

Workplace Conditions Assessment Report

Measured Results — Improved Performance



SEGELN LIMITED

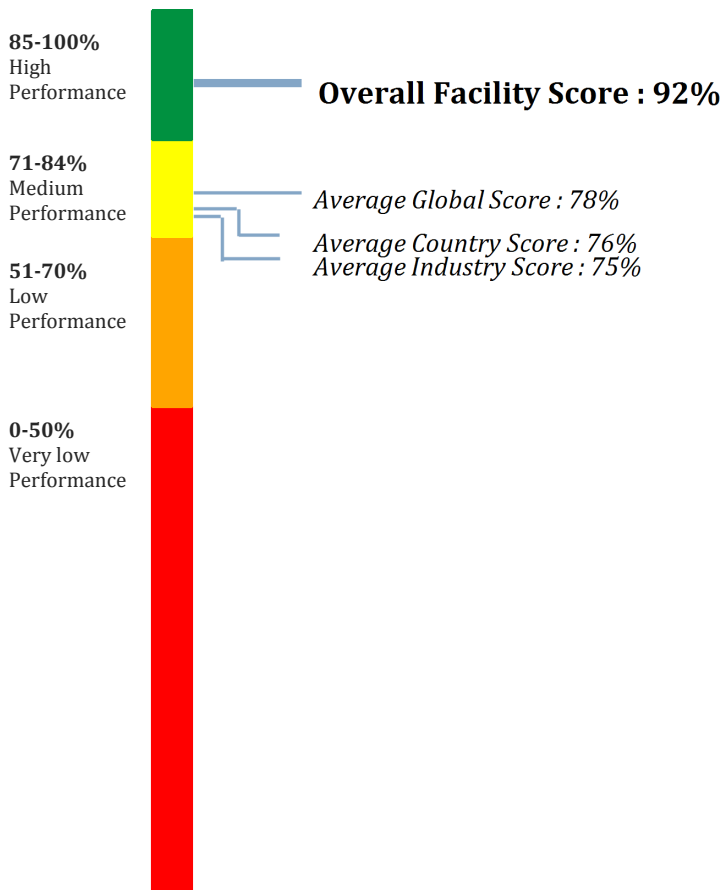
GENERAL INFORMATION

Overall Facility Score : **92%**

Report No :	F_IAR_91380	City :	Dongguan
Audit Date :	Jun 26, 2019	Country :	China
Last Audit :	Jun 06, 2018 (93%)	Auditors :	Primary: jack he
Assessment Stage :	Annual		Secondary: None
Schedule Type :	Announced	Service Provider:	Intertek

WORKPLACE PERFORMANCE INDEX AND SUMMARY

Participating facilities: 31130



Assessment area	Score results	Number of non-compliances by rating				
		Zero Tolerance	Major	Moderate	Minor	Notscored
Overall	92%	-	-	3	3	-
Labor	100%	-	-	-	-	-
Wages & Hours	73%	-	-	2	-	-
Health & Safety	95%	-	-	1	-	-
Management Systems	90%	-	-	-	3	-
Environment	100%	-	-	-	-	-

A. FACILITY PROFILE

A1. FACILITY INFORMATION

Facility Name:	Segeln Limited	Facility Legal Status:	Privately owned
Facility Legal Name:	Dongguan Zhengfan Sports Goods Company Limited Remark: The facility used Segeln Limited as English name for normal practice.	Year facility began operations:	August 2016
Audit Location:	Building G, Gold Phoenix Industrial JiangXia Industrial Park FengGang Town, Dongguan City, Guangdong Porvince, China	Located in special economic zone:	No
City:	Dongguan	Person responsible for overall social compliance issues:	Mr. Zhang Jing Feng/ Manager
Country:	China	Valid certificate for social compliance certification program:	Audited facility did not have any certificate.
Contact Name:	Mr. Zhang Jing Feng	Vendor Name:	ChicoEco, Inc. DBA ChicoBag
Contact Title:	Manager	Security systems in place:	Yes There was one access gate with one security guard posted on site and CCTVs were used to monitor the access door.
Industry:	Hardlines		
Building Description:	Audited facility rented one 2-storey building as production floors and warehouse. One 4-storey building was used as office and dormitory. There was no kitchen or canteen available for the employees. All buildings were made up of concrete, brick and steel. The structure area audited facility occupied were 3100 square meters.		
Special building type:	NA		

A2. PRODUCTION INFORMATION

Products manufactured/ Services provided:	Bags	Time record system(s) used:	Finger print attendance system.
Production process/ Service elements:	Cutting, sewing, handwork and packing.	Chemicals or hazardous materials on-site:	Yes <i>Small amount of glue, machine oil and alcohol.</i>
Production capacity a week:	15,000 pieces	Current production/ Services for client:	NA
Total number of machines:	35 sets		
Main machine types:	Cutting machines, sewing machines, etc		
Shifts and Operating hours:	All employees' standard working hours were 8 hours per day and 40 hours per week from Monday to Friday. All employees worked in one shift: from 8:00 to 17:30 with 1.5 hours' lunch break from 12:00 to 13:30.		

A3. EMPLOYEE INFORMATION

Range of total number of employees at the facility:	0-100 employees	Female Employees:	19
Union name:	None	Male Employees:	11
Employs juvenile workers:	None	Mgmt Employees:	1
Hires through employment agent:	No <i>All employees were hired by the facility directly.</i>	Production (Non-Management) Employees:	29
Employee nationalities/provinces:	The migrant employees were from Hubei, Yunnan and Jiangxi provinces of China.	Local Employees:	1
		Foreign/Migrant Employees:	29
		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 annual audit conducted by Intertek Testing Services on behalf of client. One auditor assessed / verified the facility's operations against the client's requirement and local legislations on a sampling basis in 1 day. At 9:00 am June 26, 2019, auditor entered the facility then held an opening meeting according to the WCA Program, purpose and procedure of the visit were explained to Mr. Zhang Jing Feng/ Manager, the audit was permitted immediately.

Factory tour: The auditor conducted the facility tour with the escort of Mr. Zhang Jing Feng/ Manager. All the areas of audited facility were covered during the facility tour.

Document review: The relevant documents such as attendance records, payroll records, labor contracts etc. were provided in timely manner.

Employees interview: All employees were comfortable during interview. All employees were satisfied with the facility and no negative information was raised. The employees did enjoy working in the facility. They were satisfied with the working condition and management system. The facility gave everybody equal opportunity and salary was meeting local law requirement.

Close meeting: At the end of the audit, all the findings were addressed and accepted by the facility management. He said he would have an internal meeting to follow up and necessary changes would be made in accordance.

Attitude of managers: The facility management showed a positive attitude to this audit during the whole process.

No ZT or major violation was identified in this audit.

Current status:

Labour : The facility gave everybody equal opportunity and salary was meeting local law requirement, and the facility did not use child labor in the facility. No case of forced labor, harassment / abuse, discrimination was noted. Employees were not refrained to join the association.

Management system: Some findings about management system were raised; please refer to the relevant section of this report for details.

Environment: The facility management maintained all legally required environmental documents in place to prove that the production of the facility was in compliance with the related environmental regulations.

Best Practice: Nil.

Emergency Preparedness Summary

The facility provided sufficient fire safety equipments throughout the facility: such as extinguishers, fire hydrants, fire alarms, all were well equipped and checked monthly. Evacuation maps were also posted in each floor with position of firefighting equipments, emergency plan and "you are here" information. Emergency routes were clearly marked on the floors which could lead employees to emergency exits. Exit signs and emergency lights were posted at exit doors. Two emergency exits were on each floor in the facility. Latest Fire evacuation drill was conducted for all employees in May 2019, the facility had plan to conduct fire drills and fire fighting training twice every year.

Facility had a program to provide EHS training to all employees including fire safety. The assigned person was responsible for the facility health and safety, regular meetings minutes of proceedings were provided for auditor review.

A6. AUDIT PROCESS

Audit pay period provided for review

Records	From	To
12 Months Payroll	May 1, 2018	April 30, 2019
12 Months Attendance	May 1, 2018	June 25, 2019

Employee interview sampling

Individual	4 employees including 3 females and 1 male were interviewed individually.
Group	None
Total interviewed	4 employees including 3 females and 1 male were interviewed.

Payroll and attendance records sampling

Period	From	To	Peak Season	Records Reviewed
Current Period	April 1, 2019	April 30, 2019	No	4
Period 1	October 1, 2018	October 31, 2018	No	3
Period 2	August 1, 2018	August 31, 2018	No	3
Total				10

Other records reviewed

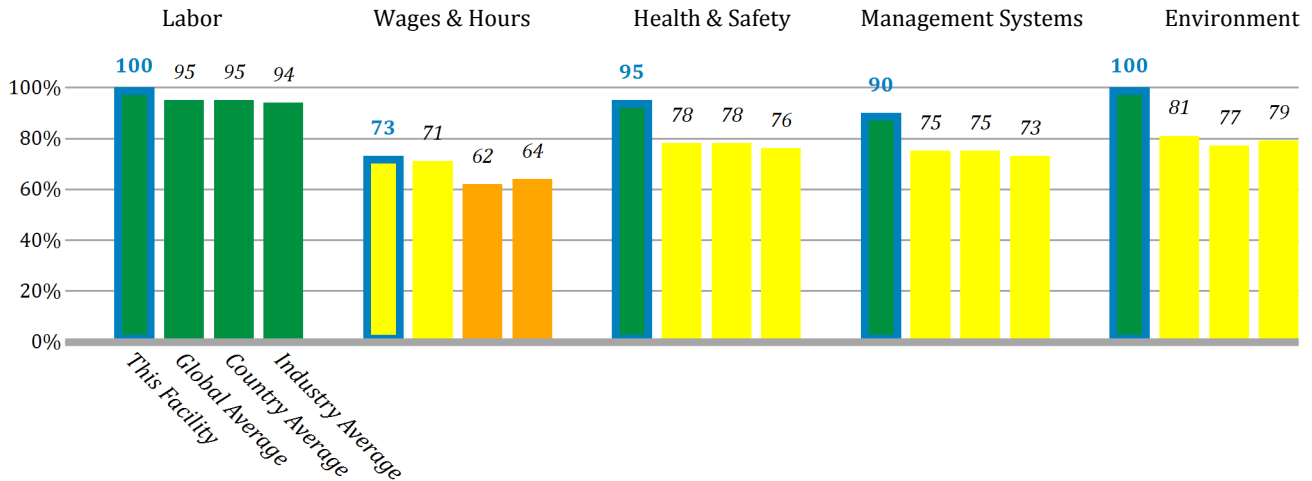
Personnel records
Production records
Employment contracts
Social insurance documentation
Health examination records

Security log book
Non-Production records
Legal Permits
Employee leave register
Machine maintenance records

B. KEY PERFORMANCE METRICS

B1. COMPARISON BENCHMARK

Current performance — Global average, China average, Hardlines average

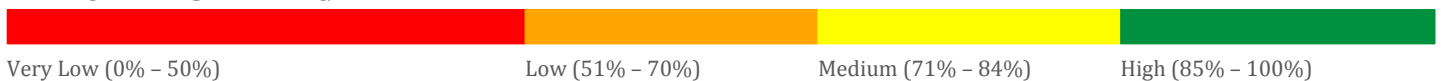


B2. PERFORMANCE TREND ANALYSIS

Section Name	Current (26-Jun-2019)	Last (06-Jun-2018)	First (09-Mar-2017)	Change (Current-Last)	Change (Current-First)
Labor	100	100	100	0 % ■	0 % ■
Wages & Hours	73	72	72	1 % ▲	1 % ▲
Health & Safety	95	98	99	-3 % ▼	-4 % ▼
Management Systems	90	87	79	3 % ▲	13 % ▲
Environment	100	100	100	0 % ■	0 % ■
Overall Score	92	93	91	-1 % ▼	1 % ▲

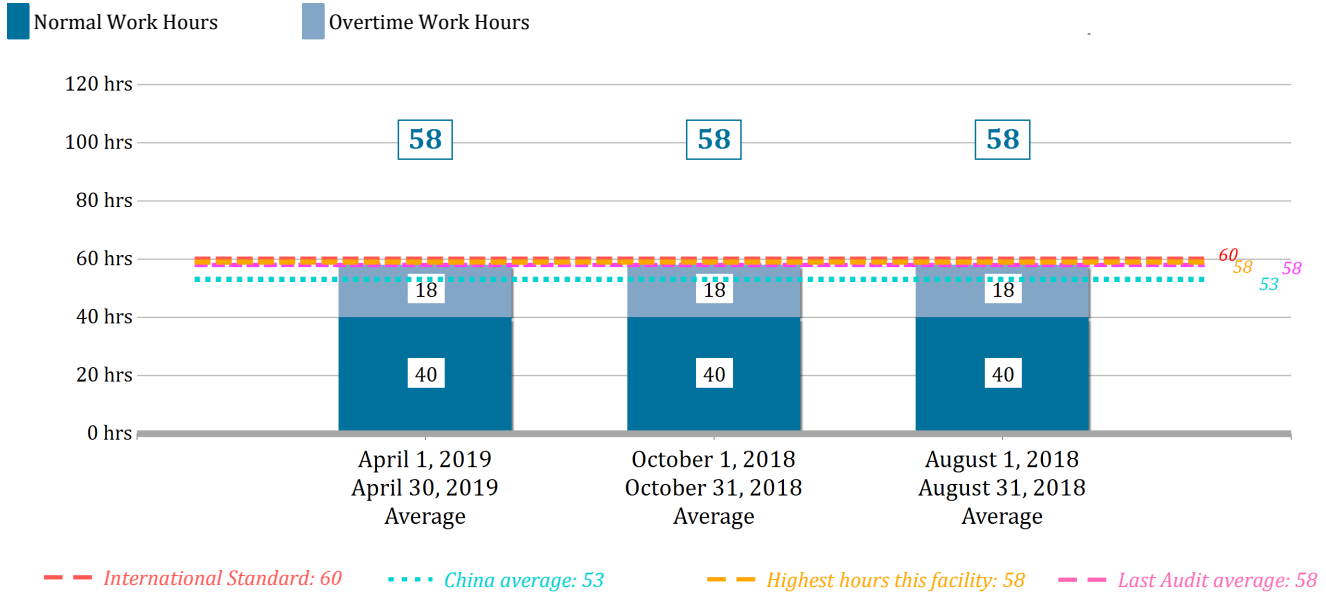
▲ Advancers ■ Constant ▼ Decliner

PERFORMANCE RATING

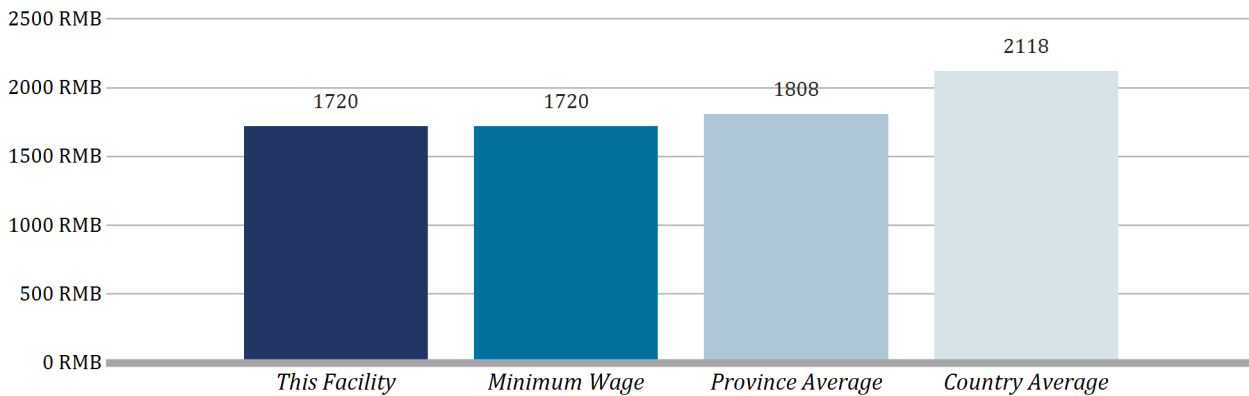


B3. WORKING HOURS AND WAGES

Average total hours worked weekly



Average wages paid in local currency (RMB)



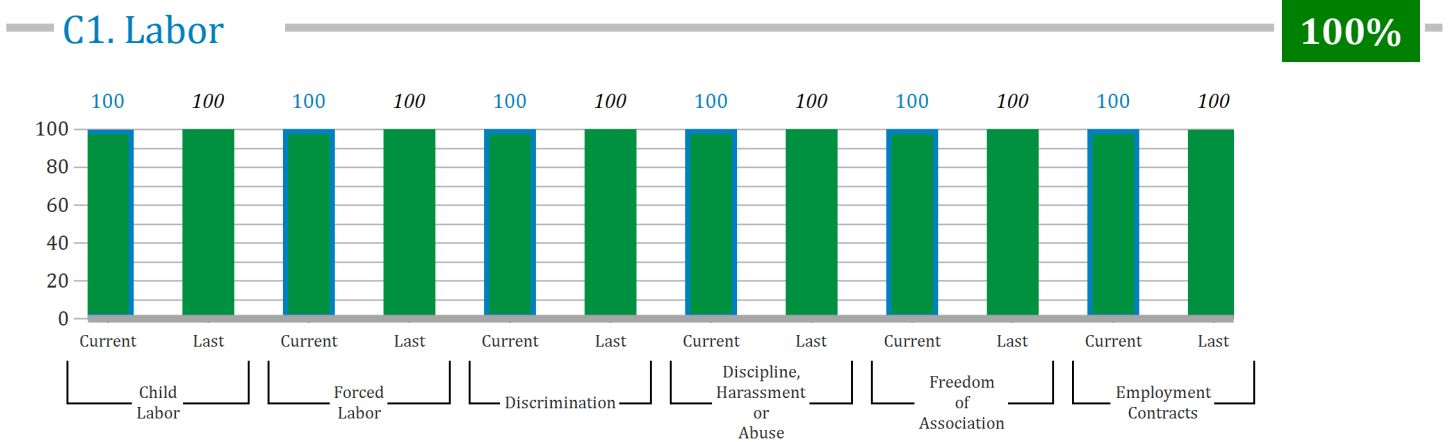
Special wage circumstances: The local minimum wage standard was set at RMB 1510 per month equivalent to RMB 8.68 (1510/21.75/8) per hour from May 1, 2015 to June 30, 2018 and RMB 1720 per month equivalent to RMB 9.89 (1720/21.75/8) per hour since July 1, 2018.



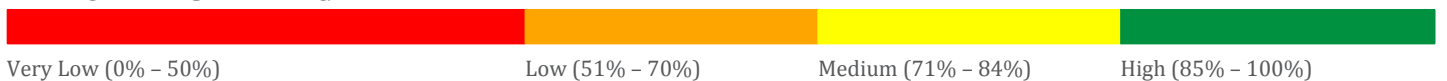
Wages and hours summary: Employees used finger print attendance system to record their working hours and employees should record their working hours when they went in / out of the facility.
All employees' standard working hours were 8 hours per day and 40 hours per week from Monday to Friday.
All employees worked in one shift: from 8:00 to 17:30 with 1.5 hours' lunch break from 12:00 to 13:30.
The local minimum wage standard was set at RMB 1510 per month equivalent to RMB 8.68 (1510/21.75/8) per hour from May 1, 2015 to June 30, 2018 and RMB 1720 per month equivalent to RMB 9.89 (1720/21.75/8) per hour since July 1, 2018.
All employees' wages were calculated by hourly rate. The regular hourly wage paid by the facility was meeting legal law requirements; The overtime wages was paid as 150%, 200% and 300% of the normal wages for the overtime hours respectively on normal working days, rest days and statutory holidays.
The monthly overtime hours of 4 out of 4 randomly selected employees were 74 hours in April 2019 (current month); the monthly overtime hours of 3 out of 3 randomly selected employees ranged from 68 to 72 hours in October 2018 (random month); the monthly overtime hours of 3 out of 3 randomly selected employees ranged from 74 to 78 hours in August 2018 (random month). Maximum consecutive working days were up to 6 days among the sampled months. Facility provided the legal benefits which had been defined by local government such as the sick leave, annual leave and maternity leave etc. Not all employees have participated local law required social insurances. The regular payment day in facility was by end of each month for last month working period.
Facility provided relevant production records such as inspection records, daily production records, material delivery records from May 1, 2018 to June 25, 2019 for review, through crosschecking the record and relevant attendance records, no inconsistency was found.

C. PERFORMANCE DETAILS

Current (26-Jun-2019) Last (06-Jun-2018)

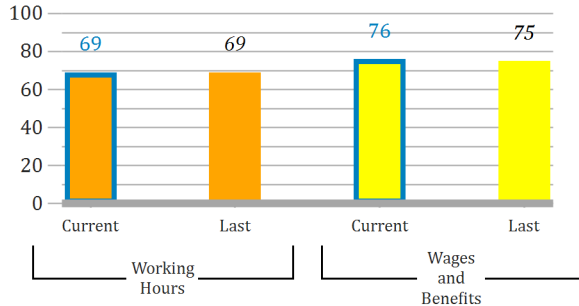


PERFORMANCE RATING



C2. Wages & Hours

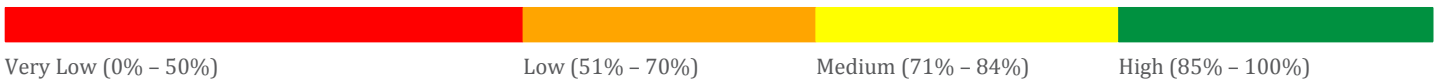
73%



Sub Section: Working Hours

Status	Findings	% Global freq of compliance
● Moderate	<p>122.00 : Total overtime hours exceeds allowable limits under applicable law or agreement.</p> <p>Auditor's comment Monthly overtime hours exceeded the legal requirement. Through document review, auditor found that the monthly overtime hours of 4 out of 4 randomly selected employees were 74 hours in April 2019 (current month); monthly overtime hours of 3 out of 3 randomly selected employees ranged from 68 to 72 hours in October 2018 (random month); monthly overtime hours of 3 out of 3 randomly selected employees ranged from 74 to 78 hours in August 2018 (random month).</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>	47%

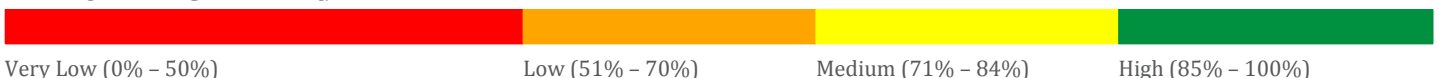
PERFORMANCE RATING



Sub Section: **Wages and Benefits**

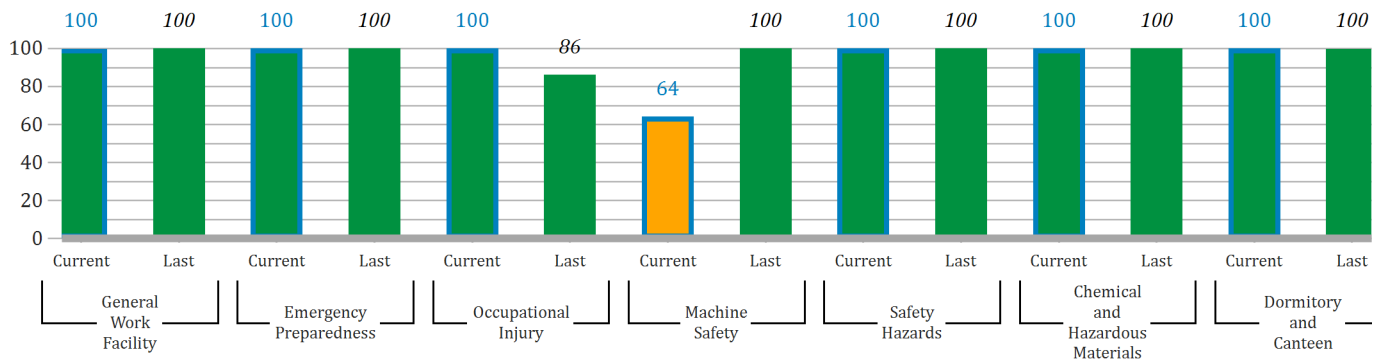
Status	Findings	% Global freq of compliance
● Moderate	<p>150.00 : The facility does not provide social security, pensions, healthcare and/ or other insurance to employees as per legal requirement.</p> <p>Auditor's comment Insufficient social insurance participated. Based on June 2019 social insurance documents, auditor found that only 3 out of 30 employees had participated in basic endowment insurance, basic medical insurance, employment injury insurance, unemployment insurance and maternity insurance. Remark: Based on the management interview and additional records review, all 30 out of 30 employees had participated commercial incident insurance which was valid from November 15, 2018 to November 14, 2019, such insurance was not mandated by PRC Social Insurance Law.</p> <p>Social Insurance Law of the People's Republic of China Article 33 Employees shall participate in employment injury insurance, and the employment injury insurance premiums shall be paid by their employers rather than the employees.</p> <p>Social Insurance Law of the People's Republic of China Article 53 Employees shall participate in maternity insurance, and the maternity insurance premiums shall be paid by employers rather than employees in accordance with the relevant provisions of the state.</p> <p>Social Insurance Law of the People's Republic of China Article 10 Employees shall participate in the basic endowment insurance, and the basic endowment insurance premiums shall be jointly paid by employers and employees.</p> <p>Social Insurance Law of the People's Republic of China Article 23 Employees shall participate in the basic medical insurance for employees, and the basic medical insurance premiums shall be jointly paid by employers and employees in accordance with the relevant provisions of the state.</p> <p>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>	58%

PERFORMANCE RATING



C3. Health & Safety

95%



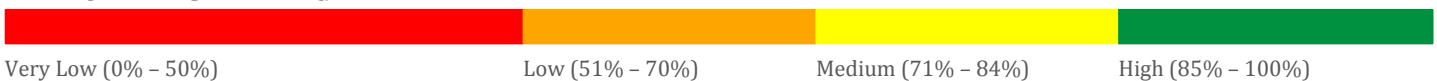
Sub Section: Occupational Injury

Status	Findings	% Global freq of compliance
● Corrected	212.00 : <i>Previous Non-Compliance</i> : The facility has not implemented an mechanism/program to identify, evaluate and control employee exposure to physically demanding work, such as manual handling, heavy lifting, highly repetitive tasks, and other physically demanding jobs to prevent work-related injuries	77%

Sub Section: Machine Safety

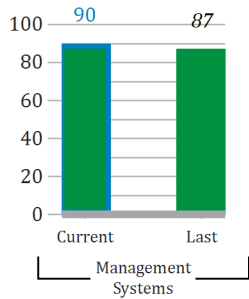
Status	Findings	% Global freq of compliance
● Moderate	222.00 : Points of operation and other potentially dangerous parts are not properly isolated and maintained Auditor's comment Needle guards were not used properly for sewing machines. During onsite tour, auditor found that needle guards were installed for all observed sewing machines in sewing department on 2/F at the production building A. However, 2 out of 6 observed sewing employees did not used the needle guards properly. National safety technical code for electric equipments-GB19517-2009 2.5 Protection against risks during operation 2.5.3 Adequate measures shall be implemented to prevent the electric equipments from getting at extremely high or low temperature and to avoid dangerous heat radiation. In any electric equipment using liquid medium, the liquid medium shall not outflow or splash onto the operator or the into the operation area.	98%

PERFORMANCE RATING



C4. Management Systems

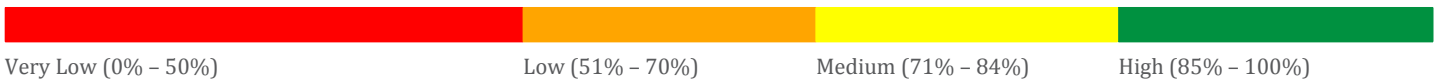
90%



Sub Section: Management Systems

Status	Findings	% Global freq of compliance
● Corrected	293.05 : <i>Previous Non-Compliance</i> : The facility's written social compliance policy is not made publicly available <i>Auditor's comment</i> It's posted in the publishing board.	90%
● Minor	296.04 : 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 <i>Auditor's comment</i> Findings about working hours and wages issues were found during this audit, please refer to related section for details.	48%
● Corrected	296.07 : <i>Previous Non-Compliance</i> : 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	51%
● Minor	296.08 : The facility's written manual for processes and procedures includes a machine safety procedure but they are not all being properly implemented <i>Auditor's comment</i> Finding about machines safety procedure was found during this audit, please refer to related section for details.	79%
● Minor	305.00 : The facility does not provide appropriate training for managers on how to implement its social compliance policies and procedures. <i>Auditor's comment</i> No qualification certificate for the principal in charge in the facility. During document review, auditor found that the facility could not provide the qualification certificate of the principal in charge for review.	70%

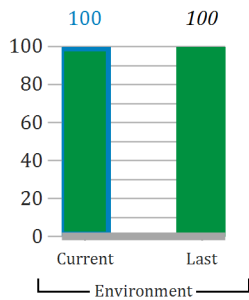
PERFORMANCE RATING





C5. Environment

100%



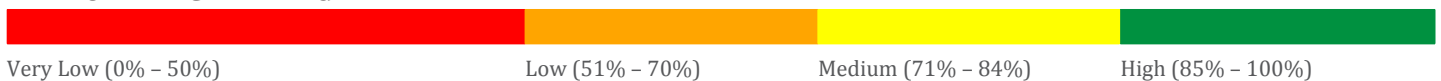
% Global Frequency of Compliance: Represents the implementation percentage performance of all suppliers participating in the WCA Community globally for each issue

Identification numbers: Represents the finding ID associated with each checklist question

RECOMMENDATION FOR IMPROVEMENT PLAN TIMELINE

- Minor Take action within 0 ~ 6 months to make necessary improvements.
- Moderate: Take action within 0 ~ 3 months to make necessary improvements.
- Major : Take action within 0 ~ 1 month to make necessary improvements.
- Zero Tolerance: Take immediate action to make necessary improvements.

PERFORMANCE RATING



D. STRENGTHS AND CHALLENGES

Facility Strengths: Facility performance ranks in the top percentile of the population and/or has implemented a best practice process	Rating	Global Freq. of Compliance%
The facility has comprehensive employee safety processes and procedures in a written manual that support adherence to social compliance requirements and are being properly implemented	Minor	51%

Challenges: Facility performance ranks in the bottom percentile of the population	Rating	Global Freq. of Compliance%
Points of operation and other potentially dangerous parts are not properly isolated and maintained	Moderate	98%
The facility's written manual for processes and procedures includes a machine safety procedure but they are not all being properly implemented	Minor	79%
The facility does not provide appropriate training for managers on how to implement its social compliance policies and procedures.	Minor	70%

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