



Measured Results - Improved Performance

Workplace Conditions Assessment Report

Zhejiang Tonglu Zhongyi Gift Factory

Report No	F_IAR_3834
Audit Date	Feb 20, 2012
Assessment Stage	Follow up
Audit Location	No.558, Chengnan Road, Qingshan Industrial Zone, Tonglu, Hangzhou City, Zhejiang Province, China
City	Hangzhou
Country	China
Telephone No	86 571 64241949
Fax No	86 571 64241948
Email	zhgifts@163.com
Auditor Name	Primary: Tommy Yan Secondary: None

Workplace Performance Index

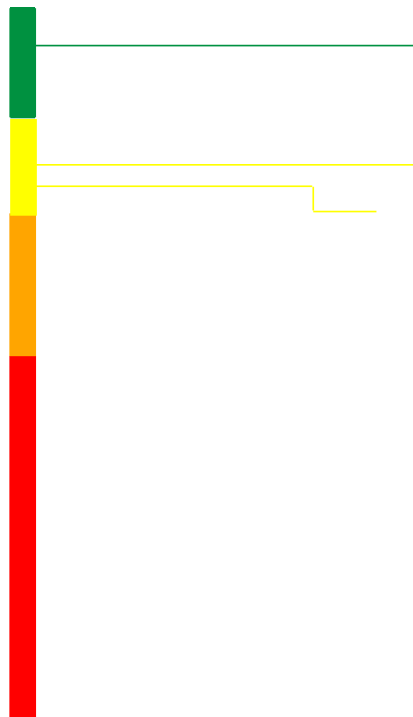
Participating Facilities : 4530

High Performance (85 – 100)
Meet Expectations.

Medium Performance(71 – 84)
Further Improvement Needed.

Low Performance(51 – 70)
Significant Action Required.

Very Low Performance(0 – 50)
Urgent Action Required.



Facility Score **95**

Global Score **78**

Country Score **75**

Facility Profile

Facility Name	Zhejiang Tonglu Zhongyi Gift Factory		
Facility Legal Name	Zhejiang Tonglu Zhongyi Gift Factory		
Contact Name, Title	Ms. Pan Fang, Administration Manager		
Vendor Name	Bond Manufacturing		
Industry	Toys		
Products Manufactured / Services Provided	Candles		
Production Processes / Service Elements	Thawing, Moulding, Inspection, Packing Inspection, Packing		
Production capacity a week	200,000 pieces		
Total number of machines	2		
Main machine types	Embossing machine: 2 sets		
Current production / Services for client	-		
Facility's legal status	Privately owned		
Year facility began operations	1998		
Number of buildings the facility operates in	The facility consists one 3-storey building used as office and dormitory, two 2-storey buildings used as workshop and warehouse and one flat building used as warehouse. No canteen & kitchen was provided foremployees in site.		
Languages spoken at the facility	Mandarin		
Facility management speaks same language as the employees	Yes		
Range of total number of employees at the facility	0-100 employees		
Female Employees	15	Male Employees	10
Mgmt Employees	7	Production (Non-Mgmt) Employees	18
Local Employees	12	Foreign/Migrate Employees	13
Union Name	None		
Number of shifts and operating hours	1 shift, The employees in workshop work for 5 days per week and in one shift per day from 8:00 to 17:00 with 60 minutes lunch break from 11:30 to 12:30.		
Subcontractor name, location	NA		
Subcontracted processes	NA		
Facility is located in a special economic zone or other type of commercial zone that exempts it from compliance with any local/national laws	Yes		
Person responsible for overall social compliance issues	Ms. Pan Fang		
Valid certificate for social compliance certification program	None		



General Overview

The total land area occupied by the facility is about 3,600 square meters. The facility management showed apposite attitude to this audit during the whole process. The 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. Remark: The address on business license is chengnan Road, Tongjun Street, Tonglu County, Hangzhou City, Zhejiang Province, which is the same as the No.558, Chengnan Road, Qingshan Industrial Zone, Tonglu County, Hangzhou City, Zhejiang Province provided by the client, the facility provided a written statement for the above situation. First follow up audit (February 20, 2012)The finding of “No employee roster was provided by the facility” had been corrected. In this audit, the facility had provided the completed employee roster for review.

Audit Process

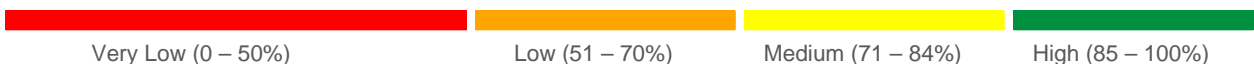
Audit Sample Size: Payroll & Attendance records	Audit sample size: employee interview	Audit Sample Size: Other records reviewed, plesae specify	Audit Pay Period Provided for Review, please specify
3 months' payroll records and attendance records (from November 2011 to January 2012) were provided for review, 9(January 2012), 3 (December 2011), 3 (November 2011).	12	25 personnel records, 25 labor contracts and production records such as daily output records and etc were provided for review.	From November 2011 to January 2012 were reviewed

I. Facility Performance Summary

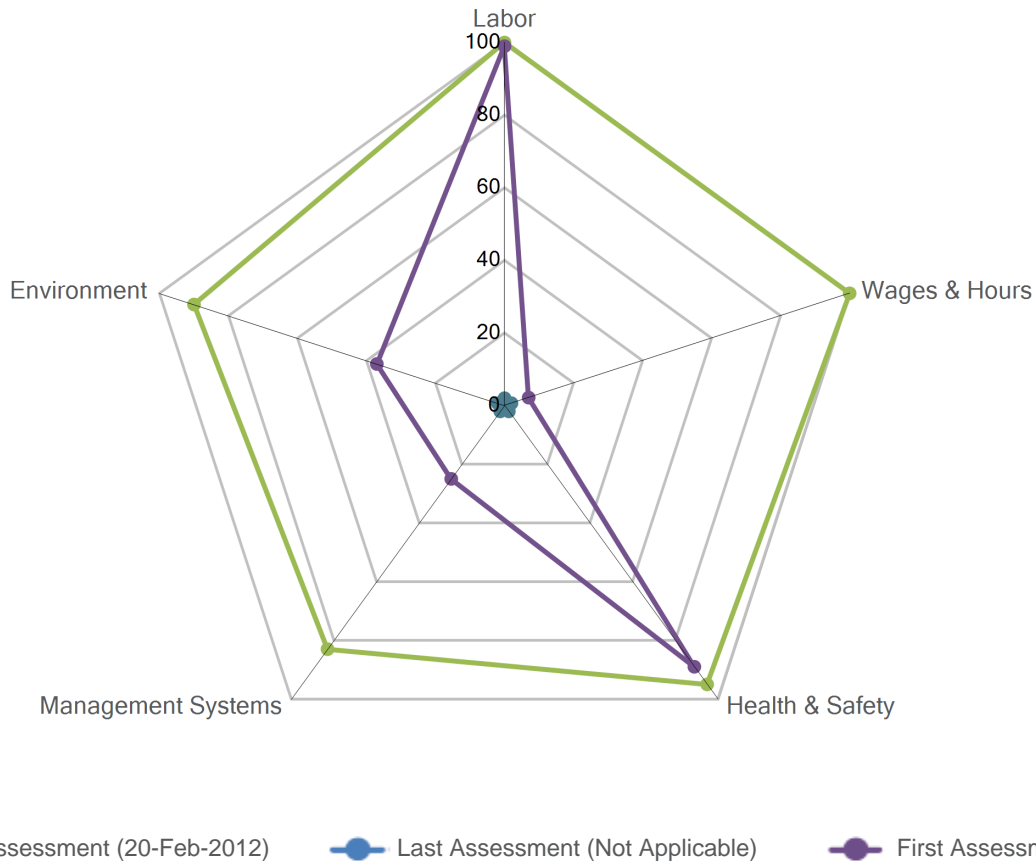


Performance Summary	Overall Compliance(%)	Non Compliance (%)							
		Major		Moderate		Minor		Zero Tolerance	
		# of Questions	%	# of Questions	%	# of Questions	%	# of Questions	%
Facility Summary	95%	0	0.00%	2	3.28%	2	1.62%	0	0.00%

Performance Summary	Section Compliance		Non Compliance (%)								# of Total Applicable Questions
			Major		Moderate		Minor		Zero Tolerance		
	# of Questions	%	# of Questions	%	# of Questions	%	# of Questions	%	# of Questions	%	
Labor	45	100%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	45
Wages & Hours	29	100%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	29
Health & Safety	90	95%	0	0.00%	1	5.32%	0	0.00%	0	0.00%	91
Management Systems	32	83%	0	0.00%	1	12.99%	1	3.90%	0	0.00%	34
Environment	13	90%	0	0.00%	0	0.00%	1	10.34%	0	0.00%	14



II. Performance Trend Analysis

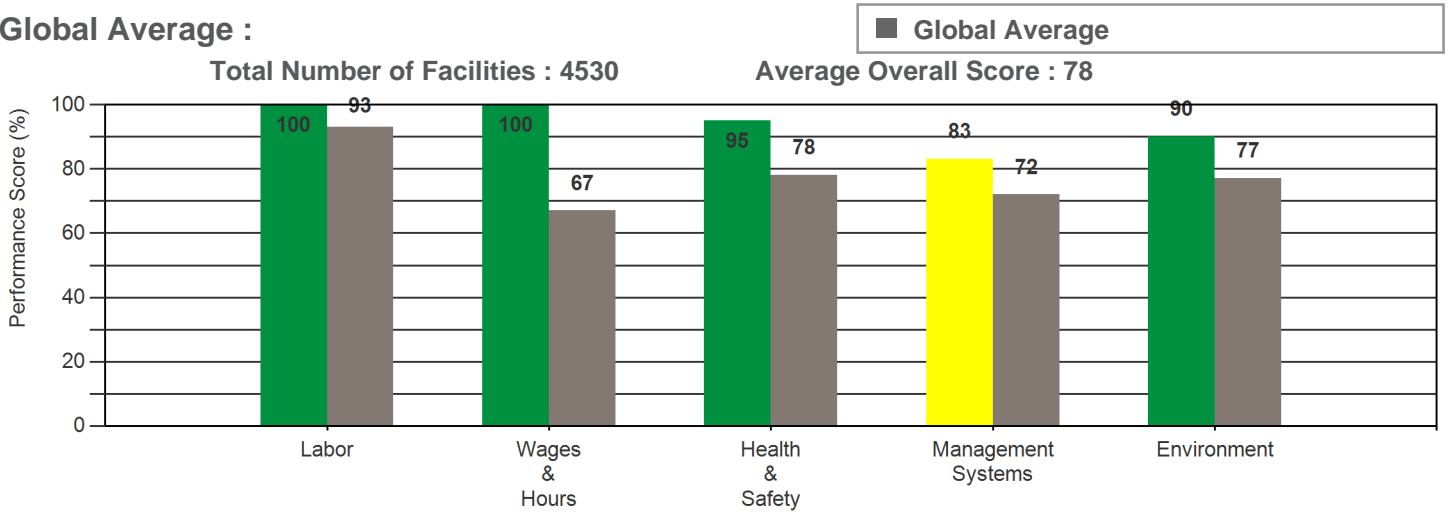


Section Name	Current	Last	First	Change (Current-Last)	Change (Current-First)
Labor	100	Not Applicable	100	Not Applicable	0 %
Wages & Hours	100	Not Applicable	8	Not Applicable	1150 %
Health & Safety	95	Not Applicable	90	Not Applicable	5 %
Management Systems	83	Not Applicable	26	Not Applicable	219 %
Environment	90	Not Applicable	38	Not Applicable	136 %
Overall Score	95	Not Applicable	57	Not Applicable	66 %

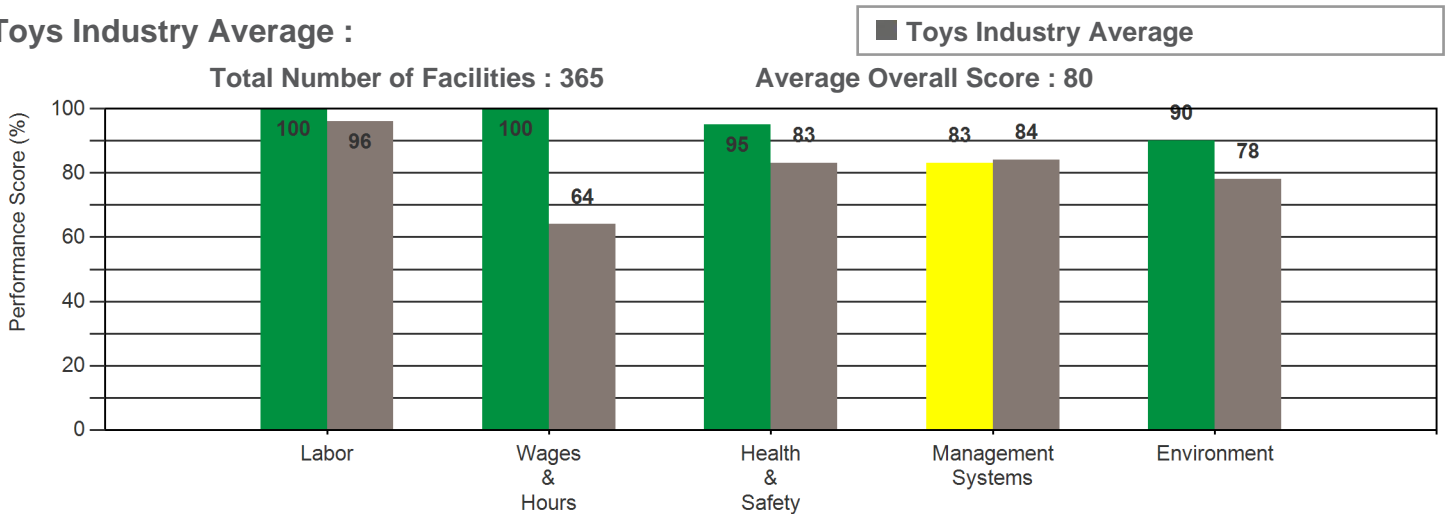
▲ Advancers ■ Constant ▼ Decliner

III. Comparison Benchmark

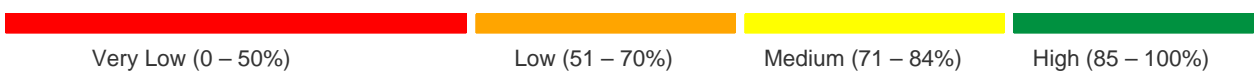
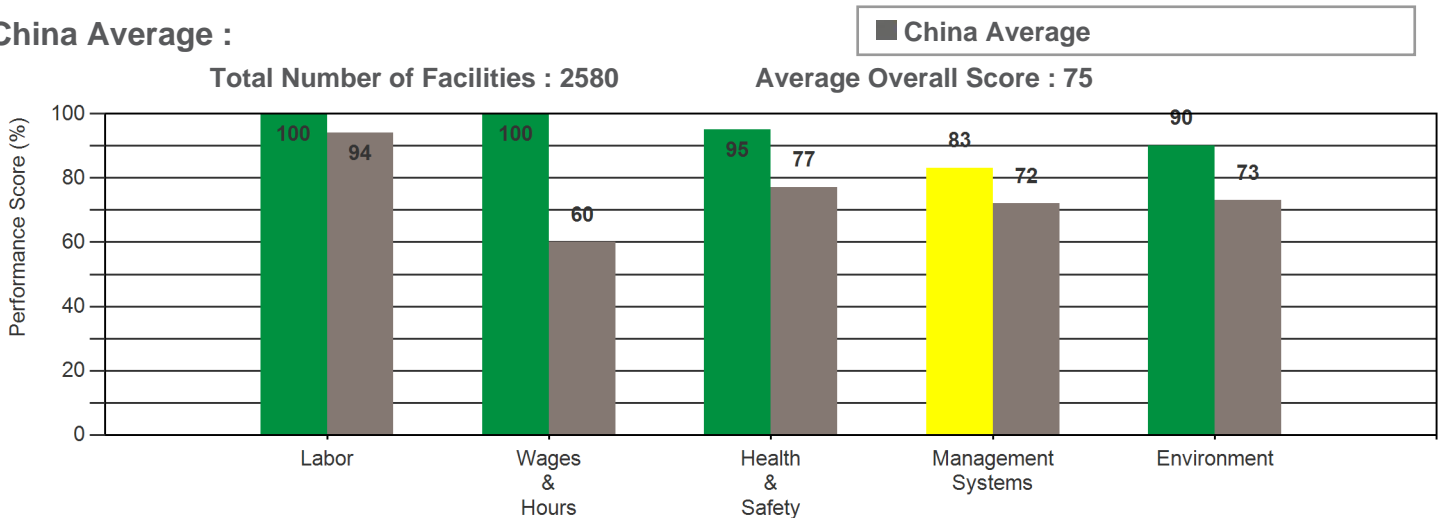
Global Average :



Toys Industry Average :

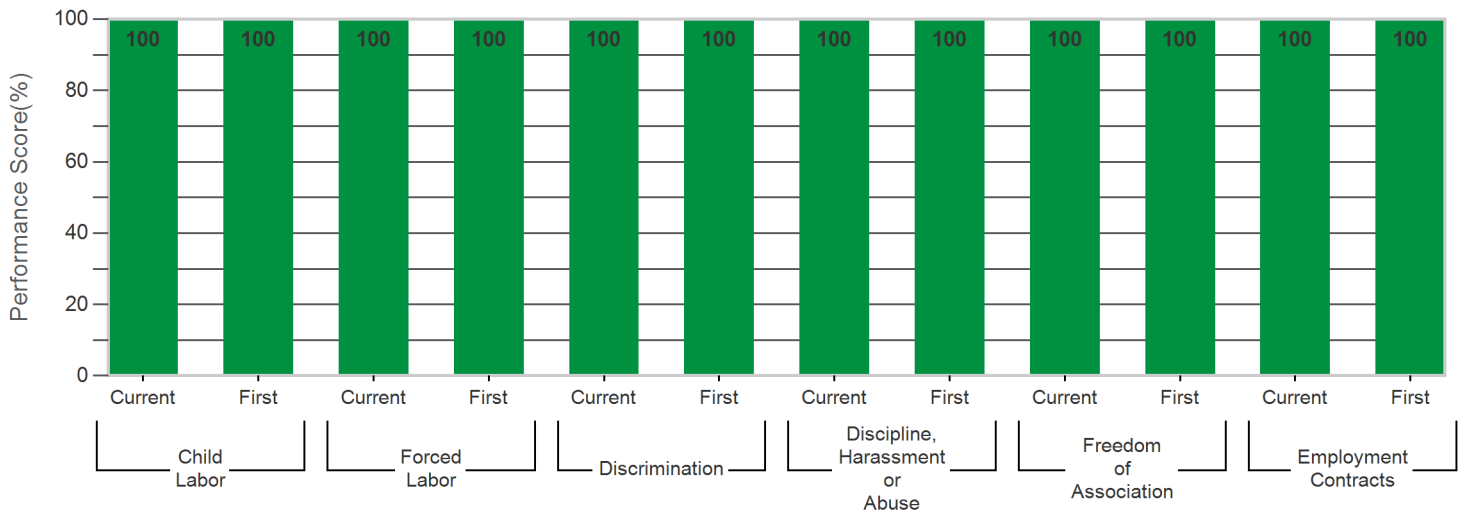


China Average :

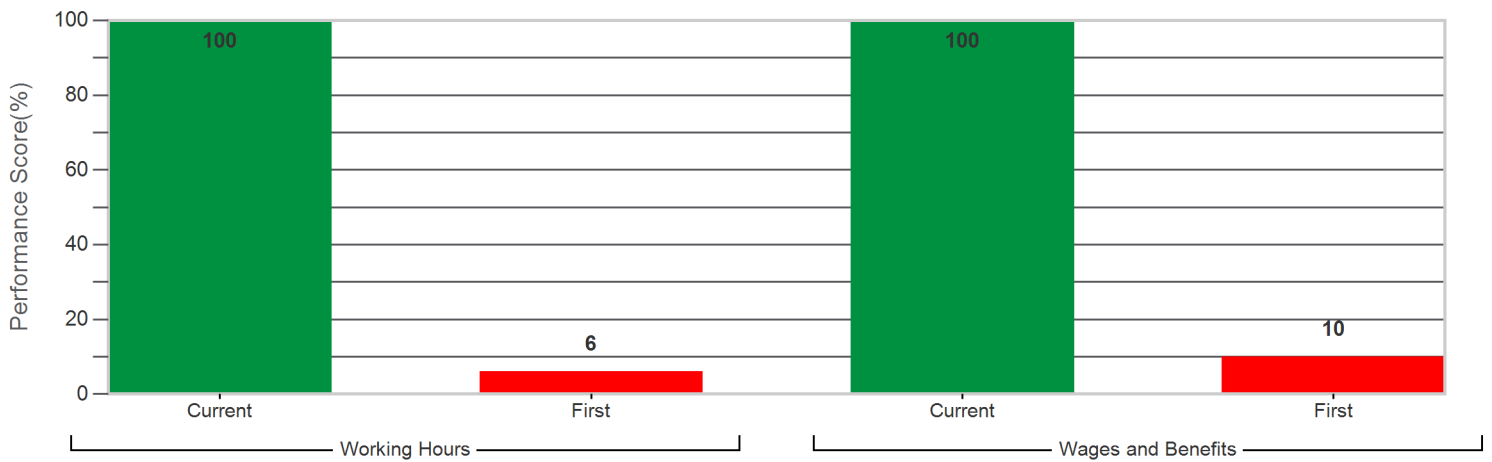


IV. Sub Section Comparison Benchmark

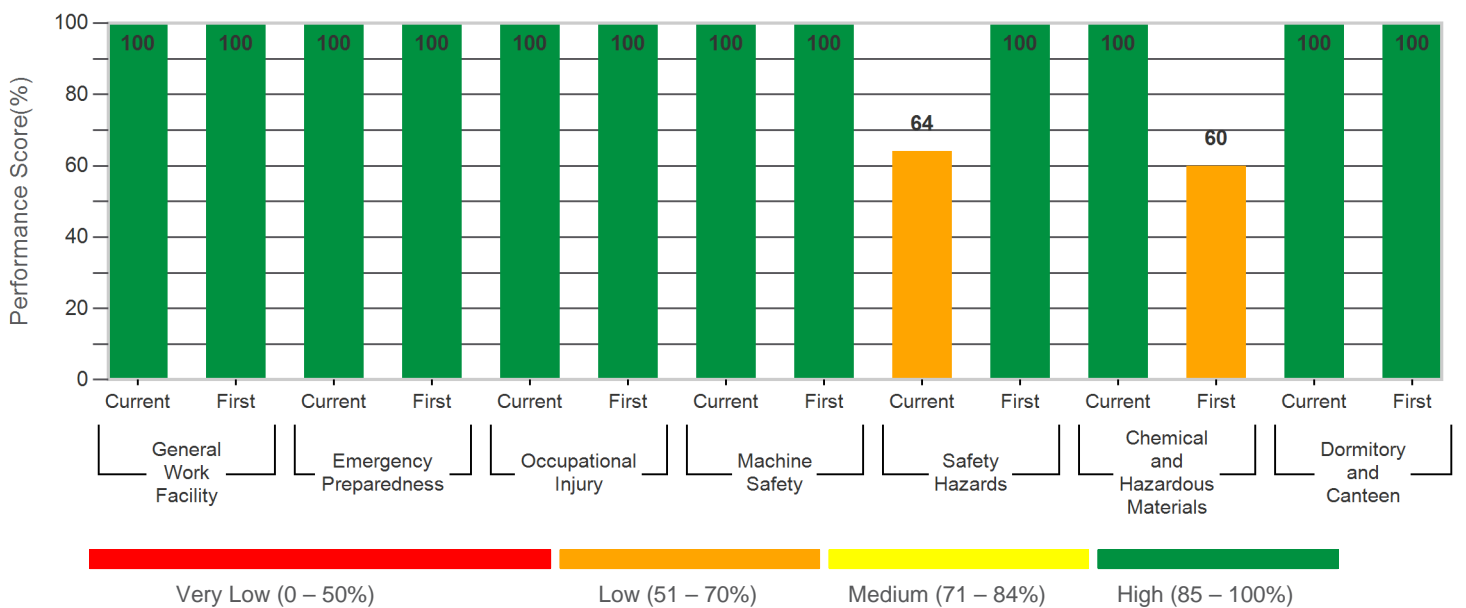
Labor



Wages & Hours

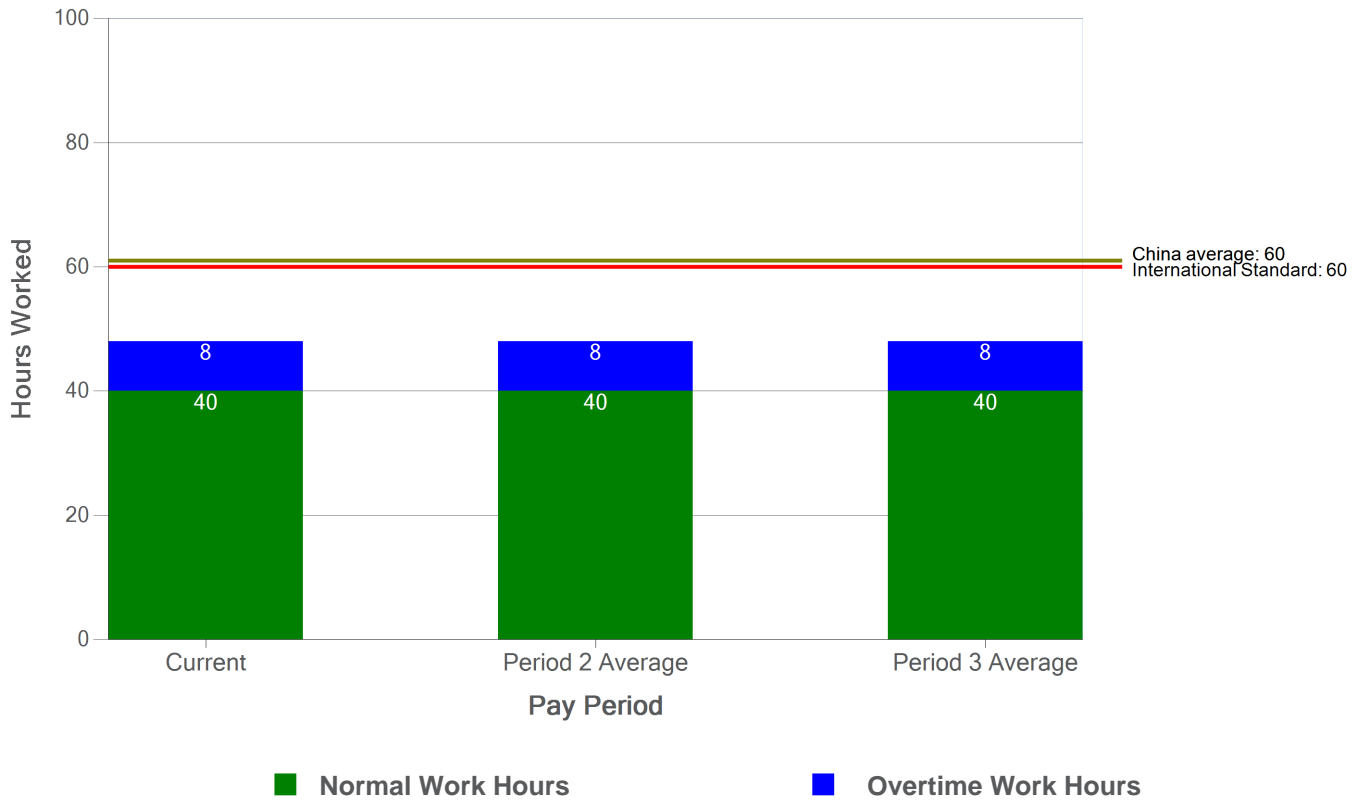


Health & Safety



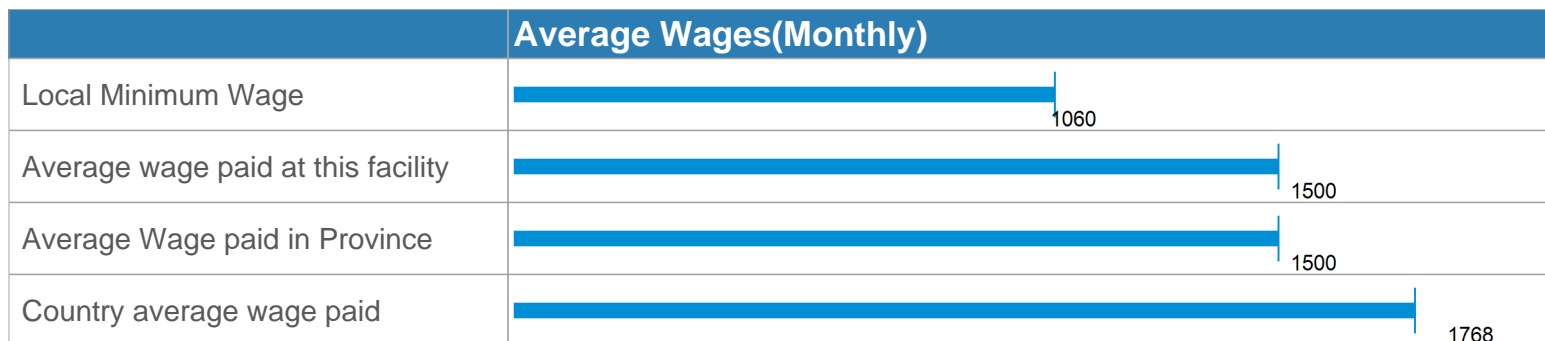
V. Working Hours and Wages

Average Total Hours Worked - Weekly



	From (Day-Month-Year)	To (Day-Month-Year)	Peak Season
Current Period Dates	1-1-2012	31-1-2012	NA
Period 2 Dates	1-12-2011	31-12-2011	NA
Period 3 Dates	1-11-2011	30-11-2011	NA

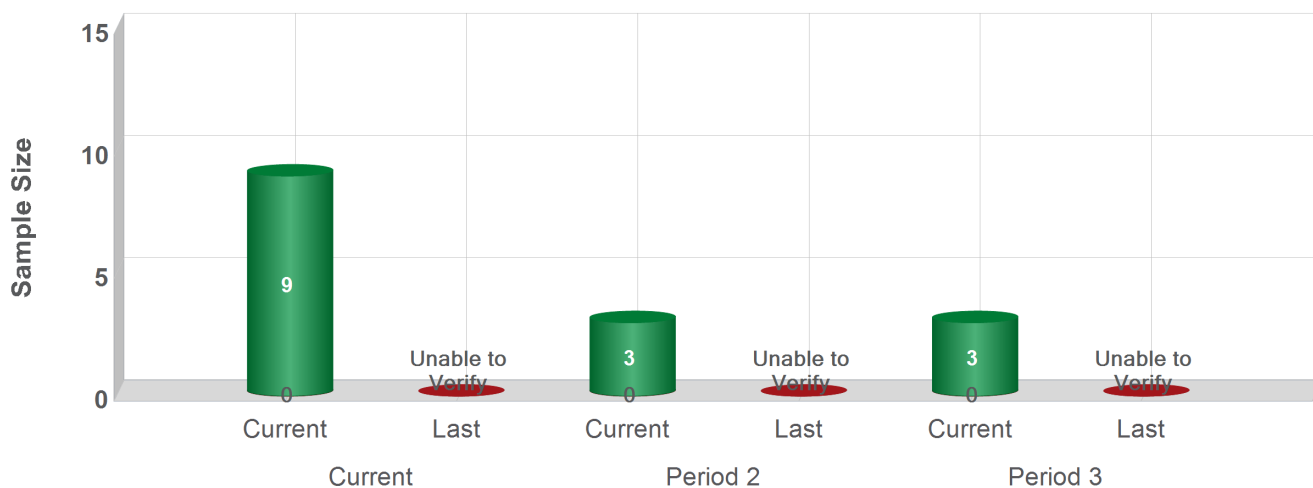
Average Wages Paid in Local Currency (RMB)



Note:

The minimum wage is RMB 900 per month equivalent to RMB 5.17 (900/21.75/8) per hour before April 1, 2011 and RMB 1060 per month equivalent to RMB 6.09 (1060/21.75/8) per hour since April 1, 2011.

Wage Analysis- Sampled Records



- Number of sampled employees below minimum wage requirement
- Number of sampled employees at or above minimum wage requirement

	From (Day-Month-Year)	To (Day-Month-Year)	Peak Season
Current Period Dates	1-1-2012	31-1-2012	NA
Period 2 Dates	1-12-2011	31-12-2011	NA
Period 3 Dates	1-11-2011	30-11-2011	NA



VI. Strength and Challenges

Definitions :

Facility Strengths : Compliances practices for which rest of the population is showing a **Non-Compliance** rate higher than 70%

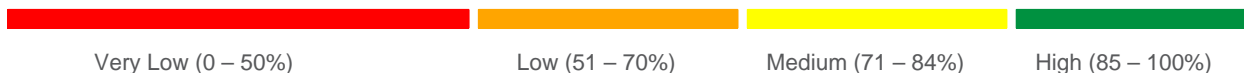
Facility Challenges : Non-compliances practices for which rest of the population is showing a **Compliance** rate higher than 70%

Facility Strengths	Global Freq. of Compliance%
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Facility Challenges	Global Freq. of Compliance%
The facility has not implemented a system to identify and monitor applicable labor and ethics laws, regulations and customer requirements	82%
Special equipment operators are not properly trained in safe operating procedures or not licensed, where applicable	73%

VII. Opportunities for Improvement

Performance Rating



100%

Section: Wages & Hours


SubSection: Working Hours

Current (20-Feb-2012)	Last (18-Oct-2011)	ID	Findings	Global Freq. of Compliance %
Corrected	Major	109.00	<p>Previous Non-Compliance : The provided time records are inaccurate and discrepancies are noted.</p> <p><i>First follow-up audit (February 20, 2012) This finding had been corrected. In this audit, auditors interviewed employees and crosschecked the time records, payroll records and other production-related records, such as daily production records, inspection records etc. and no inconsistencies were found, so the compliance status of minimum wages, overtime wages, working hours and overtime hours could be verified without exceptions noted.</i></p>	84%
Corrected	Moderate	114.00	<p>Previous Non-Compliance : Auditor was unable to verify if the total normal working hours are within allowable limit under applicable law or agreement.</p> <p><i>First follow-up audit (February 20, 2012) This finding had been corrected. In this audit, auditors interviewed workers and crosschecked the time records, payroll records and other production-related records, such as daily production records, inspection records etc. and no inconsistencies were found, so the compliance status of minimum wages, overtime wages, working hours and overtime hours could be verified without exceptions noted. Base on the document provided by the facility, it was noted that all the employees" total normal working hours were 40 hours per week which within allowable limits under applicable law.</i></p>	76%
Corrected	Moderate	115.00	<p>Previous Non-Compliance : Auditor was unable to verify if the total overtime hours exceeds allowance limits under applicable law or agreement.</p> <p><i>First follow-up audit (February 20, 2012) The finding had been corrected. This finding had been corrected. In this audit, auditors interviewed workers and crosschecked the time records, payroll records and other production-related records, such as daily production records, inspection records etc. and no inconsistencies were found, so the compliance status of minimum wages, overtime wages, working hours and overtime hours could be verified without exceptions noted. Base on the document provided by the facility, it was noted that the weekly overtime hours for all the employees were 8 hours and the monthly overtime hours were 32 hours.</i></p>	57%



Corrected	Moderate	118.00	Previous Non-Compliance : Auditor was unable to verify if the total weekly working hours (normal & overtime) are within 91.	77%
			<i>First follow-up audit (February 20, 2012)The finding had been corrected. This finding had been corrected. In this audit, auditors interviewed workers and crosschecked the time records, payroll records and other production-related records, such as daily production records, broken needle records etc. and no inconsistencies were found, so the compliance status of minimum wages, overtime wages, working hours and overtime hours could be verified without exceptions noted. Base on the document provided by the facility, it was noted that all the employees" total working hours were 48 hours per week (40 normal working hours plus 8 overtime hours) which within 91 hours.</i>	
Corrected	Minor	120.00	Previous Non-Compliance : The auditor was unable to verify if employees themselves record or acknowledge the recording of real working hours on regular basis	78%
			<i>First follow-up audit (February 20, 2012)The finding had been corrected. This finding had been corrected. In this audit, auditors interviewed workers and crosschecked the time records, payroll records and other production-related records, such as daily production records, inspection etc. and no inconsistencies were found, so the compliance status of minimum wages, overtime wages, working hours and overtime hours could be verified without exceptions noted. Through the employee interview, the employees claimed that they must fingerprinted by themselves.</i>	
Corrected	Moderate	122.00	Previous Non-Compliance : The auditor was unable to verify that employees are provided with at least one (1) day off following six consecutive days worked	66%
			<i>First follow-up audit (February 20, 2012)The finding had been corrected. This finding had been corrected. In this audit, auditors interviewed workers and crosschecked the time records, payroll records and other production-related records, such as daily production records, inspection records etc. and no inconsistencies were found, so the compliance status of minimum wages, overtime wages, working hours and overtime hours could be verified without exceptions noted. Base on the document provided by the facility and employee interview, it was noted that all the employees were provided with one day off following six consecutive days worked.</i>	

SubSection: Wages and Benefits

Current (20-Feb-2012)	Last (18-Oct-2011)	ID	Findings	Global Freq. of Compliance %
Corrected	Major	129.00	 Previous Non-Compliance : The provided payroll records are inaccurate and discrepancies are noted.	84%
			<i>First follow-up audit (February 20, 2012)The finding had been corrected. This finding had been corrected. In this audit, auditors interviewed workers and crosschecked the time records, payroll records and other production-related records, such as daily production records, inspection records etc. and no inconsistencies were found, so the compliance status of minimum wages, overtime wages, working hours and overtime hours could be verified without exceptions noted.</i>	



Corrected	Major	137.00	Previous Non-Compliance : The auditor was unable to verify if regular hourly work paid to all employees meets at least the minimum wage/ agreed wage.	76%
			<i>First follow-up audit (February 20, 2012)The finding had been corrected. This finding had been corrected. In this audit, auditors interviewed workers and crosschecked the time records, payroll records and other production-related records, such as daily production records, broken needle records etc. and no inconsistencies were found, so the compliance status of minimum wages, overtime wages, working hours and overtime hours could be verified without exceptions noted. Through the employee interivew and document review, it was noted that all employees were paid at least the minimum wage.</i>	
Corrected	Moderate	138.00	Previous Non-Compliance : The auditor was unable to verify if the wage calculation method is correct.	77%
			<i>First follow-up audit (February 20, 2012)The finding had been corrected. This finding had been corrected. In this audit, auditors interviewed workers and crosschecked the time records, payroll records and other production-related records, such as daily production records, inspection records etc. and no inconsistencies were found, so the compliance status of minimum wages, overtime wages, working hours and overtime hours could be verified without exceptions noted. Through the employee interivew and document review, it was noted that the wage calculation method was correct..</i>	
Corrected	Moderate	141.00	Previous Non-Compliance : The auditor was unable to verify if overtime wage is calculated and paid at the premium rate as legally required	67%
			<i>First follow-up audit (February 20, 2012)The finding had been corrected. This finding had been corrected. In this audit, auditors interviewed workers and crosschecked the time records, payroll records and other production-related records, such as daily production records, inspection records etc. and no inconsistencies were found, so the compliance status of minimum wages, overtime wages, working hours and overtime hours could be verified without exceptions noted. Through the employee interivew and document review, it was noted that the overtime wage was calculated and paid at the premium rate as legally required.</i>	
Corrected	Moderate	146.00	Previous Non-Compliance : The auditor was unable to verify if holiday work is accurately compensated	74%
			<i>First follow-up audit (February 20, 2012)This finding had been corrected. In this audit, auditors interviewed workers and crosschecked the time records, payroll records and other production-related records, such as daily production records, inspection records etc. and no inconsistencies were found, so the compliance status of minimum wages, overtime wages, working hours and overtime hours could be verified without exceptions noted. Through the employee interivew and document review, it was noted that statutory holiday work was accurately compensated.</i>	
Corrected	Moderate	147.00	Previous Non-Compliance : Employees are not given sufficient legally mandated paid time off	93%
			<i>First follow-up audit (February 20, 2012)The finding had been corrected. In this audit, auditor interviewed employees and crosschecked the time records, and payroll records, it was noted that the annual leave was provided for the employees and the records were maintained for review.</i>	

Corrected	Moderate	149.00	Previous Non-Compliance : Employees are not given legally mandated sick leave, pay and/ or benefits.	96%
			<i>First follow-up audit (February 20, 2012) This finding had been corrected. In this audit, auditor interviewed employees and crosschecked the time records, payroll records, it was noted that the facility had paid the sick leave for all employees.</i>	
Corrected	Moderate	151.00	Previous Non-Compliance : Wages are not paid regularly or on time	96%
			<i>First follow-up audit (February 20, 2012) This finding had been corrected. In this audit, auditors interviewed workers and crosschecked the time records, payroll records. The factory adjusted the pay date from 45 days to 15 days after previous audit. For example, the wages of January 2012 was paid on February 15, 2012.</i>	

95%

Section: Health & Safety

SubSection: Safety Hazards

Current (20-Feb-2012)	Last (18-Oct-2011)	ID	Findings	Global Freq. of Compliance %
Moderate	Compliance	230.00	Special equipment operators are not properly trained in safe operating procedures or not licensed, where applicable	73%
			Special Appliance Quality Safety Monitoring Regulation Article 38	
			<i>It was noted that the facility could not provide the effective electrician license during the audit day.</i>	

SubSection: Chemical and Hazardous Materials

Current (20-Feb-2012)	Last (18-Oct-2011)	ID	Findings	Global Freq. of Compliance %
Corrected	Moderate	242.00	Previous Non-Compliance : Material safety data sheets (MSDS) are not available	82%
			<i>First follow-up audit (February 20, 2012) This finding had been corrected. Through the facility tour, The material safety data sheets for chemical, such as essence, was provided on site for review.</i>	
Corrected	Moderate	247.00	Previous Non-Compliance : Containers are not stored properly to avoid leakages	71%
			<i>First follow-up audit (February 20, 2012) This finding had been corrected. Through the facility tour, The second containers were equipped for its dangerous chemical material, such as essence, stored in workshop and warehouse.</i>	

83%

Section: Management Systems

SubSection: Management Systems

Current (20-Feb-2012)	Last (18-Oct-2011)	ID	Findings	Global Freq. of Compliance %
Corrected	Moderate	288.00	Previous Non-Compliance : The facility does not have a comprehensive written social compliance policy	72%
			<i>First follow-up audit (February 20, 2012) This finding had been corrected. In this audit, the facility had established the social compliance policy and provided for review.</i>	



Moderate	Moderate	292.00	The facility has not implemented a system to identify and monitor applicable labor and ethics laws, regulations and customer requirements	82%
			<i>It was noted that the facility did not implement a system to identify and monitor applicable labor laws, regulations and customer social compliance requirements.</i>	
Corrected	Moderate	294.00	Previous Non-Compliance : The facility does not conduct periodic assessments (including internal audit) of its management system in order to identify improvement opportunities	62%
			<i>First follow-up audit (February 20, 2012) This finding had been corrected. In this audit, the facility had provided the periodic assessments of its social compliance system for review.</i>	
Corrected	Minor	295.00	Previous Non-Compliance : The facility does not take appropriate and preventative action to stop a recurrence of the same or similar labor or health & safety problem	80%
			<i>First follow-up audit (February 20, 2012) This finding had been corrected. Through the document review and employees interview, it was noted that the facility had taken appropriate and preventative action to stop a recurrence of the same or similar social compliance problem, and the relevant records were also maintained for review.</i>	
Corrected	Minor	296.00	Previous Non-Compliance : There are no written records (correspondence, report, meeting minutes, etc) of a regular management review of the social compliance system	60%
			<i>First follow-up audit (February 20, 2012) This finding had been corrected. Through the document review and facility management interview, it was noted that the regular management review of the social compliance system were conducted and the records were maintained for review.</i>	
Corrected	Minor	297.00	Previous Non-Compliance : The facility does not have appropriately defined and documented responsibilities and authorities for managers, supervisors and employees	74%
			<i>First follow-up audit (February 20, 2012) This finding had been corrected. Through the document review and facility interview, it was noted that the facility had defined and documented responsibilities and authorities for managers, supervisors and employees for social compliance. The relevant records were also for review.</i>	
Corrected	Minor	298.00	Previous Non-Compliance : The facility has not appointed either an individual or a committee at the highest possible management level to take responsibility for the social compliance program	84%
			<i>First follow-up audit (February 20, 2012) This finding had been corrected. Through the document review and facility interview, it was noted that the facility had appointed the individual at the highest possible management level to take responsibility for the social compliance program.</i>	
Minor	Minor	303.00	The facility does not establish, maintain or document appropriate procedures to evaluate and select suppliers and/or subcontractors based on their performance and commitment towards social compliance	61%
			<i>It was noted that the facility did not establish, maintain, and document appropriate procedures to evaluate and select suppliers and subcontractors based on their performance and commitment towards social compliance</i>	

90%

Section: Environment

SubSection: Environment

Current (20-Feb-2012)	Last (18-Oct-2011)	ID	Findings	Global Freq. of Compliance %
Corrected	Minor	311.00	<p>Previous Non-Compliance : The facility does not have an written environmental policy from top management</p> <p><i>First follow-up audit (February 20, 2012) This finding had been corrected. In this audit, the facility have provided a written environmental policy from top management.</i></p>	77%
Corrected	Minor	312.00	<p>Previous Non-Compliance : The facility does not have a nominated individual (or depending on the size of the enterprise, a team) responsible for coordinating the site's efforts to improve environmental performance</p>	88%
Minor	Minor	313.00	<p>The facility does not have any environmental management system in place</p> <p><i>It was noted that the facility had not established any environmental management system in place.</i></p>	61%
Corrected	Moderate	315.00	<p>Previous Non-Compliance : The facility does not have some required permits, licensees and / or registrations for discharge/disposal or they are not current</p> <p><i>First follow-up audit (February 20, 2012) This finding had been corrected. In this audit, the facility had compiled Environmental Impact Report, Environmental Impact Report Form and the the environmental protection acceptance check report for their completed construction project were also provided for review.</i></p>	69%
Corrected	Moderate	324.00	<p>Previous Non-Compliance : The air emissions do not meet the discharge limits for regulated constituents</p> <p><i>First follow-up audit (February 20, 2012) This finding had been corrected. In this audit, facility had provided the air emission permit which issued from local administrative department of environmental protection for review.</i></p>	86%

Recommendation for Improvement Plan Timeline

Finding Rating	Improvement Timeline
Zero Tolerance	Take immediate action to make necessary improvements
Major	Take action within one month to make necessary improvements
Moderate	Take action within three months to make necessary improvements
Minor	Take action within six-nine months to make necessary improvements



VIII. Good Practices

Section	Sub-Section	ID	Good Practice Description
Labor	Discrimination	57.00	The facility has written policies that prohibit discrimination
Wages & Hours	Working Hours	123.00	The facility has written procedures in place to determine, manage and control overtime
Health & Safety	Occupational Injury	203.00	For any work-related injuries in the past three years, the facility has performed investigations to determine root cause(s) and implement corrective actions
Management Systems	Management Systems	300.02	The facility communicates with employees using an employee committee
		300.03	The facility communicates with employees using a suggestion box
		300.04	The facility communicates with employees using verbal exchange
		305.00	The facility maintains metrics or key performance indicators for any labor or health & safety issues
Environment	Environment	313.02	The facility is currently setting up systems in order to obtain an environmental certification such as ISO14000 or equivalent

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