

# Workplace Conditions Assessment Report

Measured Results — Improved Performance



## HAI YANG HANDBAG CO., LTD.

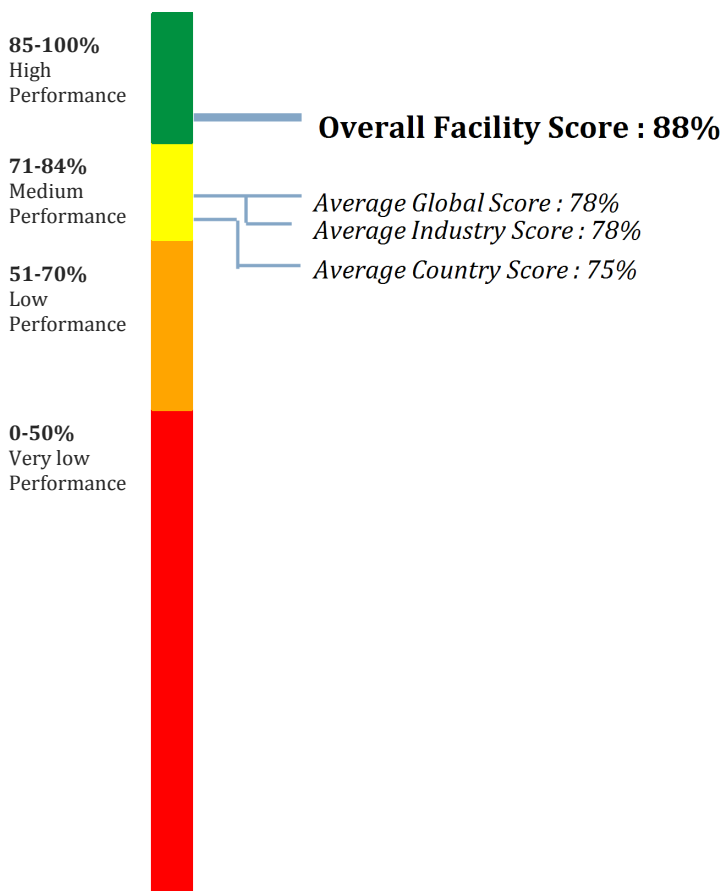
### GENERAL INFORMATION

Overall Facility Score : **88%**

Report No :	F_IAR_18832	City :	Dongguan
Audit Date :	Sep 24, 2015	Country :	China
Last Audit :	Oct 31, 2014 (89%)	Auditors :	Primary: Winne Tao
Assessment Stage :	Annual		Secondary: None
Schedule Type :	Announced	Service Provider:	Intertek

### WORKPLACE PERFORMANCE INDEX AND SUMMARY

Participating facilities: 17775



Assessment area	Score results	Number of non-compliances by rating				
		Zero Tolerance	Major	Moderate	Minor	Notscored
<b>Overall</b>	<b>88%</b>	-	-	4	5	-
Labor	<b>100%</b>	-	-	-	-	-
Wages & Hours	<b>73%</b>	-	-	2	-	-
Health & Safety	<b>94%</b>	-	-	1	-	-
Management Systems	<b>75%</b>	-	-	1	5	-
Environment	<b>100%</b>	-	-	-	-	-

## A. FACILITY PROFILE

### A1. FACILITY INFORMATION

<b>Facility Name:</b>	Hai Yang Handbag Co., Ltd.	<b>Facility Legal Status:</b>	Privately owned
<b>Facility Legal Name:</b>	Hai Yang Handbag Co., Ltd.	<b>Year facility began operations:</b>	March 2009
<b>Audit Location:</b>	#80 Xiangxin West Road, Changtang Ind Area, Yantian Village	<b>Located in special economic zone:</b>	No
	Fenggang Town	<b>Person responsible for overall social compliance issues:</b>	Mr. Le Min Jun / Facility Manager
<b>City:</b>	Dongguan	<b>Valid certificate for social compliance certification program:</b>	None
<b>Country:</b>	China	<b>Vendor Name:</b>	Hai Yang Handbag Co., Ltd.
<b>Contact Name:</b>	Mr. Le Min Jun	<b>Security systems in place:</b>	Yes There was one access gate with security guard posted on site and CCTVs were used to monitor the access door.
<b>Contact Title:</b>	Facility Manager		
<b>Industry:</b>	Accessories		
<b>Building Description:</b>	The facility occupied 2,500 square meters. One 3-storey building and one flat building were used as production floor and warehouse. And one 3-storey building was used as dormitory and office. 1/F of dormitory building was used as canteen and kitchen. And the canteen and kitchen were available for all employees. All buildings were made up of concrete, brick and steel.		
<b>Special building type:</b>	None NA		

### A2. PRODUCTION INFORMATION

<b>Products manufactured/ Services provided:</b>	Bags	<b>Time record system(s) used:</b>	Swipe Card system
<b>Production process/ Service elements:</b>	Cutting, Sewing and Packing	<b>Chemicals or hazardous materials on-site:</b>	No No chemical was used in the facility.
<b>Production capacity a week:</b>	20,000 piece	<b>Current production/ Services for client:</b>	Yes
<b>Total number of machines:</b>	50 sets		
<b>Main machine types:</b>	Sewing machines and Cutting machines, etc		
<b>Shifts and Operating hours:</b>	All employees work for 5 days a week in one shift; The normal working hour was from 8:00 to 17:30 with 1.5 hours break from 12:00 to 13:30.		

### A3. EMPLOYEE INFORMATION

<b>Range of total number of employees at the facility:</b>	0-100 employees	<b>Female Employees:</b>	26
<b>Union name:</b>	None	<b>Male Employees:</b>	21
<b>Employs juvenile workers:</b>	None	<b>Mgmt Employees:</b>	6
<b>Hires through employment agent:</b>	No <i>The facility hired all employees directly.</i>	<b>Production (Non-Management) Employees:</b>	41
<b>Employee nationalities/provinces:</b>	The most migrant employees were from Hunan and Hubei .	<b>Local Employees:</b>	2
		<b>Foreign/Migrant Employees:</b>	45
		<b>Languages spoken in the facility:</b>	Chinese
		<b>Management and employees speak same language :</b>	Yes

### A4. SUBCONTRACTOR INFORMATION

No subcontractor information given

### A5. GENERAL INFORMATION

This annual audit was conducted by Intertek Testing Services Shenzhen Ltd. Auditor arrived at the facility on September 24, 2015. Client's authorization letter was presented upon arrival purpose and procedure of the visit was explained to Mr. Le Min Jun /Facility Manager. Overview of opening meeting: facility management response: At 09:45am auditor entered the facility then held an opening meeting according to Client's Program; the facility management Mr. Le Min Jun /Facility Manager and others staff were present in the meeting. They stated that the facility would be co-operative with this audit. Attitude of employees: All employees were 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.

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. A CIR report was left to Mr. Le Min Jun /Facility Manager before auditors leaving the facility. Mr. Le Min Jun /Facility Manager said that they would have an internal meeting to follow up and necessary changes would be made accordingly.

No Major NC was found during the audit:

Current status: all the employees hired by the facility were permanent. Mr. Le Min Jun was responsible to improve environmental performance.

#### Emergency Preparedness Summary

The fire protection facilities such as 32 fire extinguishers, 12 sets of fire alarm and fire hydrants were available and all of them were easily accessible in production floor, warehouse and office. The facility conducted the inspection for all fire protection facilities each month. The emergency lights and evacuation maps were posted on each production floor. The exit signs and emergency lights were fixed in all safety exits. Two safety exits were available and unblock in the facility and the evacuation routes were marked clearly. Per management interview, two fire drills were conducted in the facility in the past 12 months. Per management interview, the facility provided the training for all employees on how to respond to emergency status such as fire and planned to arrange the fire fighting trainings every month, especially for new coming employees.

## A6. AUDIT PROCESS

### *Audit pay period provided for review*

<b>Records</b>	<b>From</b>	<b>To</b>
12 Months Payroll	08-2014	07-2015
12 Months Attendance	01-08-2014	24-09-2015
<b>Special Comments</b>	N/A	

### *Employee interview sampling*

Individual	5 individuals
Group	0
<b>Total interviewed</b>	5(3 females +2 males)

### *Payroll and attendance records sampling*

<b>Period</b>	<b>From</b>	<b>To</b>	<b>Peak Season</b>	<b>Records Reviewed</b>
Current Period	01-07-2015	31-07-2015	No	5
Period 1	01-04-2015	30-04-2015	No	3
Period 2	01-11-2014	30-11-2014	No	3
<b>Total</b>				11

### *Other records reviewed*

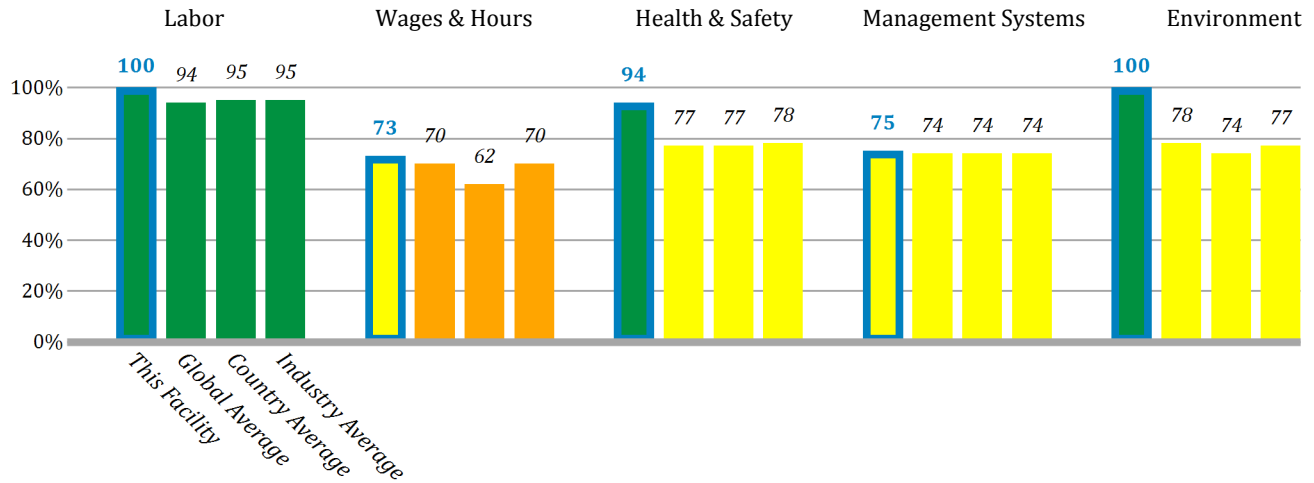
Personnel records  
Production records  
Employment contracts  
Social insurance documentation  
Infirmary logs  
Other : Leave records etc.

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, Accessories average*

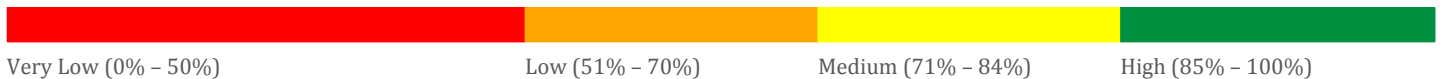


### B2. PERFORMANCE TREND ANALYSIS

Section Name	Current (24-Sep-2015)	Last (Not Applicable)	First (31-Oct-2014)	Change (Current-Last)	Change (Current-First)
Labor	100	Not Applicable	96	Not Applicable	4 % ▲
Wages & Hours	73	Not Applicable	73	Not Applicable	0 % ■
Health & Safety	94	Not Applicable	100	Not Applicable	-6 % ▼
Management Systems	75	Not Applicable	72	Not Applicable	4 % ▲
Environment	100	Not Applicable	100	Not Applicable	0 % ■
<b>Overall Score</b>	<b>88</b>	<b>Not Applicable</b>	<b>89</b>	<b>Not Applicable</b>	<b>-1 % ▼</b>

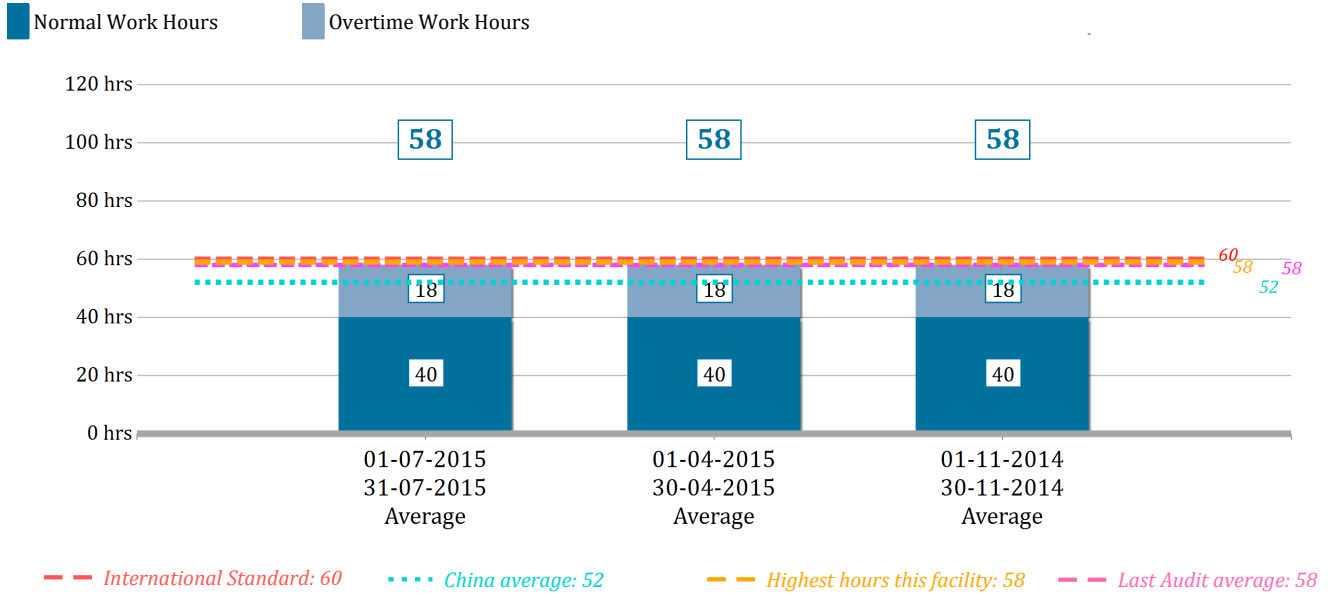
▲ Advancers ■ Constant ▼ Decliner

#### PERFORMANCE RATING

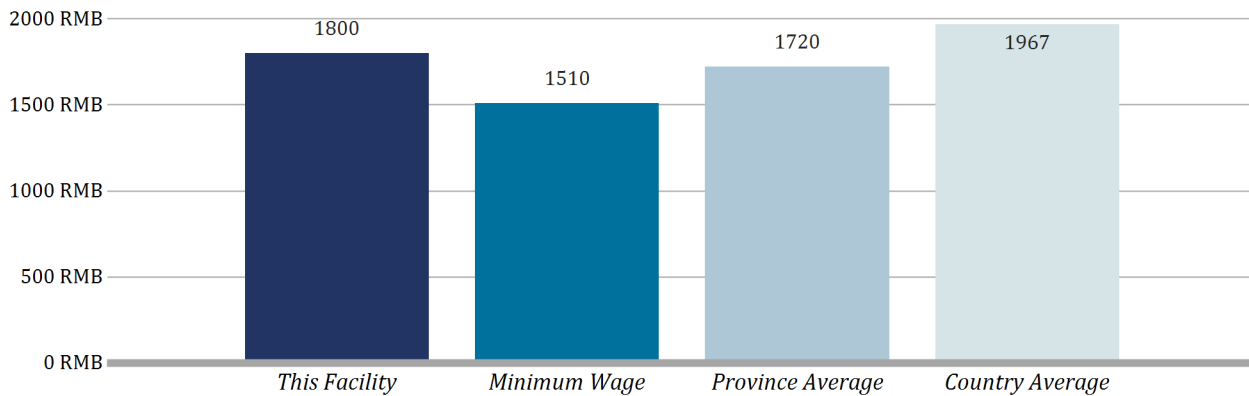


### B3. WORKING HOURS AND WAGES

#### Average total hours worked weekly



#### Average wages paid in local currency (RMB)



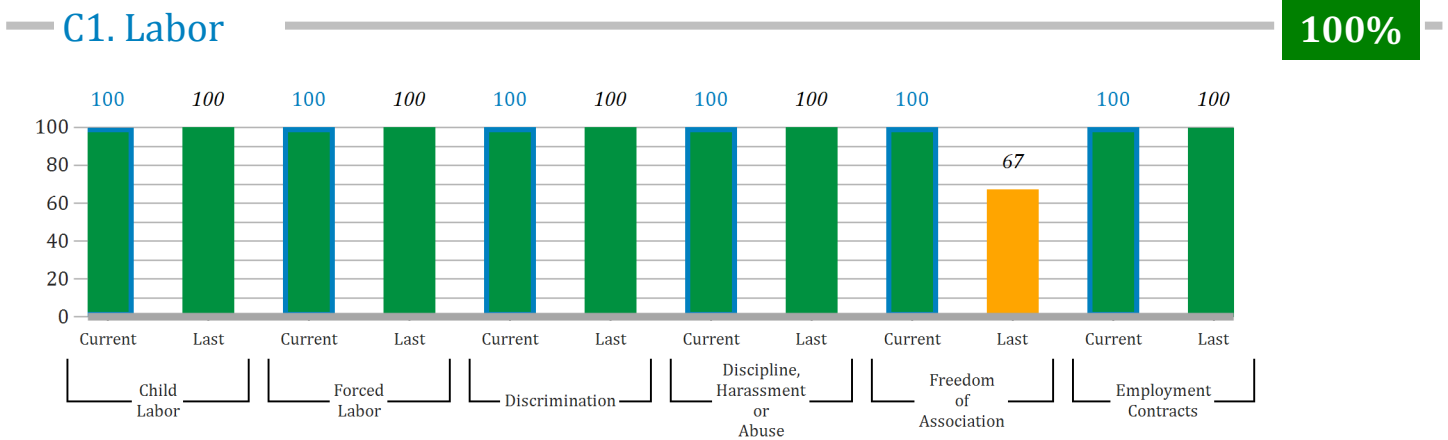
#### Special wage circumstances:



**Wages and hours summary:** All employees work for 5 days a week in one shift; The normal working hour was from 8:00 to 17:30 with 1.5 hours break from 12:00 to 13:30. The weekday in the facility was from Monday to Friday. Electronic card system was used for time keeping for employees. Every employee should scan their IC card when they go in or out of the workshop. Based on the provided attendance records and payroll records: the monthly overtime hours of 5 randomly selected employees were 78 hours in July 2015 (Most current month), 3 randomly selected employees were 74 hours in April 2015 (random month); 3 randomly selected employees were 78-80 hours in November 2014 (random month). All employees' wages were calculated on an hourly rate basis and paid monthly. Minimum wages for all sampled employees were above the local requirement, which was set at or above RMB 1700 per month equivalent to RMB 9.77 (1700/21.75/8) per hour. The overtime wages were paid as 150%, 200% of the normal wages for the overtime hours respectively on normal working days and rest days. No overtime on statutory holidays were observed. Benefits such as annual leave, sick leave, statutory holiday and maternity leave were provided for employees. Production records such as the Daily Production Records, Needle Broken Records, Material In and Out Records, QC records from August 1, 2014 to September 24, 2015 were reviewed. No inconsistency was detected.

## C. PERFORMANCE DETAILS

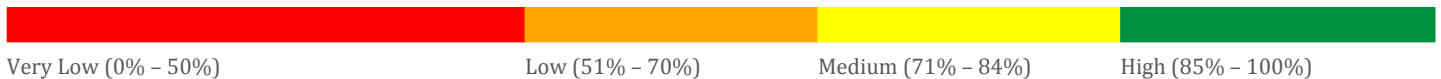
Current (24-Sep-2015) Last (31-Oct-2014)



### Sub Section: Freedom of Association

Status	Findings	% Global freq of compliance
● Corrected	<b>86.00</b> : Previous Non-Compliance : Work representatives within the facility are not freely elected without management interference	96%

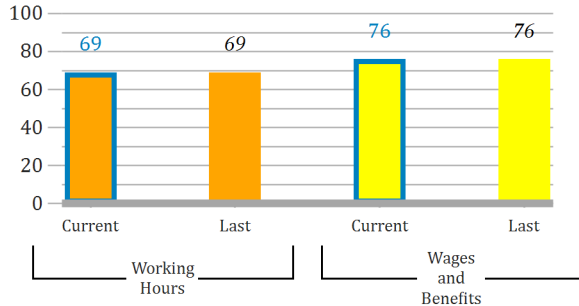
### PERFORMANCE RATING





## C2. Wages & Hours

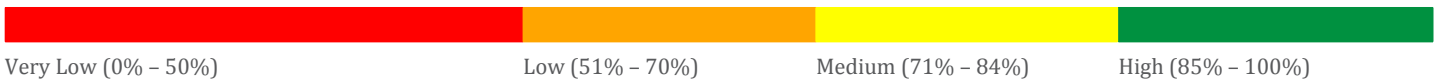
73%



### Sub Section: Working Hours

Status	Findings	% Global freq of compliance
● Moderate	<p><b>122.00</b> : Total overtime hours exceeds allowable limits under applicable law or agreement.</p> <p><b>Auditor's comment</b> Overtime hours exceeded the legal requirement. Through document review, auditor found that the monthly overtime hours of 5 out of 5 randomly selected employees were 78 hours in July 2015 (Most current month); The monthly overtime hours for 3 out of 3 were 74 in April 2015 (Random selected month); The monthly overtime hours for 3 out of 3 were 78-80 in November 2014 (Random selected month).</p> <p><b>People's Republic of China Labor Law Article 41</b>            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>	53%

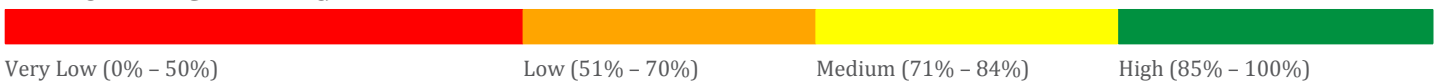
### PERFORMANCE RATING



**Sub Section: Wages and Benefits**

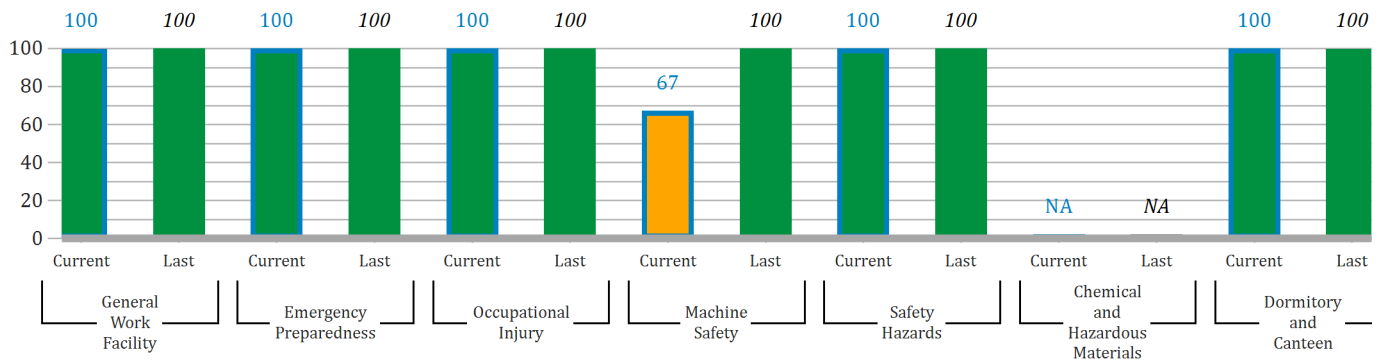
Status	Findings	% Global freq of compliance
● <b>Moderate</b>	<p><b>150.00</b> : The facility does not provide social security, pensions, healthcare and/ or other insurance to employees as per legal requirement.</p> <p><b>Auditor's comment</b> Insufficient social insurance participated. Through social receipt of September 2015, auditor found that there were only 11 out of 47 employees had participated in basic endowment insurance and unemployment insurance. Only 15 out of 47 employees had participated in employment injury insurance, basic medical insurance and maternity insurance.</p> <p><b>Social Insurance Law of the People's Republic of China Article 33</b>        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><b>Social Insurance Law of the People's Republic of China Article 53</b>        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><b>Social Insurance Law of the People's Republic of China Article 10</b>        Employees shall participate in the basic endowment insurance, and the basic endowment insurance premiums shall be jointly paid by employers and employees.</p> <p><b>Social Insurance Law of the People's Republic of China Article 23</b>        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><b>Social Insurance Law of the People's Republic of China Article 44</b>        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>	60%

**PERFORMANCE RATING**



### C3. Health & Safety

94%

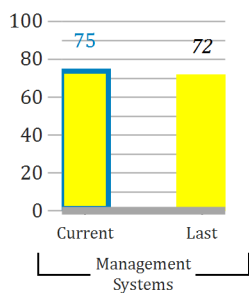


#### Sub Section: Machine Safety

Status	Findings	% Global freq of compliance
<span style="color: orange;">●</span> <b>Moderate</b>	<p><b>223.00</b> : Points of operation and other potentially dangerous parts are not operated with proper machine safeguards</p> <p><i>Auditor's comment</i> Machines without protective devices. During facility tour, auditor found that no safety guard was installed for rolling part of 2 out of 28 sewing machines located at the 2/F of 3-storey production Building .</p> <p><b>National safety technical code for electric equipments-GB19517-2009 2.3 Protection from dangerous machinery</b></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>	84%

### C4. Management Systems

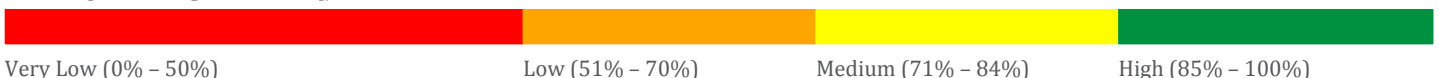
75%



#### Sub Section: Management Systems

Status	Findings	% Global freq of compliance
<span style="color: green;">●</span> <b>Corrected</b>	<p><b>293.02</b> : <i>Previous Non-Compliance</i> : The facility's written social compliance policy does not provide a clear framework for setting social compliance objectives and targets</p>	91%

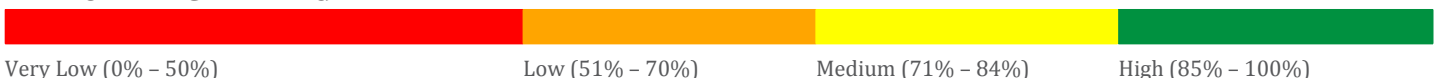
### PERFORMANCE RATING



**Sub Section: Management Systems**

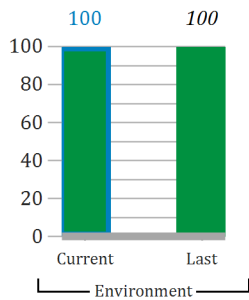
Status	Findings	% Global freq of compliance
● Minor	<b>293.05</b> : The facility's written social compliance policy is not made publicly available <i>Auditor's comment</i> The social compliance policy did not made publicly available. During facility tour, auditor found the social compliance policy did not made publicly available.	91%
● Corrected	<b>296.03</b> : <i>Previous Non-Compliance</i> : The facility has comprehensive employment practice processes and procedures in a written manual that support adherence to social compliance requirements but they are not all being properly implemented	90%
● Minor	<b>296.04</b> : 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 <i>Auditor's comment</i> Findings about monthly overtime hours and social insurance were found during this audit, please refer to related section for details.	65%
● Minor	<b>296.08</b> : The facility's written manual for processes and procedures includes a machine safety procedure but they are not all being properly implemented <i>Auditor's comment</i> Finding about Machine Safety was found, please refer to related section for details.	79%
● Minor	<b>299.00</b> : The facility has not implemented any internal accountability standards and procedures for migrant employees (domestically and/ or internationally) at the facility and within suppliers/ sub-contractors that evaluate and address the risks of human trafficking and slavery. <i>Auditor's comment</i> Not implemented internal accountability standards and procedures for migrant employees at the facility and within suppliers and sub-contractors that evaluate or address the risks of human trafficking and slavery. Per document review, auditor found the facility had not implemented internal accountability standards and procedures for migrant employees at the facility and within suppliers and sub-contractors that evaluate and address the risks of human trafficking and slavery.	75%
● Minor	<b>305.00</b> : The facility does not provide appropriate training for managers on how to implement its social compliance policies and procedures. <i>Auditor's comment</i> The facility did not provide appropriate training for managers on how to implement its social compliance policies and procedures. Per document review and management interview, auditor found the facility did not provide appropriate training for managers on how to implement its social compliance policies and procedures.	73%
● Moderate	<b>310.00</b> : The facility's social compliance policy and requirements are not communicated to all suppliers and/or subcontractors in local language <i>Auditor's comment</i> Per document review, auditor found the facility did not communicate its policy to all suppliers or subcontractors.	68%

**PERFORMANCE RATING**



## C5. Environment

100%



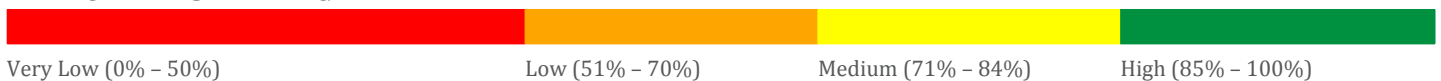
**% Global Frequency of Compliance:** Represents the implementation percentage performance of all suppliers participating in the WCA Community globally for each issue

**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%
<b>Challenges: Facility performance ranks in the bottom percentile of the population</b>		
The facility's written social compliance policy is not made publicly available	Minor	91%
Points of operation and other potentially dangerous parts are not operated with proper machine safeguards	Moderate	84%
The facility's written manual for processes and procedures includes a machine safety procedure but they are not all being properly implemented	Minor	79%
The facility has not implemented any internal accountability standards and procedures for migrant employees (domestically and/ or internationally) at the facility and within suppliers/ sub-contractors that evaluate and address the risks of human trafficking and slavery.	Minor	75%
The facility does not provide appropriate training for managers on how to implement its social compliance policies and procedures.	Minor	73%
The facility's social compliance policy and requirements are not communicated to all suppliers and/or subcontractors in local language	Moderate	68%
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	Minor	65%
The facility does not provide social security, pensions, healthcare and/ or other insurance to employees as per legal requirement.	Moderate	60%

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