: Who signed and agreed CAPR (Name and job title)				
U: Did the person who signed the CAPR have authority to implement changes?	Yes			
V: Present at closing meeting (Please state name and position, including any workers/union reps/worker reps):	Ms. Ye Miao Feng / Marketing Manager - from the audited facility Ms. Liang Liu Xing / H.R Supervisor - from the audited facility Ms. Su Wan Mei / Clerk - from the audited facility Aaron Gao / lead auditor and interviewer - from Intertek Simper Song / team auditor and interviewer - from Intertek			
W: What form of worker representation / union is there on site?	<input type="checkbox"/> Union (name) <input checked="" type="checkbox"/> Worker Committee <input type="checkbox"/> Other (specify) <input type="checkbox"/> None			
X: Are any workers covered by Collective Bargaining Agreement (CBA)	<input type="checkbox"/> Yes <input type="checkbox"/> No N/A. There is no CBA in the facility.			
Y: Previous audit date:	17 th September, 2014			
Z: Previous audit type:		SMETA 2-pillar	SMETA 4-pillar	Other
	Full Initial	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Periodic	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Full Follow-Up Audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Partial Follow-Up	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Partial Other*	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	*If other, please define: N/A			

Audit Scope/Actual Results

Criteria	Local Law (Please state legal requirement)	Actual at the Site (Record site results against the law)	Is this part of a Collective Bargaining Agreement?
A: Standard/Contracted work hours: (Maximum legal and actual required working hours excluding overtime, please state if possible per day, week and month)	Legal maximum: 8 hours per day and 40 hours per week	8 hours per day and 40 hours per week	<input type="checkbox"/> Yes <input type="checkbox"/> No N/A. No Collective Bargaining Agreement in the facility.
B: Legal Overtime hours: (Maximum legal and actual overtime hours, please state if possible per day, week and month)	Legal maximum: Not exceed 3 hours per day and 36 hours per month	The maximum overtime hours were: Daily overtime hours: 0-2 hours for all sampled months. Monthly overtime hours: 20 hours per month in August 2015 (Current month); 16 hours per month in April 2015 (Random month); 16 hours per month in December 2014 (Random month).	<input type="checkbox"/> Yes <input type="checkbox"/> No N/A. No Collective Bargaining Agreement in the facility.
C: Legal age of employment: (Minimum legal and actual minimum age at site)	Legal minimum: 16 years old	18 years old	
D: Legal minimum wage for standard/contracted hours: (Minimum legal and actual minimum wage at site, please state if possible per hr, day, week and month)	Legal minimum: Local minimum wage standard was set at RMB 1310 per month equivalent to RMB 7.53 per hour (1310/21.75/8) from 1st May, 2013 to 30th April, 2015; RMB 1510 per month	Minimum wage was paid at RMB 1310 per month equivalent to RMB 7.53 per hour (1310/21.75/8) from 1st May, 2013 to 30th April, 2015; RMB 1510 per month equivalent to RMB 8.68 per	<input type="checkbox"/> Yes <input type="checkbox"/> No N/A. No Collective Bargaining Agreement in the facility.

	equivalent to RMB 8.68 per hour (1510/21.75/8) since 1st May, 2015.	hour (1510/21.75/8) since 1st May, 2015.	
E: Legal minimum overtime wage: (Minimum legal and actual minimum overtime wage at site, please state if possible per hr, day, week and month)	<p>Legal minimum: The employing unit shall, according to the following standards, pay labourers remuneration higher than those for normal working hours under any of the following circumstances:</p> <ol style="list-style-type: none"> 1) to pay no less than 150% of the normal wages if the extension of working hours is arranged; 2) to pay no less than 200% of the normal wages if the extended hours are arranged on days of rest and no deferred rest can be taken; and 3) to pay no less than 300% of the normal wages if the extended hours are arranged on statutory holidays. 	<p>The facility paid 150% of the normal wages for the extension of working hours on normal days, paid 200% of the normal wages for the extended hours on rest days, and there was no overtime work on statutory holidays.</p> <p>Remark: Above information just based on the facility provided records, and the actual wages issue could not be verified due to discrepancies between provided attendance records and the related production records.</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No N/A. No Collective Bargaining Agreement in the facility.

Audit Scope

(Please select the code and additional requirements that were audited against during this audit)

2-Pillar Audit	<input checked="" type="checkbox"/>
10B4: Environment 4-Pillar	<input type="checkbox"/>
10C: Business Ethics	<input type="checkbox"/>
All groups of workers are included in the scope of this audit such as; Direct employees, Casual and agency workers, Workers employed by service providers such as security and catering staff as well as workers supplied by other contractors.	<input checked="" type="checkbox"/>

Note: The main focus of this ethical audit is on the ETI Base Code and local law. The additional elements will not be audited in such depth or scope, but the audit process will still highlight any specific issues.

This report provides a summary of the findings and other applicable information found/gathered during the social audit conducted on the above date only and does not officially confirm or certify compliance with any legal regulations or industry standards. The social audit process requires that information be gathered and considered from records review, worker interviews, management interviews and visual observation. More information is gathered during the social audit process than is provided here. The audit process is a sampling exercise only and does not guarantee that the audited site prior, during or post-audit, are in full compliance with the Code being audited against. The provisions of this Code constitute minimum and not maximum standards and this Code should not be used to prevent companies from exceeding these standards. Companies applying this Code are expected to comply with national and other applicable laws and where the provisions of law and this Code address the same subject, to apply that provision which affords the greater protection. The ownership of this report remains with the party who has paid for the audit. Release permission must be provided by the owner prior to release to any third parties.

Audit Overview

Audit Overview

	Management	Worker Representatives			
Audit attendance	Senior management	Worker Committee representatives		Union representatives	
A: Present at the opening meeting?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
B: Present at the audit?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
C: Present at the closing meeting?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
D: If Worker Representatives were not present please explain reasons why (only complete if no worker reps present)	Worker committee were present during the audit, however the facility management said the employees could not be spared for opening and closing meeting. The management would communicate the outcome of the audit to the employees through poster in the workshops, and would discuss at next worker committee meeting.				
E: If Union Representatives were not present please explain reasons why: (only complete if no union reps present)	There was no union representative in the facility.				

F: Site description:

(Include size, location and age of site. Also include structure and number of buildings)

is located at

Guangdong Province, P.R. of China. They have been in their operation at the existing location since August 2001.

A total of 258 employees including 212 female employees and 46 male employees were currently working in the facility. The ages ranged from 18-50 years old. There were 237 production employees (including Cutting, Sewing, Gluing, Inspection and Packing) and 21 non-production employees (such as office staff and security guards). There were 88 local employees and 170 migrant employees. Migrant employees mostly came from other provinces out of Guangdong province (mainly from Sichuan, Yunnan and Guangxi.). All employees were hired by the facility directly. There were 248 employees present on the audit day.

The employees worked for 5 days per week in one shift. The normal working hours were from 8:00 to 17:00 with 1 hour's meal break from 12:00 to 13:00. Electronic attendance system was used for time keeping and every employee should scan their IC card when they went in and out of the workshop. Employees' wages were calculated on hourly-rated basis and paid on or before 30th of each month. The peak season in this facility was not obvious.

In view of the facilities, the total land area occupied by the facility was about 1,000,000 square meters. There were one 4-storey building used as office, production floor & warehouse, one 4-storey building used as dormitories, one 3-storey building used as kitchen and canteen. In the dormitory, employees and segregated by gender on different floors. One office about 200 square meters and One office about 500 square meters were rented to

Ltd with different boss, different business license and different product. The employees were never co-mingled by these two units. The rent contract and the business license of

Ltd were provided for review.

For building details, please refer to below tables:

Production building	Description	Remark, if any
Floor 1	One office about 200 square meters was rented to Cutting; Material warehouse; Finished goods warehouse	Year establishment: 2002 of
Floor 2	One office about 500 square meters was rented to Inspection; Packing	Year establishment: 2002 of
Floor 3	Sewing; Gluing; Inspection; Packing	Year establishment: 2002 of

	Floor 4	Sewing; Gluing; Inspection; Packing	Year of establishment: 2002
	Is this a shared building?	Yes	One office about 200 square meters and One office about 500 square meters were rented to [REDACTED] Ltd with different boss, different business license and different product. The employees were never co-mingled by these two units. The rent contract and the business license of [REDACTED] were provided for review.

Dormitory	Description	Remark, if any
Floor 1	Warehouse	Not provided
Floor 2	Dormitory rooms	Not provided
Floor 3	Dormitory rooms	Not provided
Floor 4	Dormitory rooms	Not provided
Is this a shared building?	No	Nil

Canteen	Description	Remark, if any
Floor 1	kitchen and	Year of establishment: 2002
Floor 2	canteen	Year of establishment: 2002
Floor 3	canteen	Year of establishment: 2002

	<table border="1"> <tr> <td data-bbox="639 309 810 405">Is this a shared building?</td><td data-bbox="810 309 1230 405">No</td><td data-bbox="1230 309 1497 405">Nil</td></tr> </table>	Is this a shared building?	No	Nil
Is this a shared building?	No	Nil		
G: Site function:	<input type="checkbox"/> Agent <input checked="" type="checkbox"/> Factory Processing/Manufacturer <input type="checkbox"/> Finished Product Supplier <input type="checkbox"/> Grower <input type="checkbox"/> Homeworker <input type="checkbox"/> Labour Provider <input type="checkbox"/> Pack House <input type="checkbox"/> Primary Producer <input type="checkbox"/> Service Provider <input type="checkbox"/> Sub-Contractor			
H: Month(s) of peak season: (if applicable)	The peak season is not obvious in this facility.			
I: Process overview: (Include products being produced, main operations, number of production lines, main equipment used)				
<p>The products manufactured in this unit were Stationary, such as: leather and plastic folder.</p> <p>The main production processes include Cutting, Sewing, Gluing, Inspection and Packing.</p> <p>There were 2 production lines, and main equipments were: 4 cutting machines, 100 sewing machines, 4 packing machines.</p>				
J: 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				
<p>26 employees were randomly selected for interview including 5 male and 21 female employees, they were interviewed as 4 groups of 5 some mixed groups and some single sex and the balance of 6 employees were interviewed individually.</p> <p>The employees were assured of confidentiality and they spoke freely of their views of the facility.</p> <p>All employees said they were satisfied with their employment at the facility and that they were satisfied with the current wages which in their view were in line with wages in the locality. They felt free to leave this employer and understood the notice period required. They had good relationships with their supervisors and managers who treated them with respect.</p> <p>They were able to make suggestions to their supervisors and team leaders and sometimes they had seen these</p>				

suggestions used. They felt able to complain directly to their supervisors and also felt free to give their general concerns, such as benefit to their worker representative who would take it to the worker management committee.

K: Attitude of workers committee/union reps:

(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

Through employee representative interview, the employee representative was pleasant with the facility working environment, they stated that they could give suggestions on all parts of the site's practices and no negative information was raised.

L: Attitude of managers:

(Include attitude to audit, and audit process. Both positive and negative information should be included)

The facility management had a system in place to check their current practices against their clients' requirements and the local law, and they took notice of the findings of the internal audit team and had recently implemented a Health & Safety committee to take care of health and safety concerns. Not all parts of the code were implemented; please see relevant section of report.

The factory management gave the full access to all necessary areas for tour, and a private room was arranged for employees' interview.

Key Information

Key Information

(click on the key information title to go to appropriate section of the report)

<p>A: Do all workers (including migrant workers) have contracts of employment/employment agreements? (Go to clause 8 – Regular Employment)</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No				
<p>B: Are maximum standard/contracted working hours clearly defined in contract/employment agreements? (Go to clause 8 – Regular Employment)</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No				
<p>C: Were appropriate records available to verify hours of work and wages? (Go to clause 5 – Living Wage)</p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No				
<p>D: Were any inconsistencies found? (if yes describe nature) (Go to Wages Table)</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Poor record keeping <input type="checkbox"/> Isolated incident <input checked="" type="checkbox"/> Repeated occurrence				
<p>E: For the lowest paid production workers, are wages paid for standard/contracted hours (excluding overtime) below or above the legal minimum? (Go to clause 5 – Living Wage)</p>	<table border="1"> <thead> <tr> <th data-bbox="638 1019 869 1108">Wages found:</th> <th data-bbox="869 1019 1508 1108">Please indicate the breakdown of workforce according to earnings:</th> </tr> </thead> <tbody> <tr> <td data-bbox="638 1108 869 1787"> <input type="checkbox"/> Below legal min <input checked="" type="checkbox"/> Meet <input type="checkbox"/> Above Remark: Above information just based on the facility provided records, and the actual wages issue could not be verified due to discrepancies between provided attendance records and the related production records. </td> <td data-bbox="869 1108 1508 1787"> ____% of workforce earning under min wage ____100____% of workforce earning min wage ____% of workforce earning above min wage Remark: Above information just based on the facility provided records, and the actual wages hours issue could not be verified due to discrepancies between provided attendance records and the related production records. </td> </tr> </tbody> </table>	Wages found:	Please indicate the breakdown of workforce according to earnings:	<input type="checkbox"/> Below legal min <input checked="" type="checkbox"/> Meet <input type="checkbox"/> Above Remark: Above information just based on the facility provided records, and the actual wages issue could not be verified due to discrepancies between provided attendance records and the related production records.	____% of workforce earning under min wage ____100____% of workforce earning min wage ____% of workforce earning above min wage Remark: Above information just based on the facility provided records, and the actual wages hours issue could not be verified due to discrepancies between provided attendance records and the related production records.
Wages found:	Please indicate the breakdown of workforce according to earnings:				
<input type="checkbox"/> Below legal min <input checked="" type="checkbox"/> Meet <input type="checkbox"/> Above Remark: Above information just based on the facility provided records, and the actual wages issue could not be verified due to discrepancies between provided attendance records and the related production records.	____% of workforce earning under min wage ____100____% of workforce earning min wage ____% of workforce earning above min wage Remark: Above information just based on the facility provided records, and the actual wages hours issue could not be verified due to discrepancies between provided attendance records and the related production records.				
<p>F: % of piece rate workers: (if applicable)</p>	<p>No piece rate employees on this site.</p>				
<p>G: Do the standard/contracted hours stated</p>	<input type="checkbox"/> Yes				

in a contract/employment agreement exceed the law or 48 hours per week? (Go to clause 6 – Working hours)	<input checked="" type="checkbox"/> No	
H: If yes, what are the standard/contracted hours per week as stated in the contract/employment agreement? (Go to clause 6 – Working hours)	<u> N/A </u> hrs/week	<u> N/A </u> hrs/week
I: Combined hours (standard/contracted plus overtime = total hours) over 60 per week found? (Go to Working Hours Analysis)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Remark: Above information just based on the facility provided records, and the actual overtime hours issue could not be verified due to discrepancies between provided attendance records and the related production records.	
J: Are workers provided with 1 day off in every 7-day-period, or 2 in 14-day-period (where the law allows)?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If 'No', please explain: N/A Remark: Above information just based on the facility provided records, and the actual overtime hours issue could not be verified due to discrepancies between provided attendance records and the related production records.	
K: Are the correct legal overtime premiums paid? (Go to Wages Table)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A – there is no legal requirement to OT premium Remark: Above information just based on the facility provided records, and the actual wage issue could not be verified due to discrepancies between provided attendance records and the related production records.	
L: Please state what actual OT is paid. (As a percentage of the workers standard rate) (Go to Working Hours Analysis)	Please give details of overtime premium as a % of standard wages: <input type="checkbox"/> 0% <input type="checkbox"/> 1% – 115% <input type="checkbox"/> 116% – 124% <input checked="" type="checkbox"/> 125% – 199% <input checked="" type="checkbox"/> 200%+ Please give details: 1) 150% of the normal wages if the extension of working hours is arranged; 2) 200% of the normal wages if the extended hours are arranged on days of rest and no deferred rest can be taken. Remark: Above information just based on the facility provided records, and the actual wage issue could not be verified due to discrepancies between provided attendance records and the related the related production records.	
M: Is there any night production work at the site?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	

N: % of workers living in site provided accommodation (if applicable):	40%
O: Age of youngest worker found: (Go to clause 4 – Child labour)	18 years old
P: Workers under 18 subject to hazardous work assignments? (Go to clause 3 – Health and Safety)	<input type="checkbox"/> Yes <input type="checkbox"/> No Not applicable
% of under 18's at this site (of total workers)	% Not applicable
Q: What form of worker representation/union is there on site? (Go to clause 2 – Freedom of Association)	<input type="checkbox"/> Union (name) <input checked="" type="checkbox"/> Worker Committee <input type="checkbox"/> Other (specify) <input type="checkbox"/> None
R: Is it a legal requirement to have a union? (Go to clause 2 – Freedom of Association)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
S: Is It a legal requirement to have a workers committee? (Go to clause 2 – Freedom of Association)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
T: Is there any other form of effective worker/management communication channel? (Other than union/worker committee) (Go to clause 2 – Freedom of Association)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Describe: Telephone, suggestion box, meeting and the team leader
U: Are there any External Processes? (Go to clause 8A – Sub-contracting and Home working)	<input type="checkbox"/> Sub-Contracting <input type="checkbox"/> Homeworking <input type="checkbox"/> Other External Process <input checked="" type="checkbox"/> No external processes

Management Systems

Management Systems:	
A: Nationality of Management	Chinese
B: Gender breakdown of Management + Supervisors <i>(Include as one combined group)</i>	Male: <u>60</u> % Female: <u>40</u> %
C: Majority nationality of workers	Chinese
D: Number of workers leaving in last 12 months as a % of average total number of workers on site over the year (annual worker turnover)	<u>5</u> % The reason was that the employees would like to go home.
E: Were accurate records shown at the first request?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
F: If No , why not?	Record inconsistencies were found between provided attendance records and production records; please see Clause 5 & 6.
G: In the last 12 months, has the site been subject to any fines/prosecutions for non-compliance to any regulations?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Please describe: No any fines/prosecutions.
H: Do policies and/or procedures exist that reduce the risk of forced labour, child labour, discrimination, harassment & abuse?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Please describe: The facility's hiring procedure included that there was no forced, bonded or involuntary prison labour. Child labour policy stated that the facility would never employ and use any child labour under the age of 16 years old. Non-discrimination policy showed that no discrimination was available in hiring, compensation, access to training, promotion, termination or retirement. Anti-harsh treatment policy stated that physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation shall be prohibited.
I: If Yes , is there evidence (an indication) of effective implementation? Please give details.	Policies existed for some of these areas (Forced labour, Health and Safety, Living Wage, Working Hours, No harsh treatment, Environment and Business Ethics), these were communicated to employees via poster and annual training. Employees stated no forced labour, no child labour was found (through interview and document checks), there were both female and male among management/supervisors.
J: Have managers and workers received training in the standards for forced labour, child labour, discrimination, harassment & abuse?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Standards on Child labour, Discrimination, Forced labour and No harsh treatment were communicated to employees through posters and annual training.

K: If Yes , is there evidence (an indication) that training has been effective e.g. training records etc.? Please give details	<p>Training records:</p> <ul style="list-style-type: none"> - Annual training for all employees, lastly conducted 12th September, 2015. - Introductory training record for new employees. <p>Confirmed via management and employee interview</p>
L: Are there published, anonymous and/or open channels available for reporting any violations of Labour standards and H&S or any other grievances to a 3 rd party?	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe: There is suggestion box, and an internal confidential email address for reporting grievances.</p>
M: If Yes , are workers aware of these channels? Please give details.	<p>Through employee interview, all randomly selected employees were aware of these channels.</p>
N: Have health and safety risks been identified e.g. through internal audits, formal risk analysis process, worker involvement etc.?	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe: The health and safety risks had been identified through formal risk analysis process.</p>
O: If Yes , has effective action been taken to reduce or eliminate these risks?	<p>For some of the risks, action has been taken, such as training for machine operators, posters on good H&S practices per workshop. There were still some risk areas that have not any action, please see clause 3.</p>
P: Are accidents recorded?	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe: Management keeps a record of any accidents.</p>
Q: Has the auditor made a simple calculation to compare capacity with workers' work load in order to identify possible unrecorded work hours?	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe: Compared capacity with employees' work load, unrecorded work hours were not observed during this audit.</p>
R: Does the site have all required land rights licenses and permissions (see SMETA Measurement Criteria)?	<p>Yes</p>
S: Does the site have any internationally recognised system certifications e.g. ISO 9000, 14000, OHSAS 18000, SA8000 (or other social audits). Please detail (Number and date).	<p>No</p>
T: Is there a Human Resources manager/department? If Yes, please detail.	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe: There was a Human Resources department in the facility.</p>

Worker Analysis

Worker Analysis								
	Local			Migrant				Total
	Permanent	Temporary	Agency	Permanent	Temporary	Agency	Home workers	
Worker numbers – male	12	0	0	34	0	0	0	46
Worker numbers – female	76	0	0	136	0	0	0	212
Total	88	0	0	170	0	0	0	258
Number of Workers interviewed	8	0	0	18	0	0	0	26

Contractors:

(Individuals supplying workers to site with the workers paid by contractors, not by site)

A: Any contractors on site?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
B: If Yes , how many workers supplied by contractors	N/A, no contractors were on site.
C: Are all contractor workers paid according to law?	<input type="checkbox"/> Yes <input type="checkbox"/> No N/A, no contractors were on site.
If Yes , Please give evidence for contractor workers being paid according to law:	N/A, no contractors were on site.

Migrant Workers:

(Please see SMETA Best Practice Guidance and Measurement Criteria for definitions of migrant workers)

D: Originating Locations/Countries:	Migrant employees mostly came from other provinces out of Guangdong province (mainly from Sichuan, Yunnan and Guangxi.)
E: Type of work undertaken by migrant workers :	All processes
F: Were migrant workers recruited through an agency?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

If yes, please give details.	Please describe: N/A
If Yes , is there a contract with the agency? Provide details of agencies and contractual arrangements including any fees lodged during the recruitment process.	N/A. All employees were directly recruited by the facility.
G: Does the site have a system for checking labour standards of agencies? If yes, please give details.	<input type="checkbox"/> Yes <input type="checkbox"/> No N/A Please describe: N/A. All employees were directly recruited by the facility.
H: Percentage of migrant workers in company provided accommodation:	60%

Audit Results by Clause

0: Managements system and Code Implementation

[\(click here to return to NC Table\)](#)

- 0.1 Suppliers are expected to implement and maintain systems for delivering compliance to this Code.
- 0.2 Suppliers shall appoint a senior member of management who shall be responsible for compliance with the Code.
- 0.3 Suppliers are expected to communicate this Code to all employees.
- 0.4 Suppliers should communicate this code to their own suppliers and, where reasonably practicable, extend the principles of this Ethical Code through their supply chain.

Current Systems and Evidence Examined

To complete 'current systems' Auditors examine policies and written procedures in conjunction with relevant managers, to understand, and record what controls and processes are currently in place e.g. record what policies are in place, what relevant procedures are carried out, who is/are responsible for the management of this item of the code. Evidence checked should detail any documentary or verbal evidence shown to support the systems.

Current systems:

- Responsibility for meeting the legal and client code requirements is shared between Ms. Ye Miao Feng / Marketing Manager and Ms. Liang Liu Xing / H.R Supervisor. Together they were responsible to the facility manager for ensuring the standards were met.
- Overall responsibility for meeting the standards is taken by Ms. Ye Miao Feng / Marketing Manager.
- There is an internal audit team for quality who in addition take on the role for internal audit of the social standards of the facility and they report to the personnel and Health & Safety manager jointly to report their findings.
- Implementation of any necessary changes is then given to the individual department heads after agreement with the facility manager.

Evidence examined – to support system description (Documents examined & relevant comments. Include renewal/expiry date where appropriate):

- Internal audit documents (the quality manager audits the personnel and wages systems of the facility).
- Client's code of conduct at the facility (posted in Chinese).
- A manual created by the facility which contained most required documents and most appropriate procedures for meeting the client's code of conduct and the legal requirements.

Non-compliance:

Description of non-compliance: <input type="checkbox"/> NC against ETI/Additional Elements None observed	<input type="checkbox"/> NC against Local Law	Objective evidence observed: Not applicable
Local law and/or ETI requirement: Not applicable		
Recommended corrective action: Not applicable		

Observation:	
Description of observation: None observed	Objective evidence observed: Not applicable
Local law or ETI requirement: Not applicable	
Comments: Not applicable	

Good Examples observed:	
Description of Good Example (GE): None observed	Objective evidence observed: Not applicable

1: Employment is Freely Chosen

[\(Click here to return to NC-table\)](#)

ETI

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.

Current Systems and Evidence Examined

To complete 'current systems' Auditors examine policies and written procedures in conjunction with relevant managers, to understand, and record what controls and processes are currently in place e.g. record what policies are in place, what relevant procedures are carried out, who is/are responsible for the management of this item of the code. Evidence checked should detail any documentary or verbal evidence shown to support the systems.

Current systems:

- The facility has a policy which prohibits forced labour and this was available for review.
- There was an application procedure which states that employees must present their ID's for proof of age but that only copies must be kept in the personnel files and the original given back to the employees.
- The employee handbook – given to all employees on joining, states that employees within their probation period are free to leave with 3 days written notice and once an employee is permanent (this is out of probation) they can resign from the facility with one month's prior written notice, given to their supervisor or the personnel office. The handbook also states that they will be given their full wages on their last day of work. There was a procedure for how employees would receive their last wages if they leave e.g. after Chinese New Year.
- The terms and conditions of employment in the handbook state that the employees are free to leave the workplace outside of their working hours – even when they are living in the dormitory.
- Contract for security guards state that they must not prevent employees from leaving the premises outside of working hours and where they are conducting searches that this is at the request of management, is done on a sample basis and is performed discretely and without significant delay to employees leaving at the end of shift.
- The above was confirmed in management and employee interview.

Evidence examined – to support system description (Documents examined & relevant comments. Include renewal/expiry date where appropriate):

- Personnel files (all were checked)
- Resignation records
- Factory rules
- Employee handbook
- Management and employee interview
- Contracts for security guards

Non-compliance:

Description of non-compliance: <input type="checkbox"/> NC against ETI <input type="checkbox"/> NC against Local Law None observed Local law and/or ETI requirement: Not applicable Recommended corrective action: Not applicable	Objective evidence observed: Not applicable
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Observation:	
Description of observation: None observed Local law or ETI requirement: Not applicable Comments: Not applicable	Objective evidence observed: Not applicable

Good Examples observed:	
Description of Good Example (GE): None observed	Objective evidence observed: Not applicable

2: Freedom of Association and Right to Collective Bargaining are Respected

[\(Click here to return to NC-table\)](#)
[\(Click here to return to Key Information\)](#)

ETI

- 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.

Current Systems and Evidence Examined

To complete 'current systems' Auditors examine policies and written procedures in conjunction with relevant managers, to understand, and record what controls and processes are currently in place e.g. record what policies are in place, what relevant procedures are carried out, who is/are responsible for the management of this item of the code. Evidence checked should detail any documentary or verbal evidence shown to support the systems.

Current systems:

- There is no union at the site.
- There is evidence of a workers committee
- The committee members were chosen by fellow employees
- Employee interview confirmed that the members of the workers committee had been elected by fellow employees.

Evidence examined – to support system description (Documents examined & relevant comments. Include renewal/expiry date where appropriate):

- Minutes of the works committee meeting
- Site policy on freedom of association
- Interview with employees
- Interview with workers committee members
- Interview with managers

Non-compliance:

Description of non-compliance:

☐ NC against ETI ☐ NC against Local Law
None observed

Local law and/or ETI requirement:

Not applicable

Recommended corrective action:

Not applicable

Objective evidence observed:

Not applicable

Observation:	
Description of observation: None observed Local law or ETI requirement: Not applicable Comments: Not applicable	Objective evidence observed: Not applicable

A: Name of union and union representative, if applicable:	Not applicable. There wasn't union in the facility.	Is there evidence of free elections? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A
B: If no union what is parallel means of consultation with workers e.g. worker committees?	Telephone, employee representative, suggestion box, meeting and the team leader	Is there evidence of free elections? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
C: Were worker representatives/union representatives interviewed	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If Yes , please state how many: One	
D: State any evidence that union/workers committee is effective? <i>Specify date of last meeting; topics covered; how minutes were communicated etc.</i>	The committee had meeting every 6 months. There were meeting minutes and the workers committee interview confirmed that they had met with management only one time in the last 6 months. Last meeting topics covered the training on chemicals.	
E: Are any workers covered by Collective Bargaining Agreement (CBA)	<input type="checkbox"/> Yes <input type="checkbox"/> No Not applicable. There was no CBA.	
F: If Yes what percentage by trade Union/worker representation	<input type="checkbox"/> N/A <input type="checkbox"/> % workers covered by Union CBA	<input type="checkbox"/> N/A <input type="checkbox"/> % workers covered by Union CBA
G: If Yes , does the Collective Bargaining Agreement (CBA) include rates of pay	<input type="checkbox"/> Yes <input type="checkbox"/> No N/A. No CBA.	

Good Examples observed:	
Description of Good Example (GE): None observed	Objective evidence observed: Not applicable

3: Working Conditions are Safe and Hygienic

[\(Click here to return to NC-table\)](#)
[\(Click here to return to Key Information\)](#)

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.

Current Systems and Evidence Examined

To complete 'current systems' Auditors examine policies and written procedures in conjunction with relevant managers, to understand, and record what controls and processes are currently in place e.g. record what policies are in place, what relevant procedures are carried out, who is/are responsible for the management of this item of the code. Evidence checked should detail any documentary or verbal evidence shown to support the systems.

Current systems:

1. General Health and Safety management

- Ms. Ye Miao Feng / Marketing Manager is appointed as Health & Safety Management Representative for the site.
- Potable water was freely available in all areas and test certificates were up-to-date.
- Sufficient clean toilets segregated by gender were available at all times to employees.
- Ventilation, temperature and lighting were adequate for the production processes.
- Minutes of meetings showed that there were monthly meetings between the H&S committee (workers) and the H&S manager, and each point was acted on.

2. Fire Safety

- There were at least 2 exits from each work area and these were clearly marked
- Fire fighting equipment was adequate and checks were up-to-date
- Evacuation diagrams were posted in all areas and understood by all employees interviewed
- Fire drills were organised and recorded every 6 months of both production and dormitory units.
- Training had been given by the local fire department and fire marshals had been specially selected for extra training.

3. Electrical safety

- All electrical equipment was maintained in good condition such as sockets, plugs, switches and main fuse boards.
- There were competent electricians at the site and their training certificates were available for review.

4. Chemical safety

- All chemicals were correctly labelled.
- Material Safety Data Sheets were available and there were hazard diagrams on chemicals which needed careful handling.
- Employees in the chemical store area confirmed that they had been trained on correct handling procedures as well as what to do in an emergency.

5. Medical services

- There were adequate first aid kits in each production area and they were well stocked.

- There were 4 first aiders and when a selection was interviewed, they confirmed they had been trained at local hospital. These first aiders were identified by blue 'cross' armbands.

Evidence examined – to support system description (Documents examined & relevant comments. Include renewal/expiry date where appropriate):

- Health and safety policy
- Health and safety manual
- Health and safety committee minutes
- Training records and certificates
- Fire equipment maintenance records
- Fire drill records
- Government licenses and checks on air quality and noise level
- Building structure safety certificate
- Trained first aider register
- Accident reports
- Sanitation permit for kitchen
- Health certificates for kitchen staff
- Chemical list and MSDS for each chemical
- Interviews with H&S Representative
- Interviews with employees and H&S committee members

Non-compliance:

1. Description of non-compliance:

☒ NC against ETI ☒ NC against Local Law

Dormitory and warehouse were set at a same building. During facility tour, auditor found that the 1/F (about 200 square meters) of the Dormitory Building was used to store the moulds and disused machines.

Local law or ETI requirement

Local Law: In accordance with the Code of Design on Building Fire Protection and Prevention (GB50016-2014) article 3.3.5, Staff dormitory is prohibited to be set up at a factory building; and article 3.3.9, Staff dormitory is prohibited to be set up in a warehouse.

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.

Recommended corrective action:

Ms. Ye Miao Feng / Marketing Manager discussed with the facility manager that the facility would remove the warehouse from the dormitory building as per legal requirement and that she, Ms. Ye Miao Feng / Marketing Manager would give documented training to department personnel to ensure site policy is being followed.

Action By: Ms. Ye Miao Feng / Marketing Manager

Recommended completion timescale: 30 days

Verification method: Follow up

2. Description of non-compliance:

Objective evidence observed:

1. Facility tour.
Non Compliance
Photos:#1

2. Document review-

<p><input checked="" type="checkbox"/> NC against ETI <input checked="" type="checkbox"/> NC against Local Law</p> <p>Health certificates of Kitchen staff were expired. During the document review, 3 out of 4 kitchen staff in the facility obtained the health certificates on 11th November, 2013 (the other one obtained on 20th April, 2015), which were valid for one year. These licenses expired on 11th November, 2014.</p> <p>Local law or ETI requirement Local Law: In accordance with the PRC Law on food safety article 34, the food producing and trading personnel shall undergo health check-ups every year and can only work upon obtaining health certificates. ETI 3.2 Workers shall receive regular and recorded Health & Safety training, and such training shall be repeated for new or reassigned workers.</p> <p>Recommended corrective action: Ms. Ye Miao Feng / Marketing Manager discussed with the facility manager that the facility would renew the health certificates of kitchen staff on time as per legal requirement and that she, Ms. Ye Miao Feng / Marketing Manager would give documented training to department personnel to ensure site policy is being followed.</p> <p>Action By: Ms. Ye Miao Feng / Marketing Manager Recommended completion timescale: 90 Days Verification method: Desktop</p>	<p>Health certificates of Kitchen staff</p>
<p>3. Description of non-compliance: <input checked="" type="checkbox"/> NC against ETI <input checked="" type="checkbox"/> NC against Local Law</p> <p>No fire certificate or registered record was provided. During facility tour, auditor found that there were one 4-storey building used as office, production floor & warehouse, one 4-storey building used as dormitories, one 3-storey building used as kitchen and canteen. However, the facility could not provide fire certificate or registered record for the 4-storey building used as dormitories to review.</p> <p>Local law or ETI requirement Local Law: In accordance with PRC Fire Prevention Law article 11, the Ministry of Public Security of the State Council prescribes, for those densely populated places and special construction works, design documents shall be submitted to public security organs for safety review. Public security fire control institutions shall be responsible for the result. Article 13 the project completed with fire control design in accordance with the requirements of the State Technical Standards on Fire Control for Engineering Construction shall go through acceptance check and filing as stated below: 1. as is stated in Article 11, construction units shall apply to the public security fire control institutions for fire control acceptance check. 2. Other construction works and construction units shall file with public security fire control institutions and public fire control institutions shall conduct random inspection. Construction projects which are supposed to go through fire control acceptance check but do not or considered unqualified shall not be put into use. Other projects considered unqualified after acceptance check in accordance with law shall not be put into use. 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,</p>	<p>3. Facility tour</p>

the causes of hazards inherent in the working environment.

Recommended corrective action:

Ms. Ye Miao Feng / Marketing Manager discussed with the facility manager that the facility would apply relevant fire certificate or registered record as per legal requirement and that she, Ms. Ye Miao Feng / Marketing Manager would give documented training to department personnel to ensure site policy is being followed.

Action By: Ms. Ye Miao Feng / Marketing Manager

Recommended completion timescale: 90 days

Verification method: Desktop

4. Description of non-compliance:

☒ NC against ETI ☒ NC against Local Law

4. Facility tour

No construction safety certificate was provided. During facility tour, auditor found that there were one 4-storey building used as office, production floor & warehouse, one 4-storey building used as dormitories, one 3-storey building used as kitchen and canteen. However, the facility could not provide certificate or report of acceptance checks for completion of the 4-storey building used as dormitories to review.

Local law or ETI requirement

Local Law: In accordance with the PRC Construction Law Article 61, a construction project handed over for acceptance checks for completion must conform to the prescribed construction project quality standards, be provided with complete project technical and economic data and signed project warranty, and be provided with other qualified conditions for completion as prescribed by the state. A construction project may only be handed over for use upon passing the acceptance checks for completion; no construction project shall be handed over for use without going through the acceptance checks for completion or passing the acceptance checks for completion.

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.

Recommended corrective action:

Ms. Ye Miao Feng / Marketing Manager discussed with the facility manager that the facility would apply certificate or report of acceptance checks for completion of all building as per legal requirement and that she, Ms. Ye Miao Feng / Marketing Manager would give documented training to department personnel to ensure site policy is being followed.

Action By: Ms. Ye Miao Feng / Marketing Manager

Recommended completion timescale: 90 days

Verification method: Desktop

Observation:

Description of observation:

Objective evidence

<p>None observed</p> <p>Local law or ETI requirement: Not applicable</p> <p>Comments: Not applicable</p>	<p>observed: Not applicable</p>
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Good Examples observed:	
<p>Description of Good Example (GE): None observed</p>	<p>Objective Evidence Observed: Not applicable</p>

4: Child Labour Shall Not Be Used

[\(Click here to return to NC-table\)](#)
[\(Click here to return to Key Information\)](#)

ETI

- 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.

Current Systems and Evidence Examined

To complete 'current systems' Auditors examine policies and written procedures in conjunction with relevant managers, to understand, and record what controls and processes are currently in place e.g. record what policies are in place, what relevant procedures are carried out, who is/are responsible for the management of this item of the code. Evidence checked should detail any documentary or verbal evidence shown to support the systems.

Current systems:

- Once employees have joined their original ID's were copied and given back to them whilst copies only were kept in their personnel file.
- Checks of all employees' files showed that the youngest employee present was age 18 years.

Evidence examined – to support system description (Documents examined & relevant comments. Include renewal/expiry date where appropriate):

- Personnel files of all employees (see checks done for clause 1 'employment freely chosen')
- Latest list of employees
- Records of any health checks

Non-compliance:

Description of non-compliance:

☐ NC against ETI ☐ NC against Local Law
 None observed

Local law and/or ETI requirement:

Not applicable

Recommended corrective action:

Not applicable

Objective evidence observed:

Not applicable

Observation:

Description of observation:

None observed

Local law or ETI requirement:

Not applicable

Objective evidence observed:

Not applicable

Comments: Not applicable	
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Good Examples observed:	
Description of Good Example (GE): None observed	Objective Evidence Observed: Not applicable

5: Living Wages are Paid

[\(Click here to return to NC-table\)](#)

[\(Click here to return to Key information\)](#)

ETI

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.

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.

Current Systems and Evidence Examined

To complete 'current systems' Auditors examine policies and written procedures in conjunction with relevant managers, to understand, and record what controls and processes are currently in place e.g. record what policies are in place, what relevant procedures are carried out, who is/are responsible for the management of this item of the code. Evidence checked should detail any documentary or verbal evidence shown to support the systems.

Current systems:

- The local minimum wage standard was set at RMB 1310 per month equivalent to RMB 7.53 per hour (1310/21.75/8) from 1st May, 2013 to 30th April, 2015; RMB 1510 per month equivalent to RMB 8.68 per hour (1510/21.75/8) since 1st May, 2015.
- All employees' wages were calculated by hourly rate. The minimum wage paid by the facility was RMB 1310 per month equivalent to RMB 7.53 per hour (1310/21.75/8) from 1st May, 2013 to 30th April, 2015 and RMB 1510 per month equivalent to RMB 8.68 per hour (1510/21.75/8) since 1st May, 2015 based on provided payroll records.
- The wages office was well organised with a good controlled set of processes which were understood by all employees.
- All employees were provided with written and understandable information about their employment conditions in respect to wages before they entered employment and about the particulars of their wages for the pay period concerned each time that they were paid.
- Based on provided payrolls, social insurance receipt sheets and employees interview, all employees had been participated in all 5 social insurance schemes, including retirement insurance, medical insurance, work-related injury insurance, maternity insurance and unemployment insurance.
- Benefits of paid, annual leave, was given to all employees and child-bearing leave to appropriate employees.
- All social insurance payments were passed on to the relevant authorities in a timely manner.
- All employees were paid on 30th of each month by cash and each employee was given a pay slip and signed for their wages.
- The compliance status of minimum wage and overtime wage could not be verified due to the discrepancies noted between the provided attendance records and production records. Please refer to below noncompliance description for details.

Evidence examined – to support system description (Documents examined & relevant comments. Include renewal/expiry date where appropriate):

- Document review
- Employee interview
- Local and national laws
- Wages and benefits policy

- Local legal minimum wage documents
- Payroll records from September 2014 to August 2015 and attendance records for the period from 1st September, 2014 to 23rd October, 2015 (audit day) were reviewed.
- Leave records
- Social insurance and payment receipts from the local labour department
- Labour contracts for all employees (to examine agreed wage rates)
- Resignation records
- Payslips of all employees interviewed
- Hours records to check hourly rates and any overtime premiums

Non-compliance:

1. Description of non-compliance:

☒ NC against ETI ☒ NC against Local Law

Minimum Wage and Overtime Wage could not be verified due to the following reason:

1) Inconsistencies were found between Process Quality Control Records provided in the office and electronic attendance records provided by the facility. Such as according to the Process Quality Control Records, employee A had inspection record at 15:22 on 11th July, 2015, while according to the electronic attendance records, employee A was off duty in the afternoon on the 11th July, 2015; employee B had inspection record at 14:00 on 5th September, 2015 and 15:21 on 26th September, 2015, while according to the electronic attendance records, employee b was off duty in the afternoons on the 5th September, 2015 and 26th September, 2015. 2) Inconsistencies were found between Broken Needles Records provided in the office and electronic attendance records provided by the facility. Such as according to the Broken Needles Records, employee C had record on 6th July, 2015, while according to the electronic attendance records, employee C was off duty on the 6th July, 2015.

Local law or ETI requirement:

Local law: In accordance with the PRC Labour Law article 48, Wages paid to labourers by the employing unit shall not be lower than the local standards on minimum wages.

Opinion of the Ministry of Labour on Several Questions concerning the Implementation of the Labour Law (1995) article 57, employees, including those who are in probationary, training or internship period, shall not be paid lower than the local minimum standard.

In accordance with the PRC Labour Law article 44, the employing unit shall, according to the following standards, pay labourers remuneration higher than those for normal working hours under any of the following circumstances: 1) to pay no less than 150% of the normal wages if the extension of working hours is arranged; 2) to pay no less than 200% of the normal wages if the extended hours are arranged on days of rest and no deferred rest can be taken; and 3) to pay no less than 300% of the normal wages if the extended hours are arranged on statutory holidays.

ETI 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.

Recommended corrective action:

Ms. Ye Miao Feng / Marketing Manager discussed with the facility manager that accurate and complete attendance and payroll records must be provided to

Objective evidence observed:

1. Production records, attendance records and payroll records review, employee interview

demonstrate the compliance of minimum wage and overtime wage and that she, Ms. Ye Miao Feng / Marketing Manager would strengthen management on attendance system.

Action By: Ms. Ye Miao Feng / Marketing Manager
Recommended Completion Timescale: 60 days
Verification method: Follow up

Observation:

Description of observation:

None observed

Local law or ETI requirement:

Not applicable

Comments:

Not applicable

Objective evidence observed:

Not applicable

Good Examples observed:

Description of Good Example (GE):

None observed

Objective Evidence Observed:

Not applicable

Wages analysis:

[\(Click here to return to Key Information\)](#)

A: Sample Size Checked

(State number of worker records checked and from which weeks/months – should be current, peak and random/low. Please see SMETA Best Practice Guidance and Measurement Criteria)

26 samples from August 2015 (Current month)
26 samples from April 2015 (Random month)
26 samples from December 2014 (Random month)

B: Are there different legal minimum wage grades? If Yes, please specify all.

☐ Yes
☒ No

If Yes, please give details: N/A

C: If there are different legal minimum grades, are all workers graded correctly?

☐ Yes
☐ No
☒ N/A

If No, please give details: N/A

D: What deductions are required by law e.g. social insurance? Please state all types:

Social insurance: basic endowment, unemployment, maternity, basic medical and employment injury
Personal income tax

E: Have all of these deductions been made? Please list all deductions that have/have not been made.

☒ Yes
☐ No

If Yes, Please list all deductions that have been made: Based on provided payrolls, social insurance receipt sheets and employees interview, all employees had participated in all 5

		social insurance schemes, including retirement insurance, medical insurance, work-related injury insurance, maternity insurance and unemployment insurance. And the social insurance fees assumed by employees were deducted from their wages each month as legal requirement.
		If No , please give details on any deductions which have not been made: N/A
F: Industry norm for this region: (please include time period e.g. hour/week/month)	N/A, there are no industry norms for this region at present.	

Wages table (Click here to return to Key information)			
Worker Type	Process Operator (Lowest paid)	Process Operator (Average paid)	Process Operator (Highest paid)
Select from individual worker records one worker from, lowest, average and highest wages and populate the boxes. Ensure comparison is made for same pay period and only uses full-time workers. See SMETA Best Practice Guidance and Measurement Criteria for completing this:			
A: Pay period: (State month selected)	August 2015	August 2015	August 2015
B: Anonymous Employee Reference/Dept.	Worker A / Cutting Dept.	Worker B / Sewing Dept.	Worker C / Gluing Dept.
C: Employee Gender	Female	Female	Male
D: Contracted/Standard working hours: (excluding OT – please include time period e.g. hour/week/month)	168 hours / month	168 hours / month	168 hours / month
E: Contracted /Standard work pay rate: (excluding OT – please include time period e.g. hour/week/month)	RMB 10 / Hour	RMB 10 / Hour	RMB 10 / Hour
F: Standard day overtime – hours: (please include time period e.g. hour/week/month)	0 hours / month	0 hours / month	0 hours / month
G: Standard day overtime – wage: (please include time period e.g. hour/week/month)	RMB 0 / month	RMB 0 / month	RMB 0 / month

H: Rest day overtime – hours: <i>(please include time period e.g. hour/week/month)</i>	20 hours / month	20 hours / month	20 hours / month
I: Rest day overtime – wage: <i>(please include time period e.g. hour/week/month)</i>	RMB 400 / month	RMB 400 / month	RMB 400 / month
J: Statutory Holiday overtime – hours: <i>(please include time period e.g. hour/week/month)</i>	0 hour / month	0 hour / month	0 hour / month
K: Statutory holiday OT – wages: <i>(please include time period e.g. hour/week/month)</i>	RMB 0 / month	RMB 0 / month	RMB 0 / month
L: Total overtime hours: <i>(please include time period e.g. hour/week/month)</i>	20 hours / month	20 hours / month	20 hours / month
M: Incentives/Bonus/ Allowances etc.: <i>(please include time period e.g. hour/week/month)</i>	RMB 704 / month	RMB 704 / month	RMB 904 / month
N: Gross wages: <i>(please include time period e.g. hour/week/month)</i>	RMB 2784 / month	RMB 2784 / month	RMB 2984 / month
O: Social insurance and other deductions; please list which and amount.	RMB 275 / month	RMB 275 / month	RMB 277 / month
P: Actual wage paid after deduction: <i>(please include time period e.g. hour/week/month)</i>	RMB 2509 / month	RMB 2509 / month	RMB 2707 / month
Comments: <i>(Please state here any specific reasons/circumstances that explain the lowest and highest gross wages)</i>			
<p>Based on the explanation from the facility management and employee interview, the lowest and highest gross wages is caused mainly by two elements: 1. different work positions/production processes require to work different overtime hours due the arrangement of the production schedule 2. The basic hourly wage defined by the facility varies from positions, work experience and individual competency.</p> <p>The above wages information is based on the attendance and payroll records provided by the facility. It is only for reference since the minimum wage, overtime wage and working hours could not be verified in this audit.</p>			
Q: Is there a defined living wage: <i>This is <u>not normally</u> minimum legal wage. If answered Yes please state</i>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Please specify amount/time period: N/A		

amount and source of info: Please see SMETA Best Practice Guidance and Measurement Criteria.	
R: Are workers paid in a timely manner in line with local law?	<input checked="" type="checkbox"/> Yes All workers are paid on or before the 30 th day of the month. <input type="checkbox"/> No
S: Is there evidence that equal rates are being paid for equal work:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Details: Through facility rules review, payroll records review and employees' interview, it was confirmed that equal rates were being paid for equal work.
T: How are workers paid:	<input checked="" type="checkbox"/> Cash <input type="checkbox"/> Cheque <input type="checkbox"/> Bank Transfer <input type="checkbox"/> Other If other explain: N/A

6: Working Hours are not Excessive

[\(Click here to return to NC-table\)](#)
[\(Click here to return to Key Information\)](#)

ETI

6.1 Working hours must comply with national laws, collective agreements, and the provisions of 6.2 to 6.6 below, whichever affords the greater protection for workers. Sub-clauses 6.2 to 6.6 are based on international labour standards.

6.2 Working hours, excluding overtime, shall be defined by contract, and shall not exceed 48 hours per week.

6.3 All overtime shall be voluntary. Overtime shall be used responsibly, taking into account all the following: the extent, frequency and hours worked by individual workers and the workforce as a whole. It shall not be used to replace regular employment. Overtime shall always be compensated at a premium rate, which is recommended to be not less than 125% of the regular rate of pay.

6.4 The total hours worked in any 7 day period shall not exceed 60 hours, except where covered by clause 6.5 below.

6.5 Working hours may exceed 60 hours in any 7 day period only in exceptional circumstances where **all** of the following are met:

- this is allowed by national law;
- this is allowed by a collective agreement freely negotiated with a workers' organisation representing a significant portion of the workforce;
- appropriate safeguards are taken to protect the workers' health and safety; and
- The employer can demonstrate that exceptional circumstances apply such as unexpected production peaks, accidents or emergencies.

6.6 Workers shall be provided with at least one day off in every 7 day period or, where allowed by national law, 2 days off in every 14 day period.

Current Systems and Evidence Examined

To complete 'current systems' Auditors examine policies and written procedures in conjunction with relevant managers, to understand, and record what controls and processes are currently in place e.g. record what policies are in place, what relevant procedures are carried out, who is/are responsible for the management of this item of the code. Evidence checked should detail any documentary or verbal evidence shown to support the systems.

Current systems:

- Through employees' interview, overtime is voluntary.
- According to provided attendance records and employee interview basic working hours were 8 hours per day and 40 hours per week with no more than 2 hours overtime per day on weekdays.
- Based on provided attendance records, total overtime was above 36 hours per month (max in sample 80 hours/month) and records show that employees have at least 1 day off per week.
- The compliance status of working hours could not be verified due to the discrepancies noted between the provided attendance records and production records. Please refer to below non-compliance description for details.

Evidence examined – to support system description (Documents examined & relevant comments. Include renewal/expiry date where appropriate):

- Employee interview

- Management interview
- Local and national laws
- Facility policy on working hours
- Computerised time logging system
- Sample pay slips with recorded hours of all employees interviewed
- Employees contracts
- Attendance records from 1st September, 2014 to 23rd October, 2015 (audit day) were reviewed.
- Quality and production records to cross check hours

Non-compliance:

1. Description of non-compliance:

☒ NC against ETI ☒ NC against Local Law

Working Hours including Overtime Hours could not be verified due to the following reason: 1) Inconsistencies were found between manual attendance records obtained in the production office room and electronic attendance records provided by the facility. Such as according to the manual attendance records, employee A was on duty on 7 December 2014 and off duty on 13 December 2014 and 20 December 2014, and she worked from 8:00 to 15:00 on 11 December 2014; while according to the electronic attendance records, employee A were off duty on 7 December 2014 and on duty on 13 December 2014 and 20 December 2014, and she worked full day from 8:00 to 16:30 on 11 December 2014; 2) Inconsistencies were found between product delivery records obtained in the warehouse and electronic attendance records provided by the facility, such as according to the product delivery records there were product delivery out records with employees' signatures on 4 May 2014, 11 May 2014, 25 May 2014, 2 November 2014 and 30 November 2014, while according to the provided electronic attendance records, the relevant employees were off duty on the above days.

Local law and/or ETI requirement:

Local law: In accordance with the Decision of the State Council on Revision of the "Provisions of the State Council on Employees' Working Time" Article 3, the normal working hour of employees shall be 8 hours a day and 40 hours per week.

In accordance with the PRC Labor Law article 38, the employing unit shall guarantee that its staff and employees have at least one day off in a week.

In accordance with the PRC Labor Law article 41 The employing unit may extend working hours due to the requirements of its production or business after consultation with the trade union and laborers, but the extended working hour for a day shall generally not exceed one hour; if such extension is called for due to special reasons, the extended hours shall not exceed three hours a day under the condition that the health of laborers is guaranteed. However, the total extension in a month shall not exceed thirty-six hours.

ETI 6.1 Working hours must comply with national laws, collective agreements, and the provisions of 6.2 to 6.6 below, whichever affords the greater protection for workers. Sub-clauses 6.2 to 6.6 are based on international labour standards.

ETI 6.2 Working hours, excluding overtime, shall be defined by contract, and shall not

Objective evidence observed:

1. Production records, attendance records and payroll records review, employee interview

exceed 48 hours per week.

ETI 6.4 The total hours worked in any 7 day period shall not exceed 60 hours, except where covered by clause 6.5 below.

ETI 6.5 Working hours may exceed 60 hours in any 7 day period only in exceptional circumstances where all of the following are met:

- this is allowed by national law;
- this is allowed by a collective agreement freely negotiated with a workers' organisation representing a significant portion of the workforce;
- appropriate safeguards are taken to protect the workers' health and safety; and
- The employer can demonstrate that exceptional circumstances apply such as unexpected production peaks, accidents or emergencies.

ETI 6.6 Workers shall be provided with at least one day off in every 7 day period or, where allowed by national law, 2 days off in every 14 day period.

Recommended corrective action:

Ms. Ye Miao Feng / Marketing Manager discussed with the facility manager that accurate and complete attendance and payroll records must be provided to demonstrate the compliance of working hours including overtime hours and that she, Ms. Ye Miao Feng / Marketing Manager would strengthen management on attendance system.

Action By: Ms. Ye Miao Feng / Marketing Manager

Recommended Completion Timescale: 60 days

Verification method: Follow up

Observation:

Description of observation:

None observed

Local law or ETI requirement:

Not applicable

Comments:

Not applicable

Objective evidence

observed:

Not applicable

Good Examples observed:

Description of Good Example (GE):

None observed

Objective Evidence

Observed:

Not applicable

Working hours analysis

*Please include time period e.g. hour/week/month
(Go back to Key Information)*

Systems & Processes							
A: What timekeeping systems are used: time card etc.	Describe: Electronic attendance records						
B: Sample Size Checked (State number of worker records checked and from which weeks/months and type – should be current, peak and random/low: See SMETA Best Practice Guidance and Measurement Criteria)	26 samples from August 2015 (Current month) 26 samples from April 2015 (Random month) 26 samples from December 2014 (Random month)						
C: Do ALL workers have contracts/employment agreements?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	If NO, state which type of workers do NOT have contracts/employment agreements: N/A					
D: Are standard/contracted working hours defined in all contracts/employment agreements?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	If NO, please state which type of workers do NOT have standard hours defined in contracts/employment agreements: N/A					
E: Are there any other types of contracts/employment agreements used?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Please complete as appropriate: <table border="1" style="width: 100%;"> <tr> <td><input type="checkbox"/> 0 hrs</td> <td><input type="checkbox"/> Part time</td> <td><input type="checkbox"/> Variable hrs</td> <td><input type="checkbox"/> Other</td> </tr> </table> If "Other", Please define: N/A		<input type="checkbox"/> 0 hrs	<input type="checkbox"/> Part time	<input type="checkbox"/> Variable hrs	<input type="checkbox"/> Other
<input type="checkbox"/> 0 hrs	<input type="checkbox"/> Part time	<input type="checkbox"/> Variable hrs	<input type="checkbox"/> Other				
Standard/Contracted Hours worked							
F: Do standard/contracted standard hours ever exceed the law or 48 hours per week?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES give details and comparison (local law/48 hrs week) N/A					
G: What are the actual standard/contracted hours worked in sample (State per week/month)	Highest hours:	40 hours/week					
	Lowest hours:	40 hours/week					
H: Any local waivers/local law or permissions which allow averaging/annualised hours for this site?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Please give details N/A					
Overtime Hours							

I: Actual overtime hours worked in sample (State per day/week/month)	Highest OT hours:	20 hours per month in August 2015 (Current month) 16 hours per month in April 2015 (Random month) 16 hours per month in December 2014 (Random month)
	Lowest OT hours:	20 hours per month in August 2015 (Current month) 16 hours per month in April 2015 (Random month) 16 hours per month in December 2014 (Random month)
J: Range of overtime hours over all workers/or as large a sample as possible. (State per week/month and details)	0-20 hours per month in August 2015 (Current month) 0-16 hours per month in April 2015 (Random month) 0-16 hours per month in December 2014 (Random month)	
K: Approximate percentage of workers on highest overtime hours	80 %	
L: Is overtime voluntary?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Conflicting Information	Please detail evidence e.g. Wording of contract/employment agreement/handbook/worker interviews/refusal arrangements:
		Through working hours' policy and employees' interview, the employees would only need to tell the direct supervisor orally if they did not want to have overtime work.
Overtime Premiums		
M: Is overtime paid at a premium?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Please give details of normal day overtime premium as a % of standard wages:
		<input type="checkbox"/> 0% <input type="checkbox"/> 1 – 115% <input type="checkbox"/> 116 – 124% <input type="checkbox"/> 125 – 149% <input checked="" type="checkbox"/> 150 – 199% <input type="checkbox"/> 200%+
		Any other comments: The facility paid 150% of the normal wages for the extension of working hours on normal days. Remark: This issue could not be verified due to discrepancies between provided attendance records and related production records.
N: ETI Code requires a prevailing standard to give greatest worker protection. If a site pays less than 125% OT premium and this is allowed under local law, are there other considerations? Please complete the boxes where relevant. Multi select is possible.	<input type="checkbox"/> No <input type="checkbox"/> Consolidated pay (May be standard wages above minimum legal wage, with no/low overtime premium) <input type="checkbox"/> Collective Bargaining agreements <input type="checkbox"/> Other N/A	
	Please explain any checked boxes in N above e.g. detail of consolidated pay CBA or Other.	
	N/A	

Rest Days		
O: Are workers provided with 1 day off in every 7-day-period, or 2 in 14-day-period (where the law allows)?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<i>Maximum number of days worked without a day off (in sample):</i> 6 days Remark: This issue could not be verified due to discrepancies between provided attendance records and related production records.
Total Hours		
P: Range of total hours: (Quote highest and lowest please include time period e.g. hour/week/month)	Highest total hours	168 + 20 (OT) hours in August 2015 (Current month) = 188 hours 168 + 16 (OT) hours in April 2015 (Random month) = 184 hours 184 + 16 (OT) hours in December 2014 (Random month) = 200 hours
	Lowest total hours	168 + 0 (OT) hours in August 2015 (Current month) = 168 hours 168 + 0 (OT) hours in April 2015 (Random month) = 168 hours 184 + 0 (OT) hours in December 2014 (Random month) = 184 hours
R: If more than 60 total hours per week and this is legally allowed, are there other considerations? Please complete the boxes where relevant. Multi select is possible.	<input type="checkbox"/> Overtime is voluntary <input type="checkbox"/> Onsite Collective bargaining allows 60+ hours/week <input type="checkbox"/> Safeguards are in place to protect worker's health and safety <input type="checkbox"/> Site can demonstrate exceptional circumstances <input type="checkbox"/> Other reasons N/A.	
	Please explain any checked boxes in R above	
	N/A	
Comments: (please state here any specific reasons/circumstances that explain the highest working hours)		
<p>The above hours' information is based on the attendance records provided by the facility. It is only for reference since the working hours could not be accurately verified in this audit.</p> <p><i>Please add details of examples where the site has demonstrated "exceptional circumstances".</i> Management stated that order delivery times by customers made it difficult to avoid high overtime hours.</p> <p><i>Please give details of any appropriate safeguards in place at the time of the 60+ hours working.</i> None present</p>		

7: No Discrimination is Practiced

[\(Click here to return to NC-table\)](#)

ETI

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.

Current Systems and Evidence Examined

To complete 'current systems' Auditors examine policies and written procedures in conjunction with relevant managers, to understand, and record what controls and processes are currently in place e.g. record what policies are in place, what relevant procedures are carried out, who is/are responsible for the management of this item of the code. Evidence checked should detail any documentary or verbal evidence shown to support the systems.

Current systems:

- As informed by interviewed employees, most employees spoke highly of the facility owner.
- Anti-discrimination procedure on hiring, compensation, promotion and access to training is available during the audit.
- Gender divisions did not exist in the facility; both female and male employees were distributed in all types of work.
- There was an internal grievance process, all sampled employees were aware of the grievance channels in case they encountered any discrimination cases.
- There was no evidence of sexual harassment.

Evidence examined – to support system description (Documents examined & relevant comments. Include renewal/expiry date where appropriate):

- The hiring and termination procedure, leave application records and employee handbook.
- Payrolls
- Attendance records
- Termination records
- Training records

Non-compliance:

Description of non-compliance:

☐ NC against ETI ☐ NC against Local Law
None observed

Local law and/or ETI requirement:

Not applicable

Recommended corrective action:

Not applicable

Objective evidence observed:

Not applicable

Observation:

Description of observation: None observed Local law or ETI requirement: Not applicable Comments: Not applicable	Objective evidence observed: Not applicable
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Good Examples observed:	
Description of Good Example (GE): None observed	Objective Evidence Observed: Not applicable

8: Regular Employment Is Provided

[\(Click here to return to NC-table\)](#)
[\(Click here to return to Key Information\)](#)

ETI

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 home-working 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.

Current Systems and Evidence Examined

To complete 'current systems' Auditors examine policies and written procedures in conjunction with relevant managers, to understand, and record what controls and processes are currently in place e.g. record what policies are in place, what relevant procedures are carried out, who is/are responsible for the management of this item of the code. Evidence checked should detail any documentary or verbal evidence shown to support the systems.

Current systems:

- The facility signed labor contracts with employees within 30 days after employment. Employees had a copy of the contract in their own language and received the pay slip in their own language.
- All employees were recruited by the facility directly. No labour agency was used to hire employees. No temporary employee, apprenticeship schemes or home employee was identified by the auditors.
- There was no sub-contracting or homeworking from the site.

Evidence examined – to support system description (Documents examined & relevant comments. Include renewal/expiry date where appropriate):

- Personal files
- Payroll records were provided for review.

Non-compliance:

Description of non-compliance:

☐ NC against ETI ☐ NC against Local Law
None observed

Local law and/or ETI requirement:

Not applicable

Recommended corrective action:

Not applicable

Objective evidence observed:

Not applicable

Observation:	
Description of observation: None observed Local law or ETI requirement: Not applicable Comments: Not applicable	Objective evidence observed: Not applicable

Good Examples observed:	
Description of Good Example (GE): None observed	Objective Evidence Observed: Not applicable

8A: Sub-Contracting and Homeworking

[\(Click here to return to NC-table\)](#)
[\(Click here to return to Key Information\)](#)

8A.1. There should be no sub-contracting unless previously agreed with the main client.

8A.2. Systems and processes should be in place to manage sub-contracting, homeworking and external processing.

Note to auditor on homeworking:

Report on whether it is direct or via agents. How many workers, relationship with site and what control systems are in place.

Current Systems and Evidence Examined

To complete 'current systems' Auditors examine policies and written procedures in conjunction with relevant managers, to understand, and record what controls and processes are currently in place e.g. record what policies are in place, what relevant procedures are carried out, who is/are responsible for the management of this item of the code. Evidence checked should detail any documentary or verbal evidence shown to support the systems.

Current systems:

- A site tour showed that all production processes were present in the unit.
- It was verified through documentation review and management interview that no homeworking or sub-contracting was used by this facility.

Evidence examined – to support system description (Documents examined & relevant comments. Include renewal/expiry date where appropriate):

- Site tour
- Materials in/out records
- Management interview
- Worker interview

Non-compliance:	
Description of non-compliance: <input type="checkbox"/> NC against ETI <input type="checkbox"/> NC against Local Law None observed Local law and/or ETI requirement: Not applicable Recommended corrective action: Not applicable	Objective evidence observed: Not applicable

Observation:	
Description of observation: None observed Local law or ETI requirement: Not applicable Comments: Not applicable	Objective evidence observed: Not applicable

Good Examples observed:	
Description of Good Example (GE): None observed	Objective Evidence Observed: Not applicable

Summary of sub-contracting – if applicable	
A: If sub-contractors are used, is there evidence this has been agreed with the main client?	<input type="checkbox"/> Yes <input type="checkbox"/> No N/A If Yes , summarise details: N/A. No sub-contractor was used in the facility.
B: Number of sub-contractors/agents used	None
C: Is there a site policy on sub-contracting?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If Yes , summarise details: N/A
D: What checks are in place to ensure no child labour is being used and work is safe?	N/A. No sub-contractor was used in the facility.
E: What processes are sub-contracted?	N/A. No sub-contractor was used in the facility.

Summary of homeworking – if applicable			
F: If homeworking is being used, is there evidence this has been agreed with the main client?	<input type="checkbox"/> Yes <input type="checkbox"/> No N/A, no homeworker was found in the facility. If Yes , summarise details: N/A		
G: Number of homeworkers	Female: None	Female: None	Female: None
H: Are homeworkers employed direct or through agents?	<input type="checkbox"/> Directly <input type="checkbox"/> Through Agents N/A, no homeworker was found in the facility.		
I: If through agents, number of agents	N/A, no homeworker was found in the facility.		
J: Is there a site policy on homeworking?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
K: How does site ensure worker hours and pay meet local laws for homeworkers?	N/A, no homeworker was found in the facility.		
L: What processes are carried out by homeworkers?	N/A, no homeworker was found in the facility.		
M: Are written agreements in place for homeworkers that include regular employment?	<input type="checkbox"/> Yes <input type="checkbox"/> No N/A, no homeworker was found in the facility.		

N: Are full records available at the site?

☐ Yes

☐ No

N/A, no homeworker was found in the facility.

9: No Harsh or Inhumane Treatment is Allowed

[\(Click here to return to NC-table\)](#)

ETI

9.1 Physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation shall be prohibited.

Current Systems and Evidence Examined

To complete 'current systems' Auditors examine policies and written procedures in conjunction with relevant managers, to understand, and record what controls and processes are currently in place e.g. record what policies are in place, what relevant procedures are carried out, who is /are responsible for the management of this item of the code. Evidence checked should detail any documentary or verbal evidence shown to support the systems.

Current systems:

- According to the documentation, the facility management had established a disciplinary procedure for employees' misbehaviour which included oral warning, written warning and finally termination and the site, had developed a training program for all employees on the procedure. Employee interview confirmed that employees were aware of the disciplinary procedure
- As per management interview, document review and employee's interview, there was a policy on Harsh Treatment. There is an internal process for grievance, which is an anonymous email address, where employees can report any grievances (harassment, bullying, discrimination etc.), any received complaint will be handled by management, without any reprisal for the employee in question. All sampled employees were aware this system.

Evidence examined – to support system description (Documents examined & relevant comments. Include renewal/expiry date where appropriate):

- The relevant policy on prevention of harassment and abuse
- Internal grievance procedure documentation.
- Training records

Non-compliance:

Description of non-compliance:

☐ NC against ETI ☐ NC against Local Law
None observed

Local law and/or ETI requirement:

Not applicable

Recommended corrective action:

Not applicable

Objective evidence observed:

Not applicable

Observation:

Description of observation: None observed Local law or ETI requirement: Not applicable Comments: Not applicable	Objective evidence observed: Not applicable
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Good Examples observed:	
Description of Good Example (GE): None observed	Objective Evidence Observed: Not applicable

10. Other Issue areas: 10 A: Entitlement to Work and Immigration

[\(Click here to return to NC-table\)](#)

Additional Elements

10A1 Only workers with a legal right to work shall be employed or used by the supplier.

10A2 All workers, including employment agency staff, must be validated by the supplier for their legal right to work by reviewing original documentation.

10A3 Employment agencies must only supply workers registered with them.

10A4 The supplier shall implement processes to enable adequate control over agencies with regards the above points and related legislation.

Current Systems and Evidence Examined

To complete 'current systems' Auditors examine policies and written procedures in conjunction with relevant managers, to understand, and record what controls and processes are currently in place e.g. record what policies are in place, what relevant procedures are carried out, who is/are responsible for the management of this item of the code. Evidence checked should detail any documentary or verbal evidence shown to support the systems.

Current systems:

- Per document review, facility management representation and employee interview, all employees in the facility were Chinese, there were 170 migrant employees which mostly came from other provinces out of Guangdong province (mainly from Sichuan, Yunnan and Guangxi.), 88 were local employees. All employees had the proper legal rights to work in this region. The youngest age was 18 years old. All of them were recruited directly by the facility and no agency was involved in facility's recruitment processes.
- No agency staff or foreign employee was used by the facility.

Evidence examined – to support system description (Documents examined & relevant comments. Include renewal/expiry date where appropriate):

- Hiring procedure
- Personnel files
- Employee handbook

Non-compliance:

Description of non-compliance:

☐ NC against ETI ☐ NC against Local Law
None observed

Local law and/or ETI requirement:

Not applicable

Recommended corrective action:

Not applicable

Objective evidence observed:

Not applicable

Observation:

Description of observation: None observed Local law or ETI requirement: Not applicable Comments: Not applicable	Objective evidence observed: Not applicable
---	---

Good examples observed:	
Description of Good Example (GE): None observed	Objective Evidence Observed: Not applicable

10. Other issue areas 10 B 2: Environment 2-pillar

[\(Click here to return to NC-table\)](#)

To be completed for a 2-Pillar SMETA Audit, and remove the following page which is 10B4 environment 4 pillar

10B2. 1 Suppliers must comply with the requirements of local and international laws and regulations including having necessary permits.

10B2. 2 The supplier should be aware of and comply with their end clients' environmental requirements.

Note for auditors and readers, This is not a full environmental assessment but a check on basic systems and management approach.

Current Systems and Evidence Examined

To complete 'current systems' Auditors examine policies and written procedures in conjunction with relevant managers, to understand, and record what controls and processes are currently in place e.g. record what policies are in place, what relevant procedures are carried out, who is /are responsible for the management of this item of the code. Evidence checked should detail any documentary or verbal evidence shown to support the systems.

Current systems:

- The facility had a written environmental policy.
- One senior manager was responsible for continuous improvements in their environmental performance.
- The facility had provided the Environment Impact Evaluation Report and Approval for review.

Evidence examined – to support system description (Documents examined & relevant comments. Include renewal/expiry date where appropriate):

- Environmental policy
- Environmental Impact Assessment (EIA) for construction project.
- Environmental Impact Assessment (EIA) approval for construction project.
- Environmental protection acceptance checks report for completed construction project.
- Management interview and employee interview

Non-compliance:

1. Description of non-compliance:

☒ NC against ETI/Additional Elements

☒ NC against Local Law

The facility did not perform monitoring tests for pollutants. During facility tour, auditor found that the waste gas was generated from Gluing workshop at production building. However, the facility could not provide monitoring report of waste gas for review.

Local law or ETI requirement

Local Law: In accordance with Measures for the Administration of Environmental Surveillance Article 21 A discharging unit shall self-monitor the situation of pollutant discharge according to the requirements of environmental protection departments above county level and the technical manual of state environmental surveillance. If a discharging unit, conforming to technical manual of state environmental surveillance is inspected by the environmental surveillance institution under the environmental protection department above county level to meet the requirements on capability and technical conditions, its surveillance data can be used as the basis for identification of

Objective evidence observed:

1. Facility tour and Management interview

the varieties and quantities of pollutants discharged. A discharge unit, without ability for environmental surveillance, shall commission an environmental surveillance institution under the environmental protection department or environmental surveillance institution identified by the environmental protection department at provincial level for surveillance; expenditure of the surveillance performed by an environmental surveillance institution after accepting the commission should be borne by the commissioning party, in accordance with the relevant state regulations. An environmental surveillance institution identified by the environmental protection department at provincial level refers to an institution engaged in environmental surveillance but not under an environmental protection department, which can voluntarily apply to an environmental protection department at provincial level of the locality for the identification that it obtains the appropriate capability of environmental surveillance; if recognized to be qualified, the institution can be regarded as an environmental surveillance institution identified by the environmental protection department at provincial level. An environmental surveillance institution identified by the environmental protection department at provincial level should accept supervision and inspection by the environmental surveillance institution under the environmental protection department of the locality.

ETI 10B2. 1 Suppliers must comply with the requirements of local and international laws and regulations including having necessary permits.

Recommended corrective action:

Ms. Ye Miao Feng / Marketing Manager discussed with the facility manager that the monitoring tests for its pollutants must be performed regularly and that she, Ms. Ye Miao Feng / Marketing Manager would give documented training to department personnel and strengthen management system for environment to ensure policy requirements were followed.

Action By: Ms. Ye Miao Feng / Marketing Manager

Recommended completion timescale: 90 days

Verification method: Desktop

2. Description of non-compliance:

☒ NC against ETI/Additional Elements

☒ NC against Local Law

2. Facility tour and Management interview

Hazardous wastes were not transferred to qualified unit. During facility tour, auditor found that the hazardous wastes, including waste empty containers with glue were generated from gluing workshop. During document review, the facility could not provide the evidences (such as contract, duplicated form for transferring hazardous waste and qualification of hazardous waste disposal unit) to prove that they had transferred the hazardous waste to the qualified unit.

Local law or ETI requirement

Local Law: In accordance with the PRC Law of Prevention and Treatment of Environmental Pollution by Solid Wastes, Article 57, it is prohibition that the hazardous wastes are provided or submitted to the unit which do not obtain the business permit to engage in collection, storage, utilization and disposal of hazardous wastes.

ETI 10B2. 1 Suppliers must comply with the requirements of local and international laws and regulations including having necessary permits.

Recommended corrective action:

Ms. Ye Miao Feng / Marketing Manager discussed with the facility manager that the hazardous wastes must be transferred to qualified unit as per legal requirement and that

she, Ms. Ye Miao Feng / Marketing Manager would give documented training to department personnel and strengthen management system for environment to ensure policy requirements were followed.

Action By: Ms. Ye Miao Feng / Marketing Manager
Recommended completion timescale: 90 days
Verification method: Desktop

Observation:

Description of observation:

None observed

Local law or ETI requirement:

Not applicable

Comments:

Not applicable

Objective evidence

observed:
Not applicable

Good examples observed:

Description of Good Example (GE):

None observed

Objective Evidence

Observed:
Not applicable

Worker Interview Summary

Worker Interview Summary		
A: Were workers aware of the audit?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
B: Were workers aware of the code?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
C: Number of group interviews: (Please specify number and size of groups. Please see SMETA Best Practice Guidance and Measurement Criteria)	4 groups of 5 members per group and total 20 employees including 17 female employee and 3 male employees.	
D: Number of individual interviews (Please see SMETA Best Practice Guidance and Measurement Criteria)	Male: 2	Female: 4
E: Total number of interviewed workers (Please see SMETA Best Practice Guidance and Measurement Criteria)	Male: 5	Female: 21
F: Interviews were done in private and the confidentiality of the interview process was communicated to the workers?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
G: In general, what was the attitude of the workers towards their workplace?	<input checked="" type="checkbox"/> Favourable <input type="checkbox"/> Non-favourable <input type="checkbox"/> Indifferent	
H: What was the most common worker complaint?	All employees interviewed had a positive attitude to management and site.	
I: What did the workers like the most about working at this site?	General working condition was good	
J: Any additional comment(s) regarding interviews:	Most employees enjoyed working at this facility, they felt they had sufficient work and had a good relationship with management in general.	
K: Attitude of workers to hours worked:	Through employees' interview, overtime is voluntary.	

Agency Workers (if applicable) (workers sourced from a local agent who are not directly paid by the site)	
A: Number of agencies used (average):	None And names if available: N/A. The facility hired employees directly.

B: Were agency workers' age/pay/hours included within scope of this audit	<input type="checkbox"/> Yes <input type="checkbox"/> No N/A. The facility hired employees directly.
C: Were sufficient documents for agency workers available for review?	<input type="checkbox"/> Yes <input type="checkbox"/> No N/A. The facility hired employees directly.

Other findings

Other Findings Outside the Scope of the Code

None observed

Community Benefits

(Please list below any specific community benefits that the site management stated that they were involved in, for example, HIV programme, education, sports facilities)


None observed

Photo Form

Best Practice Photos:

<i>Non observed</i>	<i>Non observed</i>	<i>Non observed</i>
NA	NA	NA










Non Compliance Photos:

	<i>Non observed</i>	<i>Non observed</i>
G/F of dormitory building was used as warehouse	NA	NA

General Site Tour Photos:

		
Facility name	Facility gate	Production building

		
Material warehouse	Finished goods warehouse	Sample making room
		
Cutting	Gluing	Sewing
		
Handwork	Packing	First aid box

		
Drinkable water	Eye washing station	Explosive proof lamp in warehouse
		
MSDS posted	Fire hydrant & fire alarm	Fire extinguishers
		
Evacuation plans	Emergency light and exit sign	Warning sign

		
cargo lift	Earplug to workers under high noise environment	Facemask and waterproof gloves to gluing worker
		
Canteen building	Kitchen	Canteen
		
Dormitory building	Dormitory room	Personal locker

Your feedback on your experience of the SMETA audit you have observed is extremely valuable. It will help to make improvements to future versions.

You can leave feedback by following the appropriate link to our questionnaire:

Click here for A & AB members:

http://www.surveymonkey.com/s.aspx?sm=riPsbE0PQ52ehCo3lnq5lw_3d_3d

Click here for B members:

http://www.surveymonkey.com/s.aspx?sm=d3vYsCe48fre69DRqIY_2brq_3d_3d

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