

Workplace Conditions Assessment Report

Measured Results —Improved Performance



CHEONG FAT PLASTIC BAGS PRINTING FACTORY(CHINA)

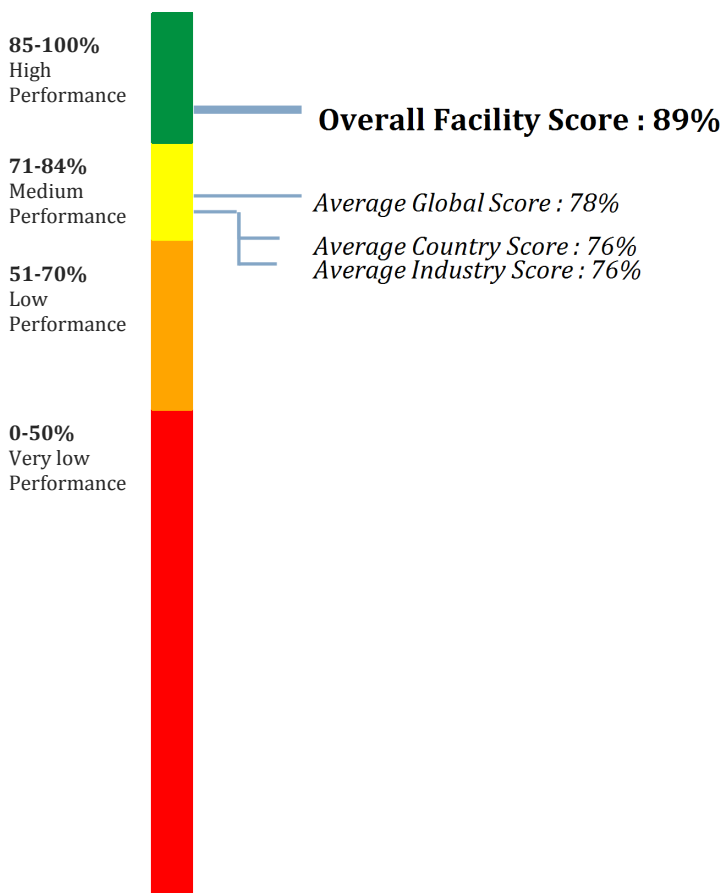
GENERAL INFORMATION

Overall Facility Score : **89%**

| | | | |
|--------------------|--------------|-------------------|-------------------|
| Report No : | F_IAR_25518 | City : | Shenzhen |
| Audit Date : | May 15, 2014 | Country : | China |
| Last Audit : | NA | Auditors : | Primary: Landy Yi |
| Assessment Stage : | Initial | | Secondary: None |
| Schedule Type : | Announced | Service Provider: | Intertek |

WORKPLACE PERFORMANCE INDEX AND SUMMARY

Participating facilities: 12853



| Assessment area | Score results | Number of non-compliances by rating | | | | |
|--------------------|---------------|-------------------------------------|-------|----------|-------|-----------|
| | | Zero Tolerance | Major | Moderate | Minor | Notscored |
| Overall | 89% | - | - | 4 | 5 | - |
| Labor | 100% | - | - | - | - | - |
| Wages & Hours | 73% | - | - | 2 | - | - |
| Health & Safety | 89% | - | - | 2 | 2 | - |
| Management Systems | 90% | - | - | - | 3 | - |
| Environment | 100% | - | - | - | - | - |

A. FACILITY PROFILE

A1. FACILITY INFORMATION

| | | | |
|-------------------------------|--|---|--|
| Facility Name: | Cheong Fat Plastic Bags Printing Factory(China) | Facility Legal Status: | Privately owned |
| Facility Legal Name: | Cheong Fat Plastic Bags Printing Factory(China) | Year facility began operations: | 2003 |
| Audit Location: | Third Industrial Estate,Fenghuang Fuyong Town | Located in special economic zone: | No |
| City: | Shenzhen | Person responsible for overall social compliance issues: | Mr. Guo Qian |
| Country: | China | Valid certificate for social compliance certification program: | No such certificate was obtained by the facility. |
| Contact Name: | Mr. Guo Qian | Vendor Name: | Not provided. |
| Contact Title: | Facility Manager | Security systems in place: | <i>Yes Security guards on the facility gate and management staff would verify and control physical access of employees and visitors to the facility.</i> |
| Industry: | Hardlines | | |
| Building Description: | The facility consisted of 1F, 2F and half of 3F of one 4-storey production building used as office, production and warehouses, and half of 1F of one 5-storey building used as production. The facility rented the 5F of one 6-storey building used as dormitory building. 1F of the dormitory building was used as kitchen and canteen. | | |
| Special building type: | Yes Multi-story building shared with other facilities/enterprises under separate ownership <i>The other half of 3F of the 4-storey building, and the other half of 1F and 2F-5F of the 5-storey building were used by more than ten other facilities. Based on onsite observation, management interview and employees interview, the audited facility ran independently from the other facilities and had separate management system and ownership. This audit only covered the audited facility.</i> | | |



A2. PRODUCTION INFORMATION

| | | | |
|--|---|--|---|
| Products manufactured/ Services provided: | The facility produces PE bags, plastic bags. | Time record system(s) used: | Swipe Card system |
| Production process/ Service elements: | Preparing, film blowing, printing, bag cutting and packing | Chemicals or hazardous materials on-site: | Yes <i>Chemicals such as printing ink, cleanser was used in the facility.</i> |
| Production capacity a week: | 25 tons per week | Current production/ Services for client: | NA |
| Total number of machines: | 72 sets | | |
| Main machine types: | Film blowing machines, printing machines, and bag cutting machines, etc. | | |
| Shifts and Operating hours: | The Film blowing departments run in 2 shifts, the working hours was from 20:00-8:00 (including 2 hours rest and 2 hours overtime hours). For the other departments, there was only one shift, which was from 8:00 to 12:00, and 13:30 to 17:30. | | |

A3. EMPLOYEE INFORMATION

| | | | |
|--|--|---|---------|
| Range of total number of employees at the facility: | 0-100 employees | Female Employees: | 28 |
| Union name: | None | Male Employees: | 42 |
| Employs juvenile workers: | None | Mgmt Employees: | 27 |
| Hires through employment agent: | No <i>All employees were hired directly in the facility.</i> | Production (Non-Management) Employees: | 43 |
| Employee nationalities/ provinces: | Guangdong, Guangxi, etc. | Local Employees: | 1 |
| | | Foreign/Migrant Employees: | 69 |
| | | Languages spoken in the facility: | Chinese |
| | | Management and employees speak same language : | Yes |

A4. SUBCONTRACTOR INFORMATION

No subcontractor information given

A5. GENERAL INFORMATION

This was an announced initial audit. Auditor arrived at the facility at 09:50am on May 15, 2014, purpose and procedure of this visit were explained to Mr. Guo Qian/Facility Manager and other representatives, and then the audit was permitted immediately. In general, the managements were cooperative during the whole audit, a closing meeting was held with Mr. Guo Qian/Facility Manager and other representatives, all findings were addressed in the CIR report, and the management stated that they would take relevant actions as soon as possible.

Emergency Preparedness Summary

The facility conducted fire drills for all employees twice a year and all fire fighting equipments were in good condition. Employees were trained on emergency preparedness, and knew how to handle the emergency situation such as fire.

A6. AUDIT PROCESS

Audit pay period provided for review

| Records | From | To |
|----------------------|--------------|----------------|
| 12 Months Payroll | April 1,2013 | March 31, 2014 |
| 12 Months Attendance | April 1,2013 | May15, 2014 |

Employee interview sampling

| | |
|-------------------|---|
| Individual | 7 |
| Group | 0 |
| Total interviewed | 7 |

Payroll and attendance records sampling

| Period | From | To | Peak Season | Records Reviewed |
|----------------|------------------|-------------------|-------------|------------------|
| Current Period | March1, 2014 | March31, 2014 | No | 7 |
| Period 1 | September1, 2013 | September30, 2013 | Yes | 3 |
| Period 2 | December 1, 2013 | December31 ,2013 | No | 3 |
| Total | | | | 13 |

Other records reviewed

| |
|-------------------------|
| Personnel records |
| Non-Production records |
| Legal Permits |
| Employee leave register |
| Security log book |

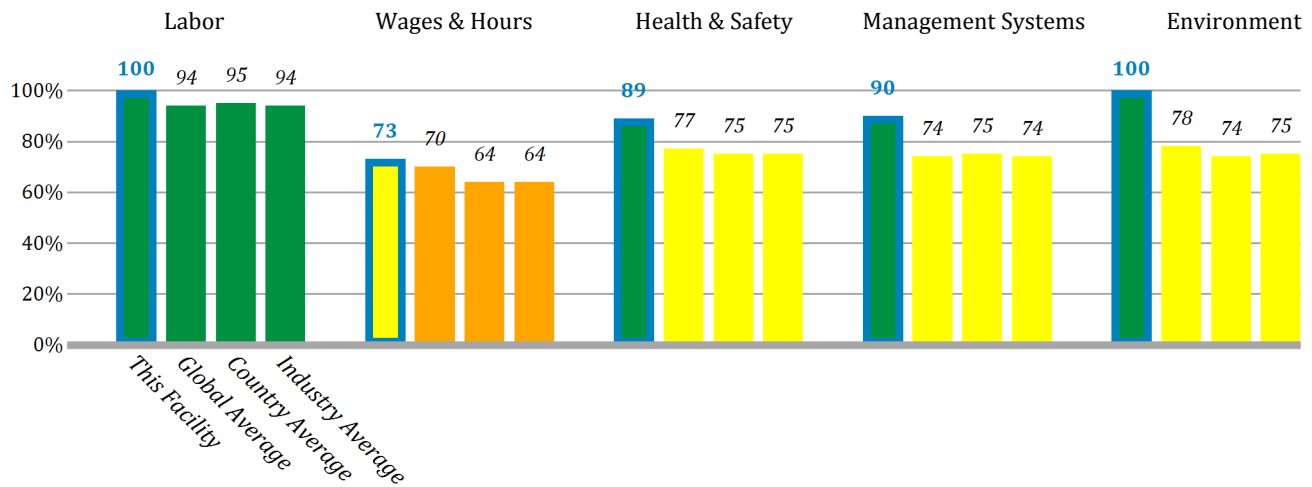
| |
|--------------------------------|
| Production records |
| Employment contracts |
| Social insurance documentation |
| Machine maintenance records |



B. KEY PERFORMANCE METRICS

B1. COMPARISON BENCHMARK

Current performance — Global average, China average, Hardlines average

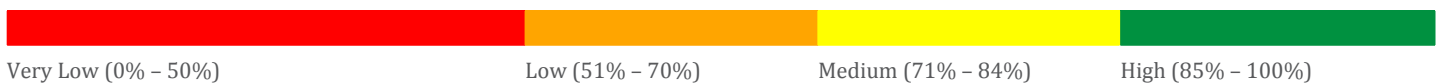


B2. PERFORMANCE TREND ANALYSIS

| Section Name | Current (15-May-2014) | Last (Not Applicable) | First (Not Applicable) | Change (Current-Last) | Change (Current-First) |
|----------------------|--------------------------|--------------------------|---------------------------|--------------------------|---------------------------|
| Labor | 100 | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| Wages & Hours | 73 | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| Health & Safety | 89 | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| Management Systems | 90 | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| Environment | 100 | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| Overall Score | 89 | Not Applicable | Not Applicable | Not Applicable | Not Applicable |

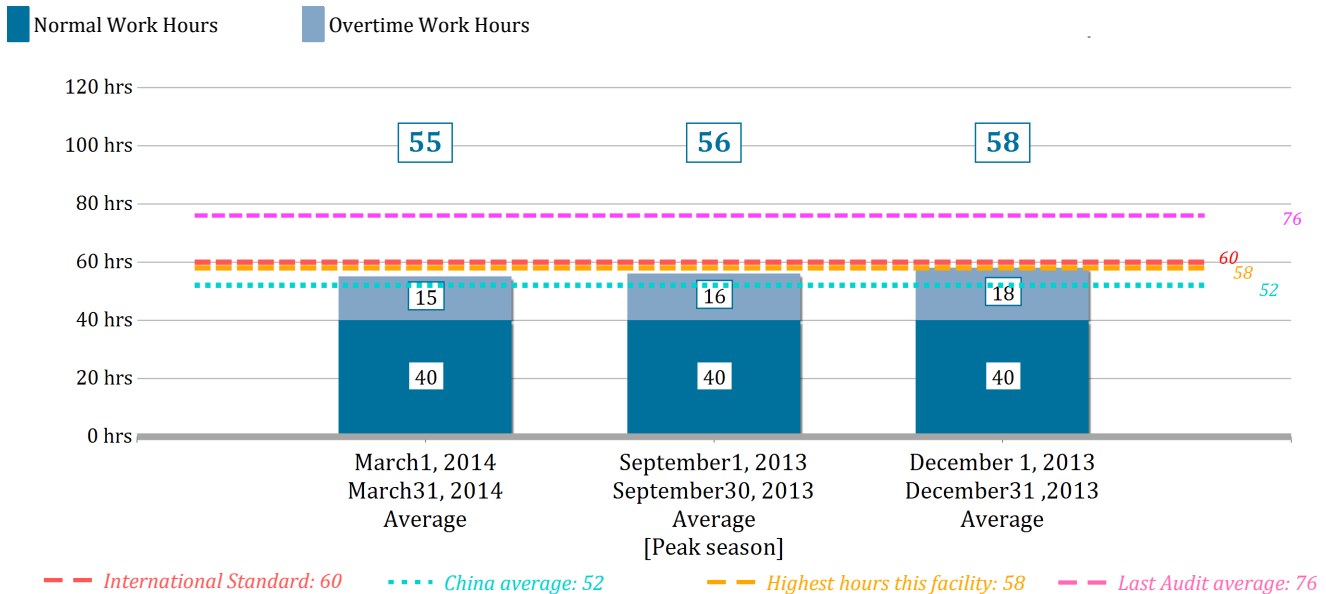
▲ Advancers ■ Constant ▼ Decliner

PERFORMANCE RATING

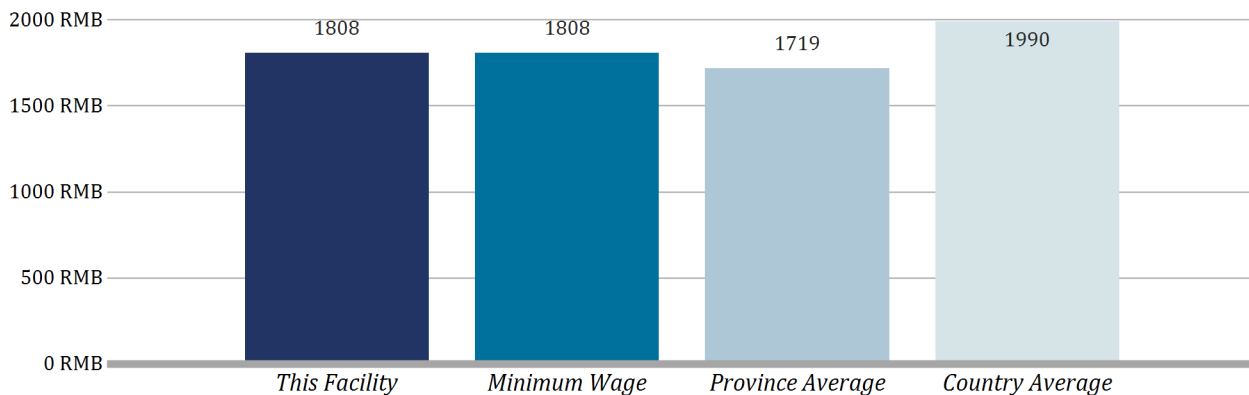


B3. WORKING HOURS AND WAGES

Average total hours worked weekly



Average wages paid in local currency (RMB)



Special wage circumstances:

Wages and hours summary: The facility provided the payrolls from April 2013 to March 2014 and attendance records from April 1, 2013 to May 15, 2014 for review during the audit. Based on review of the attendance records and payrolls, the facility paid adequate minimum wage and overtime wage as required by law. The facility used IC card system to record the employees' working hours. The monthly overtime hours of employees exceeded the legal requirement. The maximum daily overtime hours was 2 hours. The maximum weekly working hours were within 60 hours in all sampled periods. Employees were guaranteed at least one day off after 6 days' consecutive working. The monthly overtime hours of employees exceeded the legal requirement. In September 2013 (peak month), 3 out of 3 sampled employees' monthly overtime was 72 hours; in December 2013 (non-peak month), 3 out of 3 sampled employees' monthly overtime was 76 hours; in March 2014 (current month), 7 out of 7 sampled employees' monthly overtime was 40-82 hours.

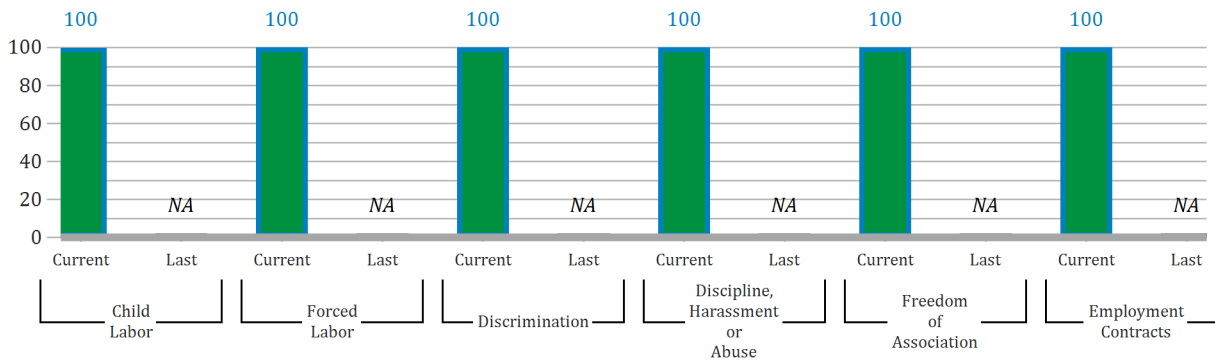


C. PERFORMANCE DETAILS

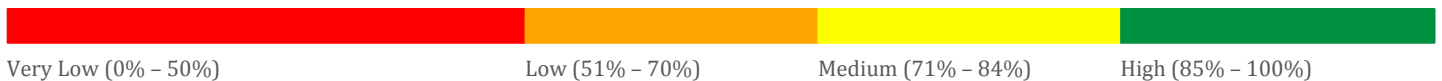
Current (15-May-2014)

C1. Labor

100%

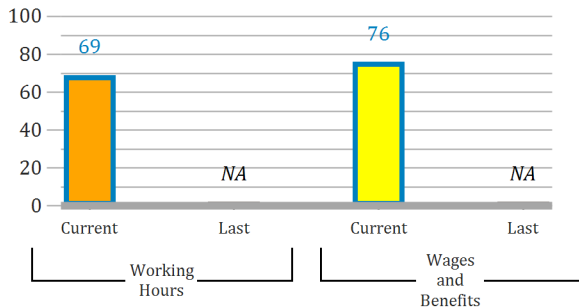


PERFORMANCE RATING





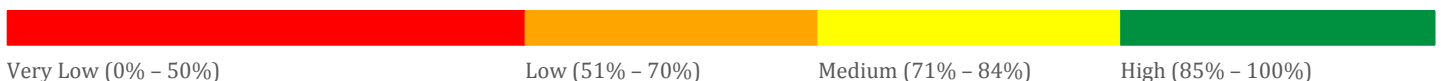
C2. Wages & Hours



Sub Section: Working Hours

| Status | Findings | % Global freq of compliance |
|-------------------|---|-----------------------------|
| ● Moderate | <p>120.00 : Total overtime hours exceeds allowable limits under applicable law or agreement.</p> <p>Auditor's comment It was noted that the monthly overtime hours of employees exceeded the legal requirement. In September 2013 (peak month), 3 out of 3 sampled employees' monthly overtime was 72 hours; in December 2013 (non-peak month), 3 out of 3 sampled employees' monthly overtime was 76 hours; in March 2014 (current month), 7 out of 7 sampled employees' monthly overtime was 40-82 hours.</p> <p>People's Republic of China Labor Law Article 41 The employing unit may extend working hours due to the requirements of its production or business after consultation with the trade union and laborers, but the extended working hour for a day shall generally not exceed one hour; if such extension is called for due to special reasons, the extended hours shall not exceed three hours a day under the condition that the health of laborers is guaranteed. However, the total extension in month shall not exceed 36 hours.</p> | 55% |

PERFORMANCE RATING

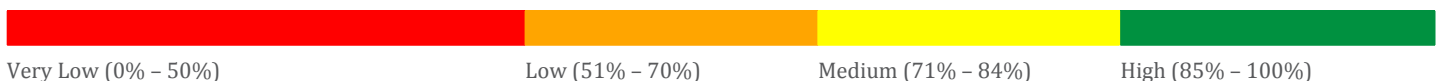




Sub Section: Wages and Benefits

| Status | Findings | % Global freq of compliance |
|--------------------------|--|-----------------------------|
| <p>● Moderate</p> | <p>148.00 : The facility does not provide social security, pensions, healthcare and/ or other insurance to employees as per legal requirement.</p> <p>Auditor's comment Based on the provided social insurance receipt of March 2014, it was noted that only 26 out of 70 employees participated in the basic endowment insurance, 70 out of 70 employees participated in basic medical insurance, 6 out of 70 employees participated in maternity insurance, and 70 out of 70 employees participated in employment injury insurance and unemployment insurance.</p> <p>Social Insurance Law of the People's Republic of China Article 53 Employees shall participate in child-bearing insurance, and the child-bearing insurance premiums shall be paid by employers rather than employees in accordance with the relevant provisions of the state.</p> <p>Social Insurance Law of the People's Republic of China Article 23 Employees shall participate in the basic illness or injury insurance for employees, and the basic illness or injury insurance premiums shall be jointly paid by employers and employees in accordance with the relevant provisions of the state.</p> <p>Social Insurance Law of the People's Republic of China Article 10 Employees shall participate in the basic retirement insurance, and the basic retirement insurance premiums shall be jointly paid by employers and employees.</p> <p>Social Insurance Law of the People's Republic of China Article 33 Employees shall participate in the disability caused by work-related injury or occupational disease insurance, and the disability caused by work-related injury or occupational disease insurance premiums shall be paid by their employers rather than the employees.</p> <p>Social Insurance Law of the People's Republic of China Article 44 Employees shall participate in unemployment insurance, and the unemployment insurance premiums shall be jointly paid by employers and employees in accordance with the relevant provisions of the state.</p> <p>People's Republic of China Labor Law Article 72 The sources of social insurance funds shall be determined according to the categories of insurance, and an overall pooling of insurance funds form the society shall be introduced step by step. The employing unit and laborers must participate in social insurance and pay social insurance premiums in accordance with the law. Social Insurance Law of the People's Republic of China</p> | <p>67%</p> |

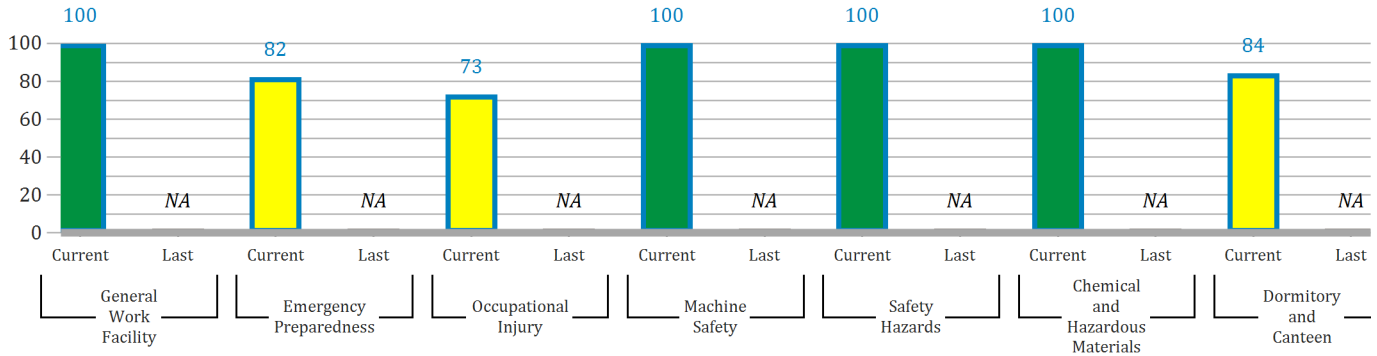
PERFORMANCE RATING





C3. Health & Safety

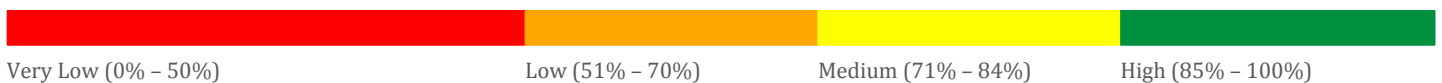
89%



Sub Section: Emergency Preparedness

| Status | Findings | % Global freq of compliance |
|-------------------|--|-----------------------------|
| ● Moderate | <p>178.02 : Smoke detector is not properly installed throughtout the facility and/ or not regularly maintained.</p> <p>Auditor's comment It was noted that no smoke alarm was installed in the facility.</p> | 54% |

PERFORMANCE RATING

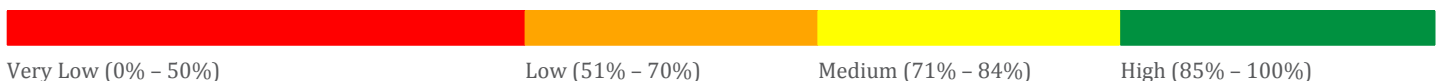




Sub Section: Occupational Injury

| Status | Findings | % Global freq of compliance |
|---------|---|-----------------------------|
| ● Minor | <p>209.00 : The facility does not conduct and/ or pay for regular occupational health examinations for employees when applicable</p> <p>Auditor's comment The facility did not provide occupational health examination for about 15 out 15 employees contacting with chemicals, such as in printing workshop.</p> <p>People's Republic of China Law of Prevention and Control of Occupational Diseases Article 32 The employer shall conduct regular occupational health examination for those laborers who are engaged in using or contacting noxious articles in their working process as required by medical administrative department under the State Council. The occupational health examination should be conducted before laborers start to take work post, in the course of the work post and after leave the work post and employer should inform the laborers of the result of the occupational health examinations. The expense of the occupational health examination should be borne by employers. Employer should not arrange laborers without the occupational health examination to be engaged in the work with using or contacting noxious articles, or laborers with any occupational prohibitions to be engaged in the prohibited work from them. Once the occupational health examination indicates that employee is suffering from the occupational disease in relation to his or her occupation, the employer shall transfer such a laborer out of his or her original work post, and allocate him or her in a proper way. Employer should not rescind or terminate the contracts signed with those employees without the occupational health examination at time of leaving the work post. The occupational health examination should be conducted by the medical organizations authorized by the medical administrative department above province-level.</p> | 71% |
| ● Minor | <p>211.00 : The facility does not apply for testing of factors of occupational hazards at least once a year and the report kept for review</p> <p>Auditor's comment The facility arranged an agency to conduct the workplace air quality and noise level test, but could not provide the qualification proof of the agency.</p> <p>Provisions on the Supervision and Administration of Workplace Occupational Health Article 20 An employing entity with occupational hazards shall entrust an occupational health technical service agency with corresponding qualification to conduct evaluation on occupational hazard factors at least once every year. An employing entity with severe occupational hazards shall, in addition to the above requirement, entrusts an occupational health technical service agency with corresponding qualification to conduct assessment on occupational hazard status at least once every three years. The results of the evaluation and assessment shall be kept in archive, reported to local administration department of work safety, and announced to the workers.</p> | 69% |

PERFORMANCE RATING

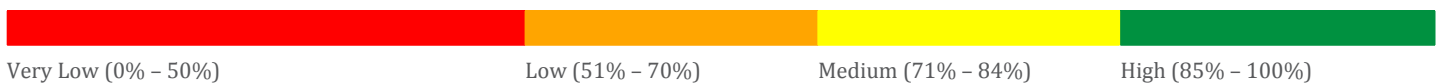




Sub Section: Dormitory and Canteen

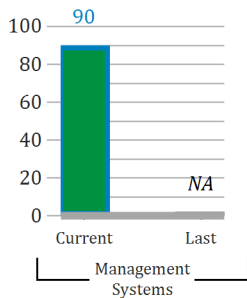
| Status | Findings | % Global freq of compliance |
|-------------------|--|-----------------------------|
| ● Moderate | 274.02 : Smoke detector is not properly installed throughout the dormitory and/ or not regularly maintained. Auditor's comment It was noted that no smoke alarms was installed in the dormitory building. | 52% |

PERFORMANCE RATING



C4. Management Systems

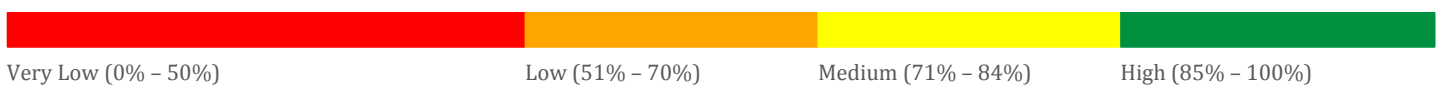
90%



Sub Section: Management Systems

| Status | Findings | % Global freq of compliance |
|---------|---|-----------------------------|
| ● Minor | <p>294.04 : The facility has comprehensive working hour and wages management processes and procedures in a written manual that support adherence to social compliance requirements but they are not all being properly implemented</p> <p><i>Auditor's comment</i> Finding about working hours and benefits was were found during this audit, please refer to related section for details.</p> | 94% |
| ● Minor | <p>294.06 : The facility has comprehensive emergency preparedness processes and procedures in a written manual that support adherence to social compliance requirements but they are not all being properly implemented</p> <p><i>Auditor's comment</i> Finding about emergency preparedness was identified in this audit, please refer to related section for details.</p> | 93% |
| ● Minor | <p>294.07 : The facility has comprehensive employee safety processes and procedures in a written manual that support adherence to social compliance requirements but they are not all being properly implemented</p> <p><i>Auditor's comment</i> Finding about health and safety was identified in this audit, please refer to related section for details.</p> | 94% |

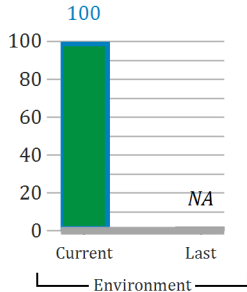
PERFORMANCE RATING





100%

C5. Environment



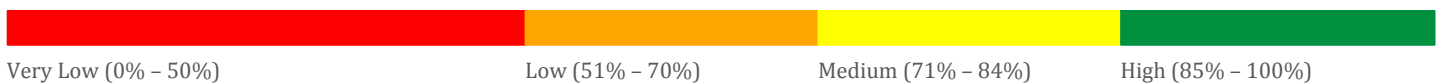
% Global Frequency of Compliance: Represents the implementation percentage performance of all suppliers participating in the WCA Community globally for each issue

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% |
|--|----------|-----------------------------|
| There are written records (correspondence, report, meeting minutes, etc) of a regular management review of the social compliance system | Minor | 57% |
| Challenges: Facility performance ranks in the bottom percentile of the population | Rating | Global Freq. of Compliance% |
| The facility has comprehensive employee safety processes and procedures in a written manual that support adherence to social compliance requirements but they are not all being properly implemented | Minor | 94% |
| 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 | 94% |
| The facility has comprehensive emergency preparedness processes and procedures in a written manual that support adherence to social compliance requirements but they are not all being properly implemented | Minor | 93% |
| The facility does not conduct and/ or pay for regular occupational health examinations for employees when applicable | Minor | 71% |
| The facility does not apply for testing of factors of occupational hazards at least once a year and the report kept for review | Minor | 69% |
| The facility does not provide social security, pensions, healthcare and/ or other insurance to employees as per legal requirement. | Moderate | 67% |

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