



CODE OF CONDUCT AUDIT SUMMARY

Supplier Name		Supplier Contact		Audit Date	
World Centric		Greg zitzer		August 11, 2016	
Facility Name		Facility Contact		Time In Time Out	
		Mr. LIU Wanming		8:50 AM 4:00 PM	
Facility Address/Telephone				Country	
				China	
Product Category		Audit Team			
Non-Foods		Mike ZHANG / Nicky SUN			
Factory Address in Chinese (if applicable)				Report #:	
				201606-COC-00495-AA	
# of Production Employees Present Day of Audit	# of Management Interviewed	Number of Employees Interviewed	Number of Production Employees on Payroll (Sample or Most Recent Month)		Number of Records Reviewed
922	4	Direct: 20 Contracted: 0	1236		Direct: 20 Contracted: 0
Region Minimum Wage	Average Regular Hours	Average Overtime Hours	Average Regular Wages		Average Overtime Wage
RMB 1300/month before June 1, 2016 RMB 1390/month since June 1, 2016	168 hours / June, 2016	33 hours / June, 2016	RMB 2400 / June, 2016		RMB 890 / June, 2016
Does the facility have a high/low production season?		NO		Previous Audit Date	
If yes, what months are high (peak) season?		N/A		September 22, 2015	
Assessment Type	<input type="checkbox"/> Initial Audit <input type="checkbox"/> Re-Audit <input checked="" type="checkbox"/> Annual Audit				
Score Rating				Previous Score Rating	
30				Green (0) Acceptable	
				Yellow (1-10) Acceptable With Concerns	
				Orange (11-99) Needs Improvement	
				Red (100+) Critical	
				UD Unable to Determine	
Score Breakdown					
1. Child Labor / Age Documents0		6. Age Documents, Labor Contracts, Right to Work Documents...0			
2. Compulsory Prison Labor0		7. Disciplinary Practices.....0			
3. Physical Abuse0		8. Health and Safety.....0			
4. Wages and Benefits20		9. Environmental Issues.....0			
5. Working Hours10		10. Other Laws and Employment Standards.....0			



A. Code Element	B. Matrix Code	D. Finding Description	E. Local Law	F. Recommended Corrective Action	G. Suggested Time Frame
Wages and Benefits	D.3.1	Among the 20 sampled employees, the statutory holiday overtime wage in June 2016 was not paid to one sampled employee, the statutory holiday overtime wage in May 2016 insufficiently paid to one sampled employee (paid at 200% of the normal rate instead of 300% of the normal rate) and the rest day overtime wage of 8 hours was not paid to one sampled employee in April 2016.	PRC Labor Act (1995), Article 44	The overtime wages for regular overtime, rest day overtime and statutory holiday overtime should be paid at 150%, 200% and 300% of the normal rate.	30 days
Working Hours	E.3.1	The monthly overtime for one out of 20 sampled employees in April, May and June, 2016 exceeded the legal limit of 36 hours; with the maximum reaching 40 hours in April to June 2016.	PRC Labor Act (1995), Article 41	The monthly overtime should be controlled within 36 hours.	30 days

Above and Beyond

None

A signature on this Audit Summary Report signifies your agreement and understanding of the above findings and the Facility Action Plan.

Accepted By (Signature)	On file	Auditor (Signature) On file
Printed Name/Title	LIU Wanming / General Manager Assistant	Auditor: M. ZHANG / N. SUN
Date Signed:	August 11, 2016	August 11, 2016

Audit results reviewed with Management	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No (Explain):
Audit results agreed with and corrective action plan signed	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No (Explain):

Facility Management Comments: (No paraphrasing. Provide exact wording) :

None



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CHILD LABOR					
Child labor:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> N/A	Minimum Working age:	16
Youngest age at factory:	18			Below National age:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> UD
Lacking valid age documents:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No		What (%) of the workforce lacks age documents?	0
EMPLOYEE DOCUMENTATION / LABOR CONTRACTS					
Juvenile Health Exam Certificates on file:	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input checked="" type="checkbox"/> N/A	Juvenile Registration on file:	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A
What (%) of workforce under 18 years of age but above legal working age?	0				
What (%) of above lack legally required juvenile employee documents?	N/A				
Does the facility have an apprenticeship program for students or others?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input checked="" type="checkbox"/> N/A		
How many students or other apprentices are currently employed?	0				
What (%) of employees lack legally required employment contracts?	0				
Narrative Section:					
<p>Currently, a total of 1485 employees are directly hired by the facility, while the 6 janitor are hired thru one security company named Gaotang Jindun Security Service Co., Ltd (Jindun for short). As reported, the working hours and wages of the janitors are managed by Jindun. Thus, the janitors are out of the audit scope. Among the 1485 employees, there are 1379 production employees, 3 kitchen staff, 2 cleaners and 101 management staff. During the document review, it was noted that the age documents of the interviewed employees are all properly maintained in the form of photocopies of National Identity Cards. The youngest employee according to the employee interview and the employee register is 18 years old. No juvenile employee was either reported or detected.</p> <p>The labor contracts are all maintained for the interviewed employees. As reported, they are all provided with one copy of the labor contract.</p>					

FORCED LABOR / HUMAN TRAFFICKING					
Compulsory daily quota:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No		Documents withheld:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Mandatory overtime:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No		Lock In/Out:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Employees allowed to leave after their shift:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No		If yes, for how many employees:	N/A
Deposit Upon Hire:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No		Amount of deposit	N/A
FOREIGN OR MIGRANT WORKERS					
Terms of employment provided in written and in the worker's language?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input checked="" type="checkbox"/> N/A		
Original documentation retained (i.e. passport)	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input checked="" type="checkbox"/> N/A		
Is the recruiting fee paid up front in home province/country?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input checked="" type="checkbox"/> N/A		
Is the recruiting fee deducted from the workers' wages?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input checked="" type="checkbox"/> N/A		
Narrative Section:					



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All the employees are Chinese. No imported worker is hired by the facility. As per the employee interview, all of them work at the facility at their own will. It is reported that they are free to quit if they do not want to work at the facility. No compulsory daily quota and mandatory overtime are assigned. They are free to leave the facility premise during the non-working time. The employees reported that there is no deposit upon hire and the original documents were kept by themselves.

ABUSE / HARASSMENT

Where did the abuse/harassment take place	N/A
When did the abuse/harassment take place	N/A
Why did the abuse/harassment occur	N/A
What happened during the abuse/harassment	N/A
How many employees reported the abuse/harassment	N/A

Narrative Section:

No physical abuse is observed at the facility on the day of audit. As per the employees interviewed, no physical abuse ever occurred at the facility. They also reported that they are friendly treated by the facility management.

WAGES / BENEFITS / HOURS INFORMATION

Currency:	RMB	Region Minimum Wage:	RMB 1300/month before June 1, 2016; RMB 1390/month since June 1, 2016
US Exchange Rate:	USD 1=RMB 6.6763	Overtime Premium:	150%, 200% and 300% of the normal rate for regular overtime, rest day overtime and statutory holiday overtime, respectively
Standard Work Week:	8 hours per day; 40 hours per week		
Does the facility provide other subsidies or benefits to the workers, such as meals, uniforms, housing, maternity leave, paid leave, etc.?			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If yes, in what form, how often, and for how long? Does it comply with National Law?			Social insurance, maternity leave, annual leave

Narrative Section:

The previous audit was conducted on September 22, 2015 and the latest pay period is June, 2016. Thus, the payrolls and time records of October, 2015 to June, 2016 were requested and provided for review. Per the provided records, the facility is non-seasonal. The records of 20 employees in April, May and June, 2016 were selected as samples.

Currently, all the employees' working hours are tracked by electronic time recording system with accurate time-ins and time-outs. As per the provided time records, the production employees and maintenance workers conduct three shifts: The day shift is from 8:00 am to 4:00 pm; the middle shift is from 4:00 pm to 0:00 am of the next day; the night shift is from 0:00 am to 8:00 am. For assisting workers in work floor and facility management, the established work time schedule is from 7:30 am to 6:30 pm with one lunch break from 11:30 am to 2:30 pm; the kitchen workers worked single shift from 8:00 am to 4:00 pm. It was noted that employees were provided at least one day rest in each week. No regular overtime was conducted. Rest day overtime was conducted on Saturdays when the facility was rushing in orders.



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However, as calculated, the monthly overtime for one out of 20 sampled employees in April, May and June, 2016 exceeded the legal limit of 36 hours; with the maximum reaching 40 hours in April to June 2016. This is not in compliance with PRC Labor Act (1995), Article 41. The facility was advised that 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 hours for a day shall not generally 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 36 hours.

Employees were paid on a monthly basis (no later than the 25th day of each month) in cash. The payroll registers are properly itemized including regular working hours, regular wage, overtime hours, overtime wage, social insurance deduction and etc. Employees had signed payroll registers for confirmation. No unreasonable deduction is reflected.

As per the payroll registers, all the sampled employees were paid monthly wages of at least RMB 2200 per month, higher than the local minimum wage standard of RMB 1390 per month. The statutory holiday wages were sufficiently paid to employees who observed the holidays.

However, among the 20 sampled employees, the statutory holiday overtime wage in June 2016 was not paid to one sampled employee, the statutory holiday overtime wage in May 2016 insufficiently paid to one sampled employee (paid at 200% of the normal rate instead of 300% of the normal rate) and the rest day overtime wage of 8 hours was not paid to one sampled employee in April 2016. The management explained that the deficiency was caused by calculation error by the accountant. This is not in compliance with PRC Labor Act (1995), Article 44. The facility was advised that the employing unit shall, according to the following standards, remunerate laborers at a rate higher than that used to calculate wages for normal working hours under the following circumstances, as appropriate; (1) no less than 150 percent of the wages if the extension of working hours is arranged [during normal working days]; (2) no less than 200 percent of the wages if the extended hours are arranged on days of rest and no deferred rest can be taken; and (3) no less than 300 percent of the wages if the extended hours are arranged on statutory holidays.

Per the provided social insurance receipts and the employee register, excluding the newly hired employees and employees who reach the retirement ages who are not legally required to be provided with social insurance, all the employees are currently provided with five kinds of social insurance.

DISCIPLINARY PRACTICES / DISCRIMINATION / FREEDOM OF ASSOCIATION

Narrative Section:

Per the provided facility regulation, verbal warning, written warning and termination are utilized as the disciplinary measures. No disciplinary deduction was reported. In addition, no discrimination issues were detected or reported during the current audit.

There is a trade union in the facility, which is called the Trade Union of Shandong Teanhe Green Pak Science and Technology Company. The interviewed employees reported that they were informed that they were free to join the trade union or other organizations.



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HEALTH & SAFETY

Narrative Section:

Currently, there is one 3-storey office building, three flat production buildings (part of which is 2-storey), 2 flat warehouse, one 2-storey warehouse building, and one flat building used as canteen. Besides, there are three rows of flat buildings, which are used to store subsidiary materials. The main processes in the facility include pulping, molding/drying, cutting, inspection, metal detection, sterilization and packing. Generally, all the work floors are well ventilated and illuminated. The temperature, humidity and noise level feels acceptable.

It was noted that the fire drill is conducted twice each year in the facility. Sufficient emergency exits are available on each work floor. The emergency exits are marked with lighting signs. The facility maintains wide aisles for emergency evacuation.

The aisles are marked with clear directional arrows, which lead to the exits and covered by emergency lighting. The evacuation plot plans are also posted on the work floor to indicate possible evacuation routes and location of fire extinguishers. Fire extinguishers are clearly marked, mounted, charged and well maintained. There is also a functional fire alarm system with sufficient fire alarm buttons equipped in the facility for emergency notification.

All electrical control panels are labeled and properly covered. First aid kits are provided on the work floors with sufficient supplies. Two electricians with the qualified certificate were hired by the facility to ensure the electricity safety.

Special equipment utilized in the facility included two fork lifts, pressure pipes and six pressure vessels. On the audit day, the annual inspection reports and operator licenses were all provided for review and found valid.

Based on the onsite observation, sufficient personal protective equipment was provided by the facility. All the sampled machines were installed with guards.

Enough toilets are also provided, which are equipped with privacy doors to protect the privacy of employees. Restrooms are separated by gender and basic supplies are provided in the restrooms. Drinking water is accessible for all employees at all times.

ENVIRONMENTAL

Narrative Section:

Based on the provided environment impact audit report and the onsite observation, no hazardous solid waste or waste air is generated during the production process. The waste water generated from the molding section was recycled and not discharged to the environment. The waste water from machine washing or cleaning was discharged to the waste water plan of the mother company. Per the monitoring report, the waste water discharge and boundary noise level are within the limit.



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LEGAL ISSUES / LICENSES (Subcontracting)

Narrative Section:

The business license was provided for review and valid.

As per the facility management, the facility does not utilize any subcontracting units to assist in the production for the client. Walkthrough of the facility also reveals that all needed processes can be finished within the facility.

DORMITORIES

Narrative Section:

Per the management interview, the employees were provided with the dormitory before (the dormitory buildings were located in the premise of the mother company of the assessed facility). But since October, 2015, the facility did not provide dormitory for employees any more. During the employee interview, all interviewed employees reported that no dormitory was provided by the facility.

SECURITY

Narrative Section:

The facility is enclosed with fencing entirely and guarded by security personnel. Security guards are available at the gatehouse. Upon arrival at the facility, the audit team was stopped by a security guard at the entrance. The audit team required to state the purpose of the visit and the name of a contact person within the facility prior to entering the facility. Visitor log was also signed by the audit team.

CONCLUSION

Narrative Section:

The annual audit at was conducted on August 11, 2016 on an announced basis. The audit team was greeted by Mr. LI Wei, Office Director. After exchanging business cards, the audit scope and procedures were explained to Mr. LIU Yuanrong, Administration Manager, Mr. LIU Wanming, General Manager Assistant, Mr. LI Shunhai, Plant Manager, Mr. ZHAO Tang, Office Staff and Mr. LI Wei during the opening meeting. Mr. LIU Wanming granted that audit team with fully access to the facility.

At the end of the audit, the current findings were discussed with Mr. LIU Wanming and his management team during the closing meeting. The recommended corrective action was also provided to them. The facility management was receptive and agreed to take the corrective action accordingly.

According to the current audit finding, the facility is graded as **"Needs Improvement"** for future sourcing.



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PAYROLL REVIEW

Payroll/Time records were reviewed for the following months	April, May and June 2016	
Total employees on payroll (Most Recent Month)	1364 (1236 production workers)	
Total employees on payroll (Previous Month)	1233	
Employees in Sample	20	
Average Regular Wages (Most Recent month)	RMB 2400 / June, 2016	
Average Overtime Wages (Most Recent month)	RMB 890 / June, 2016	
Average Total Wages (Most Recent month)	RMB 3290 / June, 2016	
Equivalent in US Currency	\$492.79	
Regular Hourly Work Paid At The Government Minimum Wage	<input checked="" type="checkbox"/> YES	<input type="checkbox"/> NO
Total Pay At Least Correct Minimum Wage	<input checked="" type="checkbox"/> YES	<input type="checkbox"/> NO
Overtime Paid	<input type="checkbox"/> YES	<input checked="" type="checkbox"/> NO
Payroll records maintained for appropriate amount of time:	<input checked="" type="checkbox"/> YES	<input type="checkbox"/> NO
Payroll records appear to accurately display all working hours	<input checked="" type="checkbox"/> YES	<input type="checkbox"/> NO
Social insurance/holiday benefits provided in accordance with law	<input checked="" type="checkbox"/> YES	<input type="checkbox"/> NO
Piece rate production conducted:	<input type="checkbox"/> YES	<input checked="" type="checkbox"/> NO
Average Piece Rate Wages earned for Normal Hours:	N/A	
Average Piece Rate Wages earned for Overtime Hours	N/A	
Piece rate production recorded on:	N/A	
Number of Piece Rate Employees	0	

WORKING HOURS REVIEW

Average Regular hours (Most Recent month)	168 hours / June, 2016	
Average Overtime Hours (Most Recent month)	33 hours / June, 2016	
Average Total Hours (Most Recent month)	201 hours / June, 2016	
Total of most hours worked by an employee (Most Recent month)	208 hours / June, 2016	
Average Regular hours (Previous month)	168 hours / May, 2016	
Average Overtime Hours (Previous month)	33 hours / May, 2016	
Average Total Hours (Previous month)	201 hours / May, 2016	
Total of most hours worked by an employee (Previous month)	208 hours / May, 2016	
Time Records Display All Overtime Hours	<input checked="" type="checkbox"/> YES	<input type="checkbox"/> NO
Overtime Hours Verified to be Voluntary	<input checked="" type="checkbox"/> YES	<input type="checkbox"/> NO
Time Records Display Weekend Working Hours	<input checked="" type="checkbox"/> YES	<input type="checkbox"/> NO
Overtime Hours Approved by Local Government	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Overtime Waiver Validity Period	N/A	
What months' time records were reviewed to assess the OT waiver?	N/A	
Number of Regular Hours allowed by waiver	N/A	
Number of Overtime Hours allowed by waiver	N/A	
Total hours worked so far during Waiver Period:	N/A	



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FACILITY OWNERSHIP

Length of Supplier/Facility Relationship	8 years	Years at same location	8 years
Supplier Production At Facility	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	

WORKFORCE / PRODUCTION CAPACITY

	Current	Low Season	Peak Season
# of permanent employees	1485 (including 1379 production employees)	N/A (Non-seasonal facility)	N/A (Non-seasonal facility)
# of temporary employees	0		
Production Capacity	980 tons per month		

FACILITY SPECIALTY

Specialty: **Paper pulp tableware**

Products Produced:	Paper pulp tableware
Production Processes:	Pulping, molding/drying, cutting, inspection, metal detection, sterilization and packing

MACHINERY

Total:	300	Types:	Pulping machine: 9; shaping machine: 170; cutting machine: 113; sterilization machine: 5; metal detection machine: 3		
Manufacturers/Retailers with Work In Process and labels viewed (approx. %)	1 World Centric: 38%	2. Shiwa Co., Ltd: 15%	BSS HK: 5%		
	4. Others: 42%	5. No label viewed	6.		

SUBCONTRACTING

N/A

Process & Key Parts Produced			
Facility Name		Facility specialty	
Address/ Telephone		# of client's pieces subcontracted/month	
Notes			
Process & Key Parts Produced			
Facility Name		Facility specialty	
Address/ Telephone		# of client's pieces subcontracted/ month	
Notes			



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Action Plan

1. An Action Plan must be submitted in **English** to the client via email **within 5 days** of the audit date.
2. List the violations in the same order as they are listed on the “Concerns on Above” section
3. Next to each violation, indicate a **Proposed Correction or Remediation as well as an exact target date for completion**. Some violations must be corrected in full within 7 days, and others within 30 -60 days, depending upon the specific violations.
4. You must specify actual completion dates (refer to the example below), and do not use imprecise words such as “immediate,” “within 30 days,” etc. A revised Action Plan may be required.

EXAMPLE			
Supplier Name	Facility Name	Date of Audit	Date of Action Plan
<i>Sample Supplier Inc.</i>	<i>Sample Facility Ltd.</i>	<i>1/1/2016</i>	<i>1/3/2016</i>
Violation Observed	Proposed Correction/Remediation		Target Date For Completion
<i>Minimum wage not guaranteed</i>	<i>All employees will be compensated no less than the regional minimum wage for all hours worked</i>		<i>1/20/2016</i>
<i>Overtime incorrectly compensated</i>	<i>All overtime hours will be compensated no less than 150%, 200% or 300% of the normal working hours wages respectively.</i>		<i>1/20/2016</i>
<i>Facility lacking employee age documentation for 15% of the employees</i>	<i>Photocopies of the employee’s age documentation will be made and included in all employee personnel files,</i>		<i>1/5/2016</i>
<i>Fire Extinguishers not mounted</i>	<i>All extinguishers on the floor will be mounted on the wall</i>		<i>1/8/2016</i>