

Supplier Name: Hushan Transportation Co., Ltd. **SGS Report No.: 20110829/LL6**

SGS Job Number: 038_2011 / 500 **Effective Date: 5th Sept 2011**

Customized Audit Report

Code of Conduct Assessment

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I: Summary Page

Overall Grading	High risk	Medium risk	Low risk
Overall risk			X
Overall issues			X

**Checklist
Items No.**

1 ,2, 4-8	General Labours Issues		X
3	Health and Safety conditions		X
9	Environmental conditions		X

Remarks:

(i) **High Risk:** major non-compliance are identified; limited / no systems in place

(ii) **Medium Risk:** minor non-compliance are identified; systems in place with need in improvement

(iii) **Low Risk:** excellent system and controls in place; acceptable audit findings are identified

Follow up last audit items/further improvement points:

Not Applicable

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II: FACTORY INFORMATION

Factory Name	Hushan Transportation Co. Ltd.		
Address	#4, Ding Ping Road, Ruifang, New Taipei City 22452, Taiwan		
Contact Person	Mr. Freddie Chen		
Tel	886-2-24965566		
Fax	886-2-24968998		
E-mail	1253@hushan.com.tw		
Factory Operations			
Products Manufactured	Door handles and window handles of automotives		
Production Capacity	1.5 millions pieces per year in total		
Manufacturing Floors	2 buildings / 4 floors each		
Dormitory Area	0		
Kitchen and Canteen	0		
Production Process Flow	Plastic parts: Incoming materials → injection molding → assesmbly → packaging Metal parts: Metal processing (outsourced) → Incoming materials → assembly → packaging		
Equipment used	Injection molding machines, milling machines, grinding machines, plastic crushing machines		
Subcontractor Factory Name(s) if any	盛泰塑膠、宇代鋼模、長玉塑膠、建松塑膠....		
Other Brands in Factory	HU		
Employees Details			
	Male	Female	Total
Supervisors/Managers	5	2	7
Administration Staff	19	21	40
Quality Control Staff	2	3	5
Engineering Staff	3	0	3
Permanent Workers	3	85	88
Temporary/contract workers	0	0	0

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Grand Totals	32	111	143
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IV. AUDITOR TEAM

Auditor Name	Auditing Branch	Role in the team	Audit Date
Mr. Terry LAU	SGS-HK	Team Leader	29th Aug 2011

IV. AUDITEE REPRESENTATIVES

Name	Position/Department
Mr. Freddie Chen	Sales Representative

Overall Assessment:

1. Facility / site background: Established in 1972, there are 2 manufacturing buildings with 4 floors on each of them.
2. Product produced: Door handles and window handles of automotives
3. Factory Overall Square footage: 9856.07 square meters
4. Number of employees and Shift: 143 employees and 1 shift
5. Working Hours & Shift(s): 8:00 am-12:00 noon, 1:00pm-5:30pm)
6. Peak Months: N/A
7. Pay Day: 5th each month
8. Overall Interview Process: 7 employees (approx. 5% out of total employees) are picked for interview. They are mainly from production departments. Overall the employees are satisfied and comfortable with the work environment and the compensation in the factory

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Audit Methodology:

M	O	W	D
Management interview	Observation during factory tour	Worker interview	Document verification

Risk Code :

H	M	L
High Risk Item	Medium Risk Item	Low Risk Item

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V. Assessment Checklist

1. Child / Young Labour

Item no	Requirement	Comply (Y/N/NA)	Pass / Fail	Risk Code	Evaluation Standards and clause description/ Legal Requirements	Factory Violation Status
1.1	Does the factory have a copy of valid laws and regulations on child labour <u>OR</u> understand its requirements?	Y	Pass			
1.2	Does the factory comply with the legal youngest (minimum) age of workers ?	Y	Pass			
1.3	Does the factory have a copy of valid regulations and laws on young worker protection <u>OR</u> understand its requirements?	Y	Pass			
1.4	Does the factory have effective procedures to verify the age of worker at the time of recruitment?	Y	Pass			
1.5	Does the factory keep adequate age documents of workers such as ID copies and personnel records?	Y	Pass			
1.6	Do the workers have contracts according to the Labour Law?	Y	Pass			

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Section Rating : Child / Young Labour	
Observations (Need Improvement) <input type="checkbox"/>	Fully Acceptable <input checked="" type="checkbox"/>
Best Practices in Factory (if any): Nil	
Additional Comments : Nil	
Corrective Actions confirmed by factory / Agent : N/A	Responsibility & Deadlines : N/A

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2. Forced / Prison / Involuntary Labor

Item no	Requirement	Comply (Y/N/NA)	Pass / Fail	Risk Code	Evaluation Standards / Legal Requirements	Factory Violation Status
2.1	Does the factory have a copy of valid laws and regulations on forced labour or understand its requirements?	Y	Pass			
2.2	Are all workers present voluntarily at the factory?	Y	Pass			
2.3	Are workers free to leave after working hours?	Y	Pass			
2.4	Is any restriction placed on leaving after working hours?	Y	Pass			
2.5	Where dormitories are present, are workers required to live in the dormitories without freedom of choice to live outside the factory?	Y	Pass			
2.6	Does the factory prohibit the use of prison labour?	Y	Pass			
2.7	Are workers free from lodging their personal identity document / financial deposits with the factory ?	Y	Pass			

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Section Rating : Forced/Prison/Involuntary Labour	
Observations (Need Improvement) <input type="checkbox"/>	Fully Acceptable <input checked="" type="checkbox"/>
Best Practices in Factory (if any): Nil	
Additional Comments : Nil	
Corrective Actions confirmed by factory / Agent : N/A	Responsibility & Deadlines : N/A

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3. Health and Safety

Item no	Requirement	Comply (Y/N/NA)	Pass / Fail	Risk Code	Evaluation Standards / Legal Requirements	Factory Violation Status
3.1	Does the factory have a copy of valid laws and regulation on health and safety or understand its requirements?	Y	Pass			
3.2	Is written health and safety policy posted and signed by top management?	Y	Pass			
3.3	Is safety committee established with members representing the various shifts, functions and levels?	Y	Pass			
3.4	Is a senior management representative for health & safety appointed?	Y	Pass			
3.5	Does the factory arrange health and safety training and orientation for new workers?	Y	Pass			

Facility Checking for Health & Safety:

Facility Checking	Comply (yes / no) & findings
1. Barrier/interlocks on machinery	Yes
2. Inspection records on machinery	Yes
3. PPE (Personal Protective Equipment) on gloves, hearing protection, boots, masks....etc	Yes. Proper PPE are provided, but there are no warning labels shown on site.
4. Sufficient Lighting	Yes

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5. First aid kits	Yes
6. Procedure for first aid medical	Yes
7. Unblocking aisles/exits	Yes
8. Freedom In-Out Exits	Yes
9. Available emergency exists	Yes
10. Sufficient toilet and safety drink without restrictions	Yes
11. Functioning fire safety equipments meet local laws and regulations	No. A few of the fire equipments such as fire extinguishers and fire hydrants are blocked by pallets and goods.
12. Clear inspection records, clearly marked on fire safety equipments	No. There are no monthly inspection records clearly marked on fire safety equipments. But the equipments are inspected by the fire department at least once a year.
13. Functioning fire alarms, emergency lights and signs	No. Two exit lamps at the workshops do not work.
14. Fire extinguishers operating training	Yes
15. Fire drill records/evacuation procedure	No. The factory would conduct a fire drill at least once a year, but not all employees would attend.

Section Rating : Health and Safety	
Observations (Need Improvement) <input checked="" type="checkbox"/>	Fully Acceptable <input type="checkbox"/>

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Best Practices in Factory (if any): Nil	
Additional Comment :	
<ol style="list-style-type: none"> 1. Secondary anti-leakage measures should be provided to the chemical containers. 2. Chemical lables should be attached to the chemical containers and corresponding MSDS should be posted on site. 3. Lamp shields should be installed for all the lamps used at the warehouse storing the plastic parts. 4. Noise test should be conducted for the injection molding workshop and the factory should provide earplugs to the operators if necessary. 5. Exit direction at the warehouses is not clearly shown. It is suggested the factory should provide more exit direction signs at the warehouses. <p>It is suggested some items should be provided on the fire evacuation plan, such as "You are Here" and the locations of the fire equipments.</p>	
Corrective Actions confirmed by factory / Agent : to be confirmed	Responsibility & Deadlines : to be confirmed

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4. Freedom of Association

Item no	Requirement	Comply (Y/N/NA)	Pass / Fail	Risk Code	Evaluation Standards / Legal Requirements	Factory Violation Status
4.1	Does the factory have a copy of valid laws and regulations on trade union and freedom of association or understand its requirements?	Y	Pass			
4.2	Is workers' right to form and join free trade unions and workers associations acknowledged by the management and workers without penalty?	Y	Pass			
4.3	Is there a trade union formed at the factory? If no, are there any written procedures and records for handling workers' issues and concerns.	Y	Pass			
4.4	If yes to 4.3, is union membership voluntary?	Y	Pass			
4.5	If yes to 4.3, do workers elect their own representatives / spokesperson(s)?	Y	Pass			

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Section Rating : Freedom of Association	
Observations (Need Improvement) <input type="checkbox"/>	Fully Acceptable <input checked="" type="checkbox"/>
Best Practices in Factory (if any): Nil	
Additional Comments : Nil	
Corrective Actions confirmed by factory / Agent : N/A	Responsibility & Deadlines : N/A

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5. Discrimination

Item no	Requirement	Comply (Y/N/NA)	Pass / Fail	Risk Code	Evaluation Standards / Legal Requirements	Factory Violation Status
5.1	Does the factory have a copy of valid laws and regulations on non-discrimination or understand its requirements?	Y	Pass			
5.2	Is any evidence identified on discrimination in hiring procedures, employment, promotion, compensation, welfare, dismissal and retirement because of religion, race, political belief, color, gender, ethnic origin, age, marital status, pregnancy, creed, disability, sexual orientation of any other basis prohibited by applicable law ?	Y	Pass			

Section Rating : Discrimination	
Observations (Need Improvement) <input type="checkbox"/>	Fully Acceptable <input checked="" type="checkbox"/>
Best Practices in Factory (if any): Nil	
Additional Comments : Nil	
Corrective Actions confirmed by factory / Agent : N/A	Responsibility & Deadlines : N/A

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6. Disciplinary Practices

Item No.	Requirement	Comply (Y/N/NA)	Pass / Fail	Risk Code	Evaluation Standards / Legal Requirements	Factory Violation Status
6.1	Does the factory have a copy of valid laws and regulations on disciplinary practices or understand its requirements?	Y	Pass			
6.2	Does the factory have documented disciplinary rules?	Y	Pass			
6.3	Are the disciplinary rules communicated to all workers?	Y	Pass			
6.4	Are the disciplinary rules fair, reasonable and legal or validated by local government authority?	Y	Pass			
6.5	Does any evidence exist for mental, verbal, sexual harassment/physical coercion ?	Y	Pass			

Section Rating : Disciplinary Practices	
Observations (Need Improvement) <input type="checkbox"/>	Fully Acceptable <input checked="" type="checkbox"/>
Best Practices in Factory (if any): Nil	
Additional Comments : Nil	
Corrective Actions confirmed by factory / Agent : N/A	Responsibility & Deadlines : N/A

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7. Working Hours

Item no	Requirement	Comply (Y/N/NA)	Pass / Fail	Risk Code	Evaluation Standards / Legal Requirements	Factory Violation Status
7.1	Does the factory have a copy of valid laws and regulations on normal and overtime working hours or understand its requirements?	Y	Pass			
7.2	How many regular hours are permitted by local law per day? (This does NOT include overtime)	Y	Pass			
7.3	How many regular hours are permitted by local law per week? (This does NOT include overtime)	Y	Pass			
7.4	How many regular hours are permitted by local law per month? (This does NOT include overtime)	Y	Pass			
7.5	How many overtime hours are permitted by local law per day and month?	Y	Pass			
7.6	Do workers have 1 day-off in every 7 days	Y	Pass			

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Observations (Need Improvement) <input type="checkbox"/>	Fully Acceptable <input checked="" type="checkbox"/>
Best Practices in Factory (if any): Nil	
Additional Comments : Nil	
Corrective Actions confirmed by factory / Agent : N/A	Responsibility & Deadlines : N/A

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8. Compensation

Item no	Requirement	Comply (Y/N/NA)	Pass / Fail	Risk Code	Evaluation Standards / Legal Requirements	Factory Violation Status
8.1	Does the factory have a copy of valid laws and regulations on compensation and benefits or understand its requirements?	Y	Pass			
8.2	Does the factory have written policy on compensation and benefits and communicate to all workers?	Y	Pass			
8.3	Does the compensation and benefits policy meet local laws and regulations on working hours?	Y	Pass			
8.4	What are the paid minimum wages at the factory?	Y	Pass			
8.5	Do all workers' wages meet local minimum wages?(including trainees / apprentices / workers in probation period)	Y	Pass			
8.6	Does the overtime wages payment meet legal requirement?	Y	Pass			
8.7	Do the workers are covered by work-related illness and occupational injury / accident insurance which meets legal law?	Y	Pass			

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Section Rating : Compensation	
Observations (Need Improvement) <input type="checkbox"/>	Fully Acceptable: <input checked="" type="checkbox"/>
<p>Best Practices in Factory (if any): Nil</p> <p>Additional Comments :</p> <p>The annual leave offered to workers are as follow:</p> <ul style="list-style-type: none"> .7-day annual leave would be provided if the employees have worked more than 1 year but less than 3 years ; .10-day annual leave would be provided if the employees have worked more than 3 years. <p>However, according to the labour law the factory should provide:</p> <ul style="list-style-type: none"> .7-day annual leave would be provided if the employees have worked more than 1 year but less than 3 years ; .10-day annual leave would be provided if the employees have worked more than 3 years but less than 5 years. .14-day annual leave would be provided if the employees have worked more than 5 years but less than 10 years. <p>For the workers who have worked more than 10 years, 1 day would be added for one more year work until the annual leave offered reaches the limit of 30 days.</p>	
Corrective Actions confirmed by factory / Agent : N/A	Responsibility & Deadlines : N/A

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9. Environment

Item no	Requirement	Comply (Y/N/NA)	Pass / Fail	Risk Code	Evaluation Standards / Legal Requirements	Factory Violation Status
9.1	Does the factory have all environmental permits and licenses required by local laws or regulations?	Y	Pass			
9.2	Does the factory generate air pollution, solid waste and waste water?	Y	Pass			
9.3	Where are those pollutants discharged?	Y	Pass			
9.4	Are those pollutants treated by the factory before discharge?	Y	Pass			
9.5	Is the factory in compliance with local law or regulation regarding those pollutants?	Y	Pass			
9.6	Does the factory recycle or reuse materials?	Y	Pass			

Section Rating : Environment

Observations (Need Improvement) Fully Acceptable

Best Practices in Factory (if any): Nil

Additional Comments : Nil

Corrective Actions confirmed by factory / Agent : N/A

Responsibility & Deadlines : N/A

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END of REPORT