

Workplace Conditions Assessment Report

Measured Results — Improved Performance



JIANG XI BO YING INDUSTRIAL CO., LTD

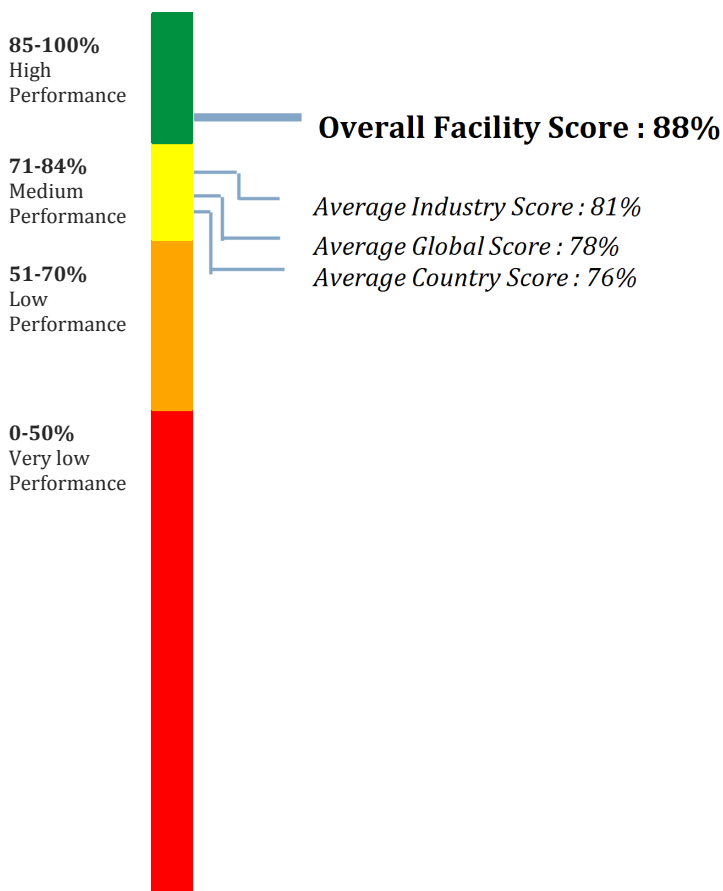
GENERAL INFORMATION

Overall Facility Score : **88%**

Report No :	F_IAR_18831	City :	Yi Chun
Audit Date :	Oct 10 - Oct 11, 2016	Country :	China
Last Audit :	NA	Auditors :	Primary: Eric Yu
Assessment Stage :	Annual		Secondary: None
Schedule Type :	Announced	Service Provider:	Intertek

WORKPLACE PERFORMANCE INDEX AND SUMMARY

Participating facilities: 22464



Assessment area	Score results	Number of non-compliances by rating				
		Zero Tolerance	Major	Moderate	Minor	Notscored
Overall	88%	-	-	5	4	-
Labor	100%	-	-	-	-	-
Wages & Hours	63%	-	-	3	-	-
Health & Safety	95%	-	-	1	-	-
Management Systems	85%	-	-	-	4	-
Environment	74%	-	-	1	-	-

A. FACILITY PROFILE

A1. FACILITY INFORMATION

Facility Name:	Jiang Xi Bo Ying Industrial Co. , Ltd	Facility Legal Status:	Privately owned
Facility Legal Name:	Jiang Xi Bo Ying Industrial Co. , Ltd.	Year facility began operations:	2010
Audit Location:	Industrial Blvd Middle, Wan Zai Industrial Zone, Wan Zai County	Located in special economic zone:	No
	Yi Chun City, Jiang Xi Province, China	Person responsible for overall social compliance issues:	Mr. Su Wen Jie
City:	Yi Chun	Valid certificate for social compliance certification program:	None
Country:	China	Vendor Name:	ChicoEco,Inc.DBA,ChicoBag
Contact Name:	Mr. Scott Wei	Security systems in place:	Yes <i>CCTV in place for controlling physical access to the facility.</i>
Contact Title:	Vice President		
Industry:	Leather goods		
Building Description:	The facility used two flat buildings as production floor, one flat building as warehouse and office, one -3 storey building as dormitory and on flat building as kitchen and canteen. Total land area is about 54,120 square meters and total building area is 21,000 square meters, the building was concrete steel building.		
Special building type:	NA		

A2. PRODUCTION INFORMATION

Products manufactured/ Services provided:	Handbag	Time record system(s) used:	Finger print
Production process/ Service elements:	cutting, printing, sewing and packing	Chemicals or hazardous materials on-site:	Yes <i>paint, glue ,etc</i>
Production capacity a week:	800,000 PCS	Current production/ Services for client:	Yes
Total number of machines:	480 sets		
Main machine types:	sewing machines, printing machines, cutting machines.		
Shifts and Operating hours:	7:30 to 17:00 with 1.5 hours' lunch break from 11:30 to 13:00.		

A3. EMPLOYEE INFORMATION

Range of total number of employees at the facility:	501-1000 employees	Female Employees:	480
Union name:	None	Male Employees:	120
Employs juvenile workers:	None	Mgmt Employees:	80
Hires through employment agent:	No <i>The facility hired all employees directly by themselves</i>	Production (Non-Management) Employees:	520
Employee nationalities/provinces:	For example Hunan	Local Employees:	540
		Foreign/Migrant Employees:	60
		Languages spoken in the facility:	Chinese
		Management and employees speak same language :	Yes

A4. SUBCONTRACTOR INFORMATION

No subcontractor information given

A5. GENERAL INFORMATION

Overview of opening meeting, facility management responses at 09:30am, auditors entered the facility then held an opening meeting according to WCA Program, the facility management Mr. Scott Wei/Vice president and Mr. Jianwei Li /EHS supervisor were present in the meeting. They stated that they would be cooperative with this audit. Attitude of employees: Most of interviewees were a little shy but comfortable during interview. All employees were satisfied with the facility and no negative information was raised. The employees do enjoy working in the facility. They are satisfied with the working condition and management system. The facility gives everybody equal opportunity and salary is good in Yichun area. Attitude of managers: The facility management showed a positive attitude to this audit during the whole process. All documentation requested for the review was provided timely. Locked areas encountered during the audit were unlocked timely. At the end of the audit, all the findings were accepted by the facility management.

ZT and Major non-compliance :None

Current status:

1. Labour : The facility in compliance with legal regulations of labour, such as not hire child labor, non-discrimination, Involuntary Labor, without Coercion and Harassment, etc.
2. Management system: The facility established social compliance policy, targets and documented procedures regarding labour, health and safety, environment, etc.
3. Environment: The facility obtained relevant documents of Environmental Protection according to local law.

Best Practices :None

Emergency Preparedness Summary

Through facility tour, it was noted that the facility posted the evacuation plans on work floors, which indicated escape routes and the location of the fire extinguishers. Exit signs and emergency lights were installed. Sufficient fire alarm, fire extinguishers and fire hydrants were installed in workshops and warehouse, all the fire equipments were inspected by monthly. Employees received regular and recorded health & safety training such as fire drill etc.

A6. AUDIT PROCESS

Audit pay period provided for review

Records	From	To
12 Months Payroll	1-September-2015	1-August-2016
12 Months Attendance	1-September-2015	10-October-2016

Employee interview sampling

Individual	20 individuals
Group	2 groups of 5
Total interviewed	30 (6 males and 24 females)

Payroll and attendance records sampling

Period	From	To	Peak Season	Records Reviewed
Current Period	1-August-2016	31-August-2016	No	20
Period 1	1-June-2016	30-June-2016	No	5
Period 2	1-September-2015	30-September-2015	No	5
Total				30

Other records reviewed

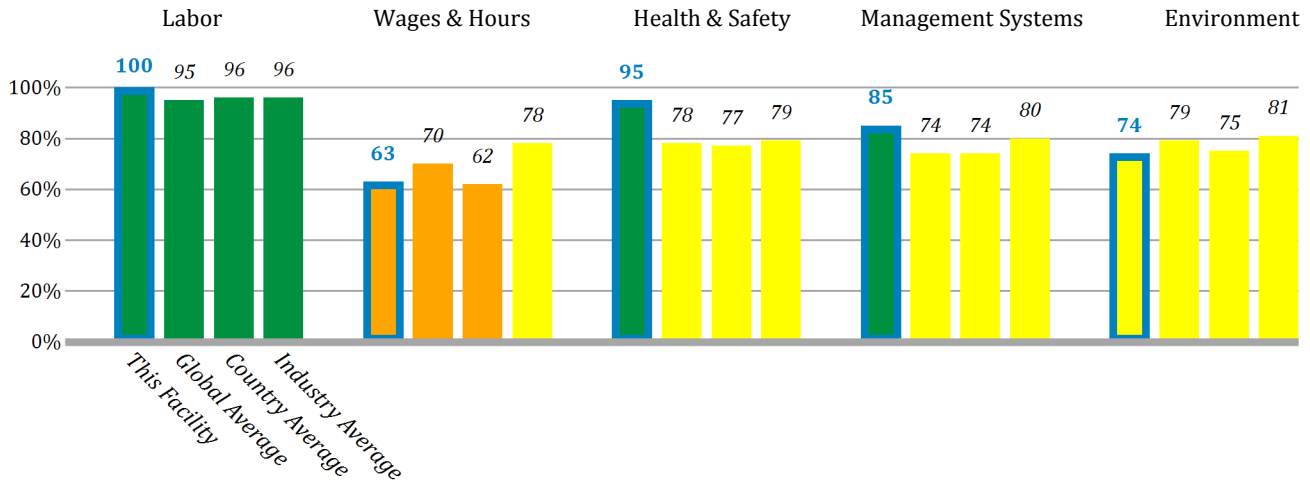
Personnel records
Production records
Employment contracts
Social insurance documentation
Health examination records

Security log book
Non-Production records
Legal Permits
Employee leave register
Machine maintenance records

B. KEY PERFORMANCE METRICS

B1. COMPARISON BENCHMARK

Current performance — Global average, China average, Leather goods average

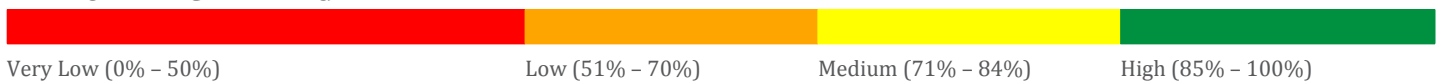


B2. PERFORMANCE TREND ANALYSIS

Section Name	Current (10-Oct-2016)	Last (Not Applicable)	First (Not Applicable)	Change (Current-Last)	Change (Current-First)
Labor	100	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Wages & Hours	63	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Health & Safety	95	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Management Systems	85	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Environment	74	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Overall Score	88	Not Applicable	Not Applicable	Not Applicable	Not Applicable

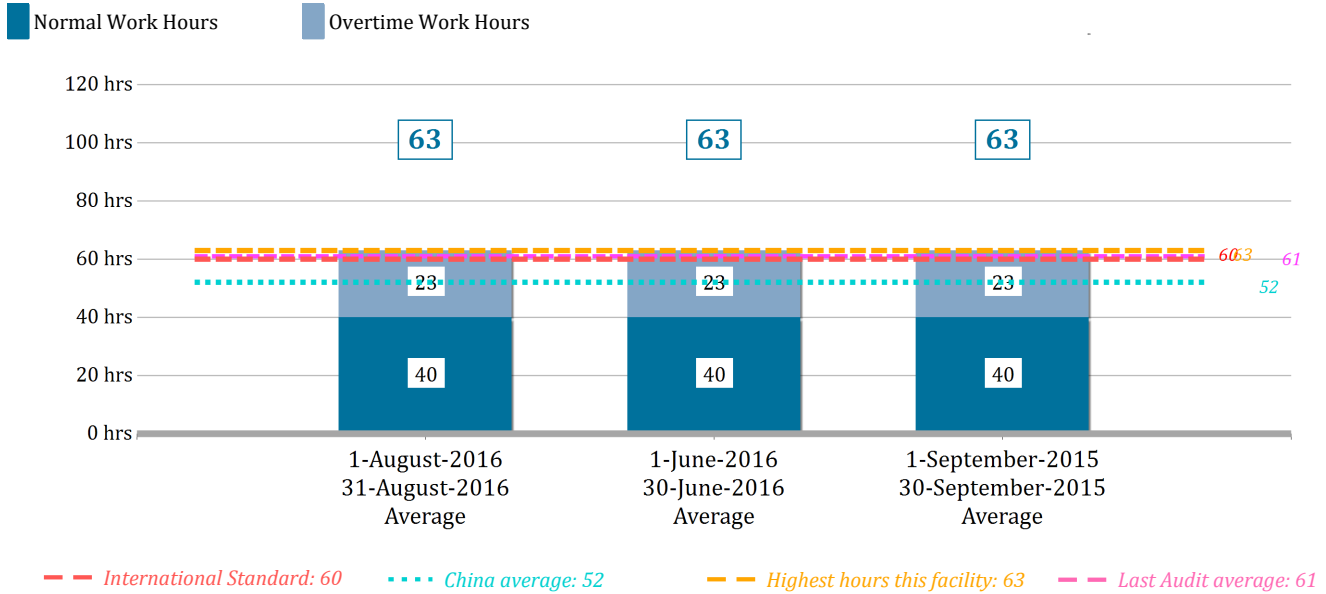
▲ Advancers ■ Constant ▼ Decliner

PERFORMANCE RATING

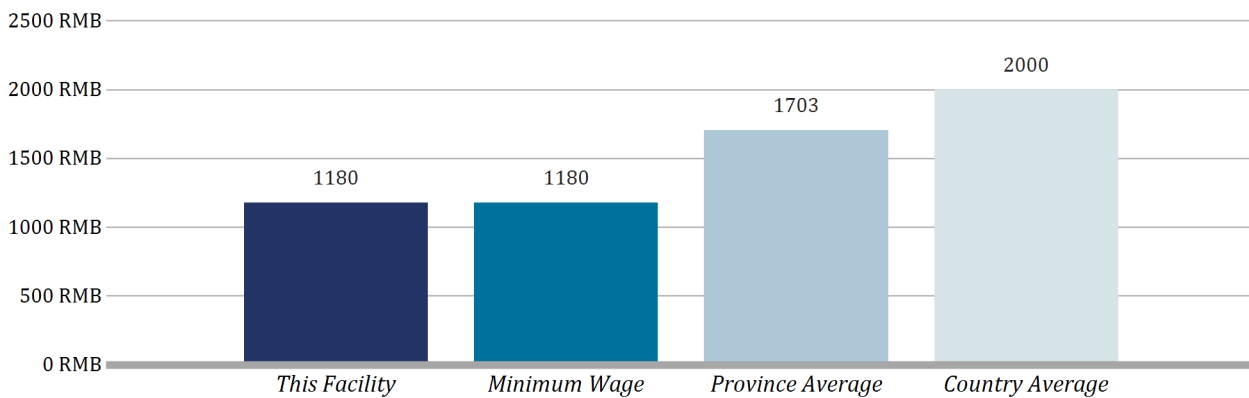


B3. WORKING HOURS AND WAGES

Average total hours worked weekly



Average wages paid in local currency (RMB)

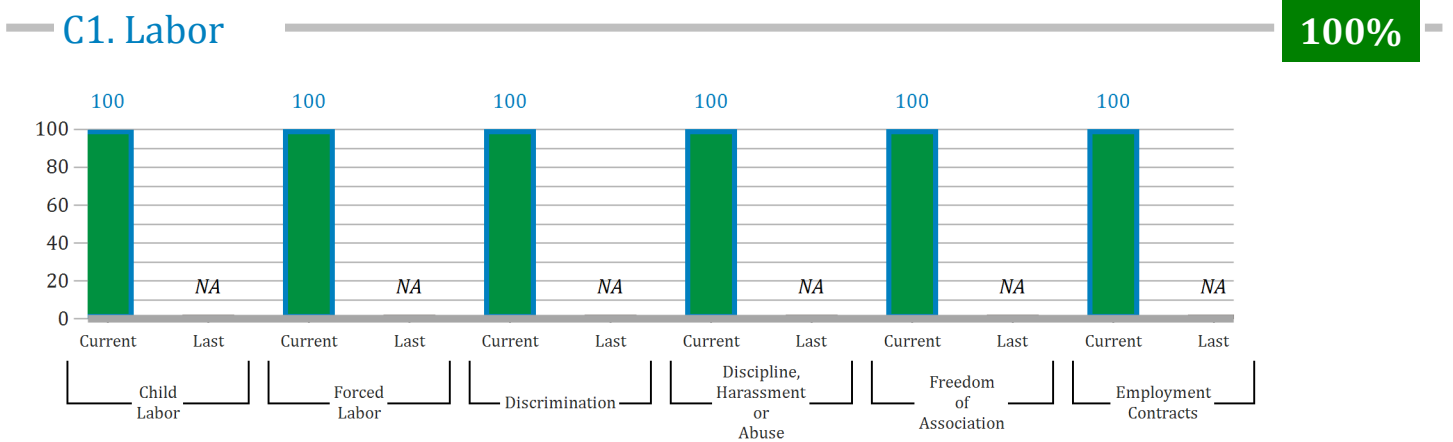


Special wage circumstances: The local minimum wage standard was set at RMB 1060 per month equivalent to RMB 6.09 (1060/21.75/8) per hour before October 1, 2015 and RMB 1180 per month equivalent to RMB 6.78 (1180/21.75/8) per hour since October 1, 2015.

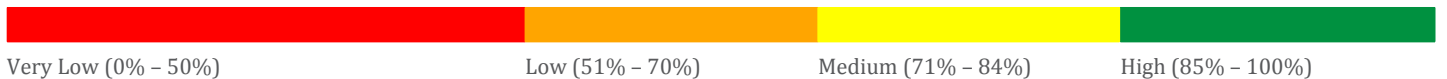
Wages and hours summary: The normal work hours is 8 hours per day and 40 hours per week, the facility used finger print attendance system to record work hours. Based on the provided attendance records and payroll records, the employees worked for 6 continuous days in randomly selected samples, the monthly overtime hours of 20 out of 20 randomly selected employees ranged from 81-98 hours in August 2016 (Most current month); monthly overtime hours of 5 out of 5 ranged from 81-92 hours in June 2016 (random month) and ranged from 86-92 in September 2015 (random month). All employees' normal wage, overtime wage and wage on statutory holidays were paid according to local law. Additional, the facility provided social insurance, annual leave, sick leave etc to employees, but insufficient social insurance participated. Through review the provided production records such as daily production records ?QC checklist? material issuing records, needle records and attendance records from September 2015 to September 2016, there were no inconsistencies was found during this audit.

C. PERFORMANCE DETAILS

Current (10-Oct-2016)

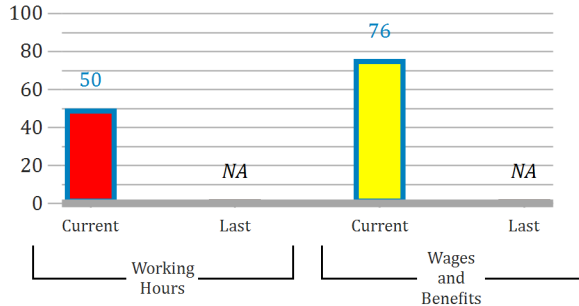


PERFORMANCE RATING



C2. Wages & Hours

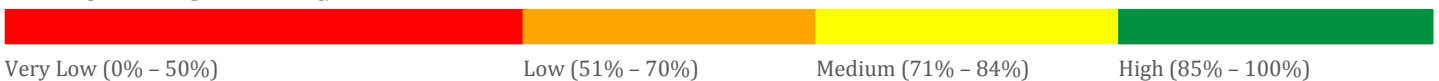
63%



Sub Section: Working Hours

Status	Findings	% Global freq of compliance
● Moderate	<p>122.00 : Total overtime hours exceeds allowable limits under applicable law or agreement.</p> <p>Auditor's comment Overtime hours exceeded the legal requirement. Through document review, auditor found that the monthly overtime hours of 20 out of 20 randomly selected employees ranged from 81-98 hours in August 2016 (Most current month); monthly overtime hours of 5 out of 5 ranged from 81-92 hours in June 2016 (random month) and ranged from 86-92 in September 2015 (random month)</p> <p>People's Republic of China 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 month shall not exceed 36 hours.</p>	51%
● Moderate	<p>123.00 : The total weekly working hours (normal & overtime) are over 60 but less than 72 hours.</p> <p>Auditor's comment Weekly working hours exceed 60 hours. Through document review, auditor found that the maximum weekly working hours of 20 out of 20 randomly selected employees were 63 hours in August 2016 (Most current month); the maximum weekly working hours of 5 out of 5 were 63 hours in June 2016 (random month) and 63 in September 2015 (random month)</p>	74%

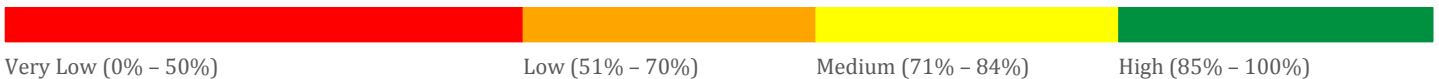
PERFORMANCE RATING



Sub Section: Wages and Benefits

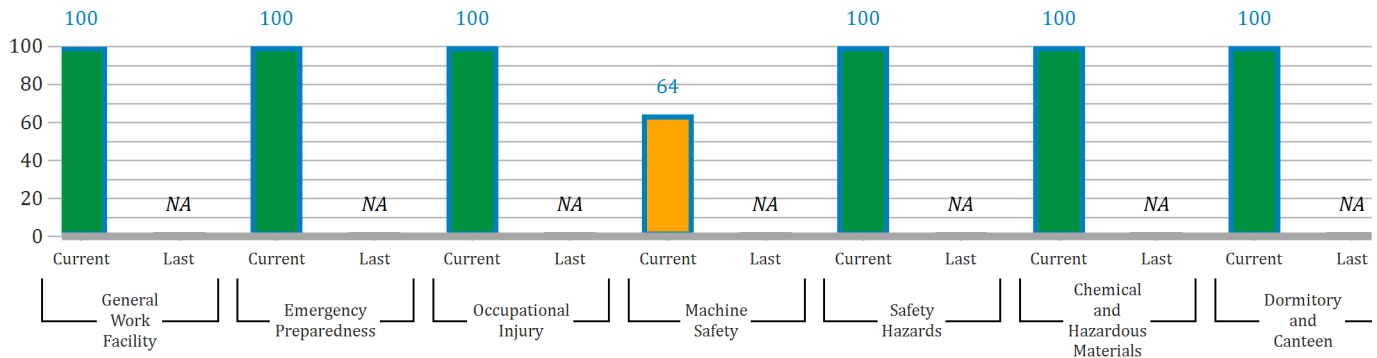
Status	Findings	% Global freq of compliance
● Moderate	<p>150.00 : The facility does not provide social security, pensions, healthcare and/ or other insurance to employees as per legal requirement.</p> <p>Auditor's comment Insufficient social insurance participated. Through document review, auditor found that there were 595 out of 595 employees had participated in basic endowment insurance, employment injury insurance, basic medical insurance and unemployment insurance, however, no employee had participated in maternity insurance.</p> <p>Social Insurance Law of the People's Republic of China Article 33 Employees shall participate in employment injury insurance, and the employment injury insurance premiums shall be paid by their employers rather than the employees.</p> <p>Social Insurance Law of the People's Republic of China Article 53 Employees shall participate in maternity insurance, and the maternity insurance premiums shall be paid by employers rather than employees in accordance with the relevant provisions of the state.</p> <p>Social Insurance Law of the People's Republic of China Article 10 Employees shall participate in the basic endowment insurance, and the basic endowment insurance premiums shall be jointly paid by employers and employees.</p> <p>Social Insurance Law of the People's Republic of China Article 23 Employees shall participate in the basic medical insurance for employees, and the basic medical insurance premiums shall be jointly paid by employers and employees in accordance with the relevant provisions of the state.</p> <p>Social Insurance Law of the People's Republic of China Article 44 Employees shall participate in unemployment insurance, and the unemployment insurance premiums shall be jointly paid by employers and employees in accordance with the relevant provisions of the state.</p>	58%

PERFORMANCE RATING



C3. Health & Safety

95%



Sub Section: Machine Safety

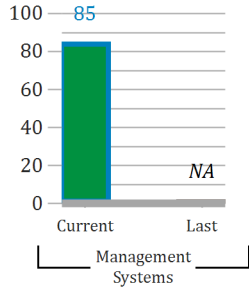
Status	Findings	% Global freq of compliance
● Moderate	<p>223.00 : Points of operation and other potentially dangerous parts are not operated with proper machine safeguards</p> <p>Auditor's comment Machines without protective devices. During facility tour, auditor found that no needle guard was installed for all 45 high frequency sewing machines in sewing department.</p> <p>National safety technical code for electric equipments-GB19517-2009 2.3 Protection from dangerous machinery</p> <p>2.3.3 Adequate measures shall be implemented to prevent anyone from touching or getting close to dangerous moving parts while the electric equipment is in normal operation, to prevent metal craps and dust from flying off, to prevent liquid and gas from overflowing, and to avoid extremely high or low temperature of the equipment's outside.</p>	85%

PERFORMANCE RATING



C4. Management Systems

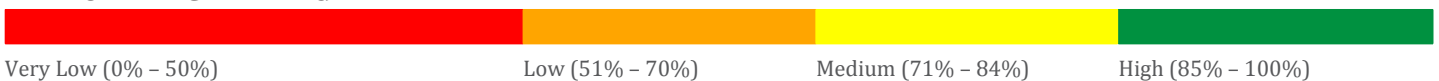
85%



Sub Section: Management Systems

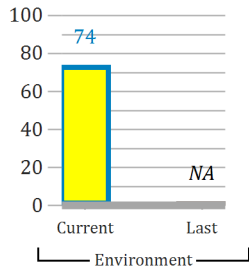
Status	Findings	% Global freq of compliance
● Minor	293.05 : The facility's written social compliance policy is not made publicly available Auditor's comment Auditor noted that the facility did not make the social compliance policy publicly	90%
● Minor	296.04 : The facility has comprehensive working hour and wages management processes and procedures in a written manual that support adherence to social compliance requirements but they are not all being properly implemented Auditor's comment Findings about working hour and wage under were found during this audit, please refer to related section for details.	56%
● Minor	296.08 : The facility's written manual for processes and procedures includes a machine safety procedure but they are not all being properly implemented Auditor's comment Finding about Machine Safety under under Health and Safety section was found during this audit, please refer to related section for details.	78%
● Minor	305.00 : The facility does not provide appropriate training for managers on how to implement its social compliance policies and procedures. Auditor's comment No qualification certificate for the principal in charge for the management of work safety in the facility. During document review, auditor found that the facility could not provide the qualification certificate of the principal in charge for the management of work safety for review.	73%

PERFORMANCE RATING



C5. Environment

74%



Sub Section: Environment

Status	Findings	% Global freq of compliance
● Moderate	<p>329.00 : Solid waste are not disposed using licensed vendor per local legislation</p> <p>Auditor's comment No duplicated forms for transferring hazardous wastes. During facility tour, auditor found that the hazardous wastes, including waste empty containers with paint and waste paint slag, were generated from printing workshop. However, the facility could not provide the duplicated form for transferring hazardous waste to prove that they had transferred the hazardous waste to the qualified unit.</p> <p>People's Republic of China Law on the Prevention and Control of Environmental Pollution by Solid Waste Article 57</p> <p>Entities engaged in the collection, storage and treatment of hazardous waste shall apply to the environmental protection administrative department of the people's government at or above the county level for business licenses. Entities engaged in businesses of utilizing hazardous waste shall apply to the environmental protection administrative department of the State Council or the environmental protection administrative department of the people's government of a province, autonomous region and municipality directly under the Central Government for business licenses. Specific measures for the administration thereof shall be prescribed by the State Council. It is forbidden to collect, store, utilize or treat hazardous waste without a business license or against the provisions of the business license. It is forbidden to supply or entrust hazardous waste to entities that do not have business licenses for the collection, storage, utilization and treatment.</p>	85%

% Global Frequency of Compliance: Represents the implementation percentage performance of all suppliers participating in the WCA Community globally for each issue

Identification numbers: Represents the finding ID associated with each checklist question

RECOMMENDATION FOR IMPROVEMENT PLAN TIMELINE

- Minor Take action within 0 ~ 6 months to make necessary improvements.
- Moderate: Take action within 0 ~ 3 months to make necessary improvements.
- Major : Take action within 0 ~ 1 month to make necessary improvements.
- Zero Tolerance: Take immediate action to make necessary improvements.

PERFORMANCE RATING



D. STRENGTHS AND CHALLENGES

Facility Strengths: Facility performance ranks in the top percentile of the population and/or has implemented a best practice process	Rating	Global Freq. of Compliance%
The facility has comprehensive employee safety processes and procedures in a written manual that support adherence to social compliance requirements and are being properly implemented	Minor	59%

Challenges: Facility performance ranks in the bottom percentile of the population	Rating	Global Freq. of Compliance%
The facility's written social compliance policy is not made publicly available	Minor	90%
Points of operation and other potentially dangerous parts are not operated with proper machine safeguards	Moderate	85%
Solid waste are not disposed using licensed vendor per local legislation	Moderate	85%
The facility's written manual for processes and procedures includes a machine safety procedure but they are not all being properly implemented	Minor	78%
The total weekly working hours (normal & overtime) are over 60 but less than 72 hours.	Moderate	74%
The facility does not provide appropriate training for managers on how to implement its social compliance policies and procedures.	Minor	73%

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