



CODE OF CONDUCT AUDIT SUMMARY

Supplier Name		Supplier Contact		Audit Date		
World Centric		Greg Zitzer		August 28, 2017		
Facility Name		Facility Contact		Time In	Time Out	
Redacted		Redacted		9:00am	5:00pm	
Facility Address/Telephone				Country		
Redacted				China		
Product Category		Audit Team				
Foods		J. Jia / S. Zhang				
Factory Address in Chinese (if applicable)				Report #:		
Redacted路				201706-COC-03883-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		
1321	5	Direct: 20 Contracted: 0	1171 / July 2017	Direct	20	
				Contracted	0	
Region Minimum Wage	Average Regular Hours	Average Overtime Hours	Average Regular Wages	Average Overtime Wage		
RMB 1470 per month	167 hours / July 2017	30 hours / July 2017	RMB 3458 / July 2017	RMB 1206 / July 2017		
Does the facility have a high/low production season?			NO		Previous Audit Date	
If yes, what months are high (peak) season?			N/A			
Assessment Type	<input type="checkbox"/> Initial Audit <input type="checkbox"/> Re-Audit <input checked="" type="checkbox"/> Annual Audit			August 11, 2017		
Score Rating				Previous Score Rating		
21				Green (0) Acceptable		NI
				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 Labor0			7. Disciplinary Practices.....0			
3. Abuse & Harassment0			8. Health and Safety.....11			
4. Wages and Benefits10			9. Environmental Issues.....0			
5. Working Hours0			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.3.11	No payment date is indicated on the provided payrolls.	Provisional Regulations for the Payment of Wages (1995), Article 6	Payment date should be indicated on the payrolls.	30 days
Health and Safety	H.2.12	All empty chemical containers are stored exposed to element.	Client Code of Conduct	All empty chemical containers should be properly stored.	30 days
Health and Safety	H.2.17	The facility does not maintain the records of 3-tier training provided to newly hired employees.	Regulation on Safety Training for the Units Engaging in Production and Other Business Operations (2006), Amendment (2013), Article 12	The facility should maintain the records of 3-tier training provided to newly hired employees.	30 days
REMARK: In January 2017, the name of the audited facility has changed from "Shandong Teanhe Green Pak Science and Technology Company" to "SHANDONG TRALIN STRAW NEW ENVIRONMENTAL TECHNOLOGY JOINT STOCK COMPANY LIMITED". The business license was updated in January 2017.					
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)	Mr. Li Shunhai			Auditor (Signature): J. Jia / S. Zhang	
Printed Name/Title	Mr. Li Shunhai / Vice GM			Auditor: J.Jia / S. Zhang	
Date Signed:	August 28, 2017			August 28, 2017	
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					



Information contained within this report is Privileged and Confidential

This document can only be guaranteed as original if received by email from UL. For a verified copy of this report, please contact UL.

CHILD LABOR					
Child labor:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> N/A	Minimum Working age:	16 years old with restrictions
Youngest age at factory:	19 years old			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?				0%	
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>No child labor or legal young worker was found at the facility. There are 1394 employees in total hired by the facility, including 62 management and rear staff, and there are 1321 production employees working and will be working (some of them worked in three-shifted) at the facility on the audit day. Two kitchen workers are directly used by the facility, and six security guards are also used by the facility. In addition, there is also on specific cleaner is available at the facility for the daily cleaning of the facility.</p> <p>Twenty employees, including young-looking ones were selected for private interviews. As reported, the youngest one is 19 years old, which is above the national age (16 years old). The copies of age documents of all employees, in the form of photocopied ID cards, were provided for review, from which the youngest age at the facility is 19 years old. In addition, all the employees' labor contracts were provide for review, the contracts include the legally required terms and are still in period of validity.</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:					
<p>No prison labor or slave labor was found at the facility. As per the employees interviewed, all of them are willing to work at the facility. It is free for them to quit if they do not want to work at the facility. No compulsory daily quota and mandatory overtime are assigned to them. They are allowed to leave after work. The employees reported that there is no deposit upon hire. In addition, all employees working at the facility are Chinese.</p>					



Information contained within this report is Privileged and Confidential

This document can only be guaranteed as original if received by email from UL. For a verified copy of this report, please contact UL.

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 abuse or harassment in any form was observed at the facility on the day of audit. As per the employees interviewed, no abuse or harassment in any form ever occurred at the facility. They also reported that they have been friendly treated since they started working at the facility.	

WAGES / BENEFITS / HOURS INFORMATION			
Currency:	RMB	Region Minimum Wage:	RMB 1,470 per month
US Exchange Rate:	USD 1 = RMB 6.78	Overtime Premium:	Regular day overtime: 50% of regular wage; Rest day overtime: 100% of regular wage; Public holiday overtime: 300% of regular wage
Standard Work Week:	40 hours (From Monday to Friday)		
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?		Maternity leave and paid leave	
Narrative Section:			
<p>A payroll audit was conducted in the facility. As per the facility management, there is no peak or non-peak months for production, the most recent payment is July 2017. Thus time records and payrolls of the latest twelve months from August 2016 to July 2017 were requested to provide for review, and time records and payrolls of the latest three months from May 2017 to July 2017 were taken as primary samples.</p> <p>The facility uses electronic time recording system to track working hours. Employees swipe time cards to record each time-in and time-out, twice or four times per day. The reviewed time records indicated that approximate 80% production employees worked in three shifts, from 12:00am to 8:00am, from 8:00am to 4:00pm and from 4:00pm to 12:00am, shift changed based on weekly basis, the rest production employees working in one shift, from 8:00am to 12:00am, 2:00pm to 6:00pm. The time arrangement for kitchen workers is from 8:00am to 4:00pm. Security guards worked in three shifts, from 8:00am to 4:00pm, from 4:00pm to 12:00am and from 12:00am to 8:00am, they changed shift on a weekly basis. The time arrangement for cleaner is from 7:50am to 11:30am and from 2:20pm to 6:30pm. No daily overtime work was taken by any employee. Rest days overtime work on Saturday was conducted at most four times per month with each time 8 hours. The maximum monthly overtime hours are 32 hours, which is within the legal limit of 36 hours per month. In addition, as per the provided time records, the 7th day of rest it guaranteed to all sampled employees.</p> <p>The provided payroll journals are properly itemized with regular working hours, overtime working hours, overtime compensation, actual wage and employees' signatures. <u>However, no payment date is indicated on the provided payrolls. This is not in compliance with Provisional Regulations for the Payment of Wages (1995), Article 6, which requires, "the wage must be paid directly to the employees. If an employee is unable to collect his or her wages in person, such wages may be collected by a relative or authorized person acting on behalf of the employee. An enterprise may also entrust a bank to pay wages to its employees. When paying wages to its employees, an enterprise must record the amount of the wages, the time of payment and name and signature of the recipient. Wage payment records should be kept for at least two years."</u> The facility management was advised that payment date should be indicated on the payrolls.</p>			



Information contained within this report is Privileged and Confidential

This document can only be guaranteed as original if received by email from UL. For a verified copy of this report, please contact UL.

Wage is paid to employees before 25th of each month for the work in previous month in cash at per the provided labor contracts. Employees are provided with a pay slip while receiving their wage. The local minimum wage is RMB 1470 per month. Based on the provided payrolls, all the production employees are paid by monthly rate no less than RMB 3000 per month, which is no less than local minimum wage standard. Therefore, local minimum wage is guaranteed for all employees. In addition, the compensation of rest day overtime work is also correctly compensated with 200% normal wage. Public holidays in May 2017 are also correctly compensated to all the employees accordingly.

As per the provided social insurance receipts, the facility provided all employees with social insurance. Production-related records, such as daily production records, materials input and output records, products inspecting records, are checked, no inconsistency in any form regarding working hours in detected currently.

DISCIPLINARY PRACTICES / DISCRIMINATION / FREEDOM OF ASSOCIATION

Narrative Section:

The written policies of the facility were provided for review. From the written policies, no disciplinary practice or discrimination is detected. No written policy shows that the facility restricts the employees' freedom of association.

HEALTH & SAFETY

Narrative Section:

Within the facility, there are one 3-floor office building, one 2-floor warehouse building, three flat production building (part being 2-floor), with pulping section, molding section, drying section, cutting section, inspection section, metal detection section, sterilization section and packing section inside, two flat warehouse buildings, and three small rows of flat buildings. In addition, one flat building is used as canteen. No dormitory is provided to employees.

Currently, facility walkthrough was fully conducted at the facility. There are sufficient number of exits at the facility and all exits are well marked, unblocked and unlocked during the production hours. Emergency lightings are also installed to cover necessary areas. All aisles are clearly marked and unblocked. Work floors are well illuminated and ventilated. Sufficient evacuation plot plans are posted on work floors. From the provided fire drill records, fire drill and training are conducted twice a year as required.

However, the facility does not maintain the records of 3-tier training provided to newly hired employees. This is not in compliance with Regulation on Safety Training for the Units Engaging in Production and Other Business Operations (2006), Amendment (2013), Article 12, which requires, " the enterprises engaging in manufacturing and processing, workers shall, prior to taking the job, take safety training in 3 tiers: factory level, department level and line level."

The facility is equipped with adequate firefighting equipment, such as fire extinguishers, fire hoses and fire alarms. All fire extinguishers are regularly checked, well maintained and properly mounted. Fire extinguishers and switches of fire alarms are clearly marked, accessible and unblocked.

On the work floors, machines and control panels are well protected from potential jeopardy. No special equipment is used by the facility. The electrician of the facility has valid operation license, and switches of all observed electrical control panels are marked to show function.

Chemicals are used by the facility. Chemicals are stored at a designated area with proper label. Material Safety Data Sheets (MSDS) are maintained for all chemicals used.

However, during the facility walkthrough, it was noted that all empty chemical containers are stored exposed to element. The facility management was advised that all empty chemical containers should be properly stored.

Employees of the facility are provided with proper personal protective equipment such as goggles, respirator and rubber gloves. All employees wear their personal protective equipment during production time.



Information contained within this report is Privileged and Confidential

This document can only be guaranteed as original if received by email from UL. For a verified copy of this report, please contact UL.

The facility is equipped with adequate first aid supplies. Meanwhile sufficient employees who are trained for first aid are prepared. Eye washing station is also installed in the chemical usage area.

There are adequate toilets for both male and female workers, the toilets are also provided with privacy stalls and sanitary supplies such as toilet paper and soaps.

ENVIRONMENTAL

Narrative Section:

The facility has obtained the legal requirement environment licenses in including Environment Impact Assessment and approval.

Based on the provided environment impact audit report and the onsite observation, hazardous solid waste is generated during the production process, which are recycled and treated by a qualified agent. Noise is also generated during the production process, the facility monitored the noise level on a yearly basis. Per the monitoring report, the boundary noise level is within the limit.

LEGAL ISSUES / LICENSES (Subcontracting)

Narrative Section:

Business license was provided for review, and found to be valid.

According to the facility management, all processes are completed at the facility. No subcontractors or home-workers are used for production. During the facility walkthrough, it was noted that the facility has sufficient manpower and machinery to conduct all production processes onsite.

DORMITORIES

Narrative Section:

N/A. No dormitory is provided for employees.

SECURITY

Narrative Section:

The facility is entirely enclosed with fencing. The entrance to the facility is properly gated and guarded by the security guards of the facility. As per the facility management, the entrance to the facility is guarded 24 hours a day. During the audit, there were no reports from the interviewed employees regarding harassment or abuse from the guards.



Information contained within this report is Privileged and Confidential

This document can only be guaranteed as original if received by email from UL. For a verified copy of this report, please contact UL.

CONCLUSION

Narrative Section:

An Annual Audit at redacted

LIMITED was conducted on August 28, 2017 on an announced with window basis. The auditors were greeted by Mr. Li Shunhai/Vice GM and his management team. After exchanging business cards, the audit scope and procedures were explained to them during the opening meeting. Mr. Li Shunhai allowed the auditors to conduct full audit of the facility.

REMARK: In January 2017, the name of the audited facility has changed from redacted redacted

COMPANY LIMITED". The business license was updated in January 2017.

At the end of the audit, all current findings were discussed with Mr. Li Shunhai/Vice GM during the closing meeting. The recommended corrective actions were also provided to them. The facility management was receptive and agreed to take the corrective actions accordingly. The Code of Conduct Audit Summary was then signed by Mr. Li Shunhai/Vice GM.

Based on the current findings, the facility is graded as "**Needs Improvement**" for future sourcing.



Information contained within this report is Privileged and Confidential

This document can only be guaranteed as original if received by email from UL. For a verified copy of this report, please contact UL.

PAYROLL REVIEW

Payroll/Time records were reviewed for the following months	May 2017 to July 2017	
Total employees on payroll (Most Recent Month)	1262 / July 2017	
Total employees on payroll (Previous Month)	1144 / June 2017	
Employees in Sample	20	
Average Regular Wages (Most Recent month)	RMB 3458 / July 2017	
Average Overtime Wages (Most Recent month)	RMB 1206 / July 2017	
Average Total Wages (Most Recent month)	RMB 4102 / July 2017 (after legal deduction and allowances)	
Equivalent in US Currency	\$605	
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 checked="" type="checkbox"/> YES	<input 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	N/A	

WORKING HOURS REVIEW

Average Regular hours (Most Recent month)	167 hours / July 2017	
Average Overtime Hours (Most Recent month)	30 hours / July 2017	
Average Total Hours (Most Recent month)	197 hours / July 2017	
Total of most hours worked by an employee (Most Recent month)	200 hours / July 2017	
Average Regular hours (Previous month)	175 hours / June 2017	
Average Overtime Hours (Previous month)	30 hours / June 2017	
Average Total Hours (Previous month)	205 hours / June 2017	
Total of most hours worked by an employee (Previous month)	208 hours / June 2017	
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 checked="" 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	



Information contained within this report is Privileged and Confidential

This document can only be guaranteed as original if received by email from UL. For a verified copy of this report, please contact UL.

FACILITY OWNERSHIP

Length of Supplier/Facility Relationship	9 years	Years at same location	9 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	1394	N/A	N/A
# of temporary employees	0	N/A	N/A
Production Capacity	1,000 tons per month	N/A	N/A

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: 40%	2.Shiwa Co., Ltd: 15%	3.Others: 45%		
	4.Label: World Centric: 40%	5.Label: Chinet: 30%	6.Label: Sustain: 30%		

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			



Information contained within this report is Privileged and Confidential

This document can only be guaranteed as original if received by email from UL. For a verified copy of this report, please contact UL.

Action Plan

1. An Action Plan must be submitted in **English** to the Costco supplier **within 5 days** of the audit date. Costco supplier is required to upload it into BPM.
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>