



## **SOCIAL RESPONSIBILITY POLICY AND AUDIT PROCESS**

### **Section 1. INTRODUCTION**

**Innovation Line, Inc.** (the “Company”) is pleased to provide our valued clients and vendor partners with this Social Responsibility Policy and Audit Process (the “Policy”). This Policy describes the Company’s social responsibility program, vendor requirements, and audit methodology.

The Company uses its own trained internal staff and third-party service providers, such as test labs, auditing firms and inspection companies, in implementing, maintaining, monitoring, and enforcing its various quality and product safety, social responsibility, supply-chain security and environmental stewardship programs. The Company will appoint its own staff auditor or one or more third-party audit firms (“Auditors”), to execute its social responsibility program. These Auditors will conduct audits and inspections of the Company’s supply chain as detailed herein.

This Policy is designed as a practical tool for the implementation of the Company’s social responsibility program at the factory level to ensure that the policies contained in this Policy are implemented and monitored to protect the Company’s and its clients’ reputations and brands.

### **Section 2. CODE OF CONDUCT**

#### **Code of Conduct Policy**

The Company is committed to providing its clients with products of the highest quality – this includes not only the quality of the end product, but also the quality of the processes used to produce the final product, encompassing the labor invested in the product, the work environment in which the product was manufactured, and the environmental impact of its production. To this end, we have adopted standards for quality and integrity of our products as well as ethical and socially responsible production of our products both in the United States and abroad. This Code sets minimum standards that the Company commits itself to and requires all vendor partners to meet.

## **Code of Conduct Standards**

### ***Legal Compliance***

All laws and regulations in the country of business and manufacture shall be complied with; this includes legislation on product quality, product safety, labor and employment, health and safety, supply chain security, and the environment.

### ***Product Safety***

We will comply with all applicable laws and regulations regarding safety of products we sell. We will meet applicable recognized voluntary industry standards for our products and processes.

### ***No Abuse of Labor***

We will not use any form of forced labor, including indentured, prison, bonded or slave labor. We will not use physical or verbal harassment or abuse to discipline employees.

### ***No Child Labor***

We will not use child labor. We will comply with all minimum age provisions of applicable laws and regulations.

### ***Freedom of Association***

We respect the rights of employees to associate or organize without fear of reprisal or interference. If employees are represented by an organization recognized under law, we respect the right to bargain collectively.

### ***No Discrimination***

We will not discriminate in hiring and employment practices on the basis of age, nationality, race, religion, social or ethnic orientation, gender, sexual orientation or disability.

### ***Hours and Wages***

We will comply with all applicable wage, work hours, hiring, benefits, and overtime laws and regulations. In the absence of law in a particular location relating to product safety, labor, employment, environment or working conditions, the spirit and intent of these policies shall be met.

### ***Workplace Conditions***

We will provide a safe, healthy and secure workplace. We will abide by all applicable laws and regulations for safety and health. Proper sanitation, lighting, ventilation and fire safety protection will be provided.

### ***Environment***

We abide by all applicable environmental laws and regulations. We will manage our environmental footprint to minimize the adverse impact on the environment. We will manage

our energy, water and waste systems for maximum efficiency and minimal adverse impact on the environment.

### ***Subcontractors and Sources***

We require all businesses that support our business as subcontractors, manufacturers or sources of goods to comply with all of the same policies stated in our Code of Conduct policy. All subcontractors and vendors are required to comply with all applicable and national laws. We expect those businesses to develop and implement internal business procedures to ensure compliance with our policy.

### ***Communications***

Employers shall communicate this Code to management and employees orally and in writing. This Code shall be posted in a place that is accessible by all employees on a daily basis in a language or multiple languages so that this Code is understood by all employees. The Company has a copy of this Code that has been translated to Chinese; see [Appendix 1](#) attached. All vendors and factories used by the Company in China will post a copy of the Chinese-language Code in an accessible area of their factories.

### ***The Company's Management Systems***

#### ***Monitoring***

The Company manages compliance with this Code through internal and third-party monitoring of Company's own facilities and the facilities of its vendor partners.

To assess compliance with this Code by its vendor partners, Company or a designated third-party may, at least once every two years (biennially), conduct unannounced and/or announced visits of the vendor partner. The monitoring party shall have full access to the manufacturing site/sites, the employee housing, if applicable, documentation maintained by the vendor partner to assess compliance with this Code and access to employees for confidential employee interviews.

#### ***Implementation***

The Company requires all its vendor partners to contractually obligate themselves to compliance with this Code.

#### ***Corrective action***

Unsatisfactory monitoring results shall be addressed through corrective actions and within a time frame that will both be agreed upon between the Company and the affected vendor partner.

#### ***Non-Compliance***

The Company reserves the right to suspend any purchase orders and contracts with its vendor partners until corrective actions have been implemented, or to terminate the business relationship if gross non-compliance with this Code should arise.

## **Section 3. GOALS AND STRATEGY**

### **Our Corporate Social Responsibility Mission Statement**

- The Company is committed to conducting business in an ethical and socially responsible manner.
- We comply with all applicable laws and standards in the countries of manufacture as well as in the countries of distribution.
- We strive to uphold the rights of individuals and respect the environment through all business operations.
- Our Code of Conduct is the foundation of our corporate social responsibility program and will serve as a guide to achieving social and environmental compliance both within our company and in our supply chain.
- While we recognize that laws and standards may differ from one region of the world to another, we believe that our Code of Conduct outlines a set of fundamental principles for good corporate citizenship that our vendors should share and implement.
- We will only work with reputable vendors who manufacture our products in good working conditions, with respect for the rights of the people who made them and the environment.

### **Scope**

The Company's corporate social responsibility policy applies to all parties that manufacture, assemble, or distribute any products, components, raw materials or packaging on behalf of the Company.

### **Strategy**

#### **1. Policies and Procedures**

The Company will ensure that its Code of Conduct is appropriately communicated to all members of staff as well as its current and future vendors. We will integrate social responsibility in our business procedures and require vendors to endorse our Code of Conduct in writing by including a specific clause in our Purchase Order Terms and Conditions.

The Company will also ensure that there is appropriate oversight of the social responsibility program by defining clear roles and responsibilities for relevant staff and integrating ethical manufacturing practices into standard operating procedures where appropriate (e.g. vendor selection, purchasing orders. etc.).

## 2. Training

The Company will conduct training for its staff and its vendors on social responsibility before implementing the program. The training will highlight the areas of risk outlined above so as to raise vendors' awareness of potential risks related to their operations.

## 3. Monitoring, Remediation and Performance Measurement

The Company will assess all its vendors throughout the implementation and monitoring of its social responsibility program. Most vendors' facilities will undergo audits on a yearly or biennial basis and their frequency will depend on the vendor's performance.

If issues arise during the audit, the Company will expect its vendors to remediate them in accordance with the corrective action plan and the time frames established by Company. We encourage our vendors to continuously improve their performance by tracking it over time and providing incentives for our best vendors. The best-performing vendors will be entitled to consideration for increased awards of work and better pricing based on merit.

Factories owned and/or operated by the Company will also be assessed on a yearly basis.

## 4. Reporting and Communication

The Company will provide copies of all applicable audit reports to the vendor's factory, and the factory is expected to report back to the Company with corrective action plans and proof of remediation. Furthermore, all factories will be required to communicate to its workers the policies, procedures and processes that are described in this Policy to ensure consistent and complete implementation of this program.

## **Section 4. GOVERNANCE**

### **Corporate Social Responsibility Officer**

The compliance role at the Company will be assumed by Eddie Blau, the Company's President, who will have the responsibility of developing and coordinating the Company's overall corporate responsibility efforts. The President will therefore serve as the Compliance Officer and act as the main point of contact for social responsibility-related issues both for internal and external stakeholders.

- The Compliance Officer oversees the implementation of the Code of Conduct and delegates relevant roles and responsibilities to other members of staff.
- The Compliance Officer defines the Company's social responsibility goals and strategy and ensures that they are effectively communicated to all staff members.

- The Compliance Officer also manages vendors' social responsibility performance, reviews audit reports, and follows-up with vendors if corrective actions are necessary.

## **Section 5. VENDOR SELECTION AND REQUIREMENTS**

### **Overview**

Every vendor we work with goes through a due diligence process to benchmark their performance against our Code of Conduct prior to entering any agreements with the Company. In addition, we regularly monitor our supply chain to ensure that our vendors are following relevant local laws and regulations.

### **Pre-selection Process**

Before entering any business agreements with potential vendors, we ask them to complete a Vendor/Factory Five-Pillar Compliance Questionnaire to determine and benchmark the vendor's fitness to do business with us and measure the factory's competence in the areas of Product Quality, Product Safety and Compliance, Social Responsibility, Environmental Stewardship, and Supply-Chain Security. Our sourcing and compliance team may also use this questionnaire as a checklist upon their first on-site visit to potential vendors. A copy of our Vendor/Factory Five-Pillar Compliance Questionnaire is attached hereto as Appendix 2.

### **Vendor Requirements; Vendor Packet**

The Company's social responsibility program and Code of Conduct apply to all parties that manufacture, assemble, or distribute any product, or package on behalf of the Company. Additional information for vendors can be found in the Company's Product Safety and Compliance Handbook, which includes, among other policies and documents, our Code of Conduct, our Purchase Order Terms and a description of our product compliance, monitoring program and audit methodology, among other policies, procedures and written expectations for responsible sourcing.

Each vendor will receive a Vendor Packet with acknowledgements of receipt which they must complete, sign and return to the Company within ten (10) business days, to indicate their willingness to comply with our Code of Conduct, monitoring program and other Company responsible sourcing and compliance requirements.

Vendors must share all the information contained in the Vendor Packet with any contractors the vendor hires to produce products or product parts for the Company's final product. These contractors shall also comply with the Company's Code of Conduct. Vendors are also required to cooperate with the Company's appointed third-party Audit Firms and inspection teams and allow access to the facility in order that the teams may conduct a full audit.

## **Section 6. AUDIT PROCEDURES**

### **Step One: Scheduling**

- Preliminary factory audits may be conducted by a Company employee (“Company Auditor”) to assess the factory’s level of meeting our Company’s essential social responsibility requirements, such as those listed in our Code of Conduct. After the Company Auditor completes its audit, the Company will notify the factory if a third-party audit is advisable or necessary to further validate the factory. In any case, the Company Auditor may perform the duties and functions of a third-party audit firm as described in this Audit Procedure. As referenced in this Procedure, the term “Auditor” may mean the Company Auditor or a third-party Audit Firm.
- If an audit is deemed necessary, the Company will instruct the Auditor to contact the factory to confirm the location where the products are manufactured, and to arrange the factory audit.
- In cases where an audit must be re-scheduled, the Company requires its vendors to contact the Auditor at least 72 hours prior to the original scheduled audit date to reschedule such audit.
- At least one member of the factory’s management team, who can provide the appropriate documents and factory access required to complete the audit, has to be present on the appointed date (See “Required Documents” section below). The Auditor will need to be able to conduct a full audit, including all employee interviews, even if the owner or contact person is not available.
- The factory should be in full production to provide the most accurate results.

### **Step Two: Audit Process**

- The Auditor(s) will arrive at the factory at the appointed day/time, with proper identification badges and business cards.
- The Auditor(s) will explain the audit process to factory management and address any questions or concerns prior to the start of the audit. During the audit, we ask for full cooperation from factory management.
- The Auditor(s) must be given access to all areas of production, all relevant documentation, and randomly selected employees for interviews. Any denial of access to these requirements may result in a FAIL of the audit.
- A typical audit consists of five components (not necessarily completed in this order):
  - An opening meeting;
  - A health and safety tour;
  - A payroll and documentation inspection;
  - Employee interviews; and

- A closing meeting.
- If further steps or documents are needed to have a complete understanding of the factory situation, they will be requested by the Auditor and should be provided by the factory.
- Management such as the factory manager or human resource personnel should be present. Otherwise, assistance may be provided by anyone whom the factory deems to have the authority to provide the documents needed and to answer the questions from the consultants.

### Opening Meeting

- After the Auditor(s) has passed all security requirements and has been given access to the factory, an opening meeting is held with the factory contact person, preferably a member of management.
- During this meeting, the format of the audit will be described to the factory representative.
- The production manager and human resource personnel also are needed to answer a series of questions regarding production capacity, machines, lead times, and hiring practices.

### Health and Safety Tour

- A walk-through of the factory is conducted to ensure adequate measures are in-place to protect the health of workers and guarantee their safety.
- Production capacity is also evaluated during the walk-through.
- The eating area used by the workers is viewed, as is the kitchen if cooking takes place onsite.
- Security of the factory will be evaluated, with attention to physical security features as well as to factory policies concerning security.
- Photographs of the factory are taken with permission from management.

### Payroll and Documentation Inspection

- Payroll documentation is closely reviewed. Payroll journals, timecards, production records, attendance books, proof of insurance payment or tax payment (if applicable) must all be provided to the Auditors for a complete audit to take place. The Auditors are checking that the regional minimum wage is provided to all employees for all hours worked, including overtime compensation.
- Also evaluated is whether maximum hours authorized to work, including weekend and evening hours, will be conform with regional labor laws.
- Copies of operating licenses and other government issued permits (including building permits for the facility) are also reviewed. Company policy manuals, handbooks and management systems for product quality, product safety, social compliance, environmental compliance and supply chain security may also be reviewed.



- Employee hiring, payroll and benefits records are reviewed. Proof of age documentation must be available. Please note that this applies to company employees, as well as workers contracted from an outside agency.

### Employee Interviews

- The Auditor will randomly select employees from various production areas for interviews, away from the presence of management or other employees.
- The Auditor will require the use of a private room in which to conduct these interviews.
- Employees are asked questions regarding hours of work, length of employment, their understanding of disciplinary policies of the factory, hiring policies, and working conditions.
- Interviews are conducted on a voluntary basis and only employees who accept to participate will be interviewed.

### Closing Meeting

- The audit is a fact-finding process, designed to help you identify areas within the factory's operations that could be improved to ensure your facility complies with country-specific legal requirements related to the factory's production.
- Upon completion of the audit, the Auditors will draft a written audit summary documenting their findings in the form of a Corrective Action Plan (CAP).
- The audit visit concludes with a closing meeting. During the closing meeting, factory management receives an explanation from the Auditors of the findings and corrective actions. At the closing meeting, factory management has an opportunity to ask questions and discuss the CAP.
- The factory management will sign the CAP to confirm their understanding of the audit findings. Factory management will receive a copy of the CAP to assist them in addressing areas of improvement.
- The Company reserves the right to modify the CAP as it deems appropriate, in its sole discretion.

### **Step Three: Corrective Actions**

- The factory is required to complete the corrective actions listed on the CAP within the recommended timeframes and to report such actions to the Company for its approval.
- The factory is required to communicate with factory management, and ensure that corrective actions are fully implemented.
- Factories are also asked to inform Company of any corrective actions that cannot be completed in the recommended timeframes, and provide a revised CAP to Company's management.

### **Step Four: Verify Corrective Actions**

- In order for a vendor or factory to continue any future work for the Company, we may require that an Auditor or other representative verifies that the necessary corrective actions have been taken and satisfactorily completed.
- Unless photographs can be taken as evidence that corrective actions have been implemented (e.g., minor health and safety concerns), the Company-appointed Auditor or representative may contact the factory to schedule a re-audit, using the same audit procedures described above.
- Although the Company is paying for the initial audit, we require vendors to cover the costs for re-audits, if necessary.

### **Required Documents – Factory Management to Provide to Auditors**

In preparation for the Auditors' site visit, this list of documents has been prepared as an example of the records, licenses, and documents normally reviewed during an audit to aid the factory as it prepares for the audit. This list is intended to act as guidance, rather than a specific checklist of requirements, as the documents and processes within each factory are unique and certain policies or records may not be applicable to each operation.

**Please identify the types of documents (as listed below) that are relevant to your factory operations and ensure their availability during the audit process.**

#### **Employee Documentation**

- Employment contracts/terms & conditions of employment (including temporary/contract employees);
- Employee files (including employment application, disciplinary notices, etc.);
- Proof of age documentation (copies of identification cards, birth certificates, medical clearance, etc.);
- Records of issuance of employee benefits, i.e. annual leave, maternity leave, etc.

#### **Factory Policies and Procedures**

- Code of Conduct; posted in an area accessible to all staff within the factory;
- Internal operating policies and procedures;
- Business licenses and operating permits;
- Wage and hour policies;
- Employment at-will policy;
- Anti-discrimination policy;

- Employee/Management grievance policy;
- Freedom of association policy;
- Any other government license, certificates of operation, etc.

#### Payroll Documents

- Payroll records for peak/off-peak/most recent pay periods (up to 1 year may be requested for review; one-year of payroll records are required for any standard social compliance audit). This should include records of all salary payments, including regular and overtime payments, as well as deductions from the salary;
- Time records for peak/off-peak/most recent pay periods (up to 1 year may be requested for review). These records should show daily start and stop times for workers during the pay period and should include regular and overtime work;
- Payment receipts for mandatory social insurance payments and other such government contribution schedules;
- Production records, if workers are paid by production or piece rate;
- Any government waivers or special permissions used to conduct work hours or pay schedules outside of the standard legal limits.

#### Environmental Health and Safety (EHS)

- Factory layout or factory evacuation plot plan;
- EHS employee training records (sign-in sheets, agendas, training materials);
- EHS manual and/or written EHS programs;
- EHS Committee records (agendas, meeting minutes, activity logs);
- Inspection records (fire extinguisher, first aid, eyewash, etc.).

#### Environmental

- Air emission permits;
- Air emission monitoring records;
- Reports of analysis of drinking water;
- Wastewater discharge monitoring reports;
- Wastewater discharge permits;
- Hazardous waste manifests or shipping papers;
- Waste profiles/test results/waste analyses.

## Health & Safety

- Accident investigation forms;
- Accident or injury reports;
- Chemical inventory;
- Material safety data sheets (MSDS) / Safety Data Sheets (SDS);
- Records of industrial safety monitoring (exposure to chemicals, noise, temperature, and measurements of ventilation);
- Job/task hazard audits/determinations;
- List of required/approved personal protective equipment (PPE);
- Emergency response plan;
- Testing, inspection, and maintenance records for fixed and portable fire suppression equipment;
- Evacuation/emergency egress map; and
- Fire and Emergency Evacuation procedures; proof of recent fire drills with logs.

## **Section 7. CORRECTIVE ACTIONS**

### **Overview**

Upon completion of the audit, the factory will receive a violations summary detailing findings, corrective actions and time frame for their implementation. The violations summary also states the grade the factory received: low, medium, high risk and zero tolerance. This grade is assigned according to the Company's [Audit Risk Grading Matrix](#) (see attached [Appendix 3](#)) and determines the time frame the factory will have to implement the corrective action before a follow-up audit is scheduled.

### **Remediation Process**

Below is a very basic overview of the remediation process to be implemented according to the grade received by the factory at the end of the audit. For more details of our remediation process and the grading of risk levels, see our [Audit Risk Grading Matrix](#) (attached, [Appendix 3](#)).

	<b>GRADE: ZERO TOLERANCE<sup>1</sup> (FAIL)</b>	<b>GRADE: HIGH RISK (MAJOR CONCERNS)</b>	<b>GRADE: INTERMEDIATE RISK (MINOR CONCERNS)</b>	<b>GRADE: LOW RISK (ACCEPTABLE)</b>
<b>RESPONSES BY AUDITOR, VENDOR OR FACTORY:</b>	<ul style="list-style-type: none"> <li>• Auditor immediately contacts his/her Client Service Department and the Company is notified;</li> <li>• <b>Shipment of goods is suspended;</b></li> <li>• <b>Vendor and factory implement Corrective Actions <u>immediately</u>;</b></li> <li>• <b>Auditor conducts unannounced re-audit to verify Corrective Actions within 30 days.</b></li> </ul>	<ul style="list-style-type: none"> <li>• Draft Corrective Action Plan;</li> <li>• Forward CAP &amp; report to Auditor's Client Service Manager;</li> <li>• <b>Factory implements corrective actions within <u>30-60 days</u>;</b></li> <li>• <b>Auditor conducts re-audit to verify corrective actions within 60 - 90 days.</b></li> </ul>	<ul style="list-style-type: none"> <li>• Draft Corrective Action Plan;</li> <li>• Forward CAP &amp; report to client and vendor/factory;</li> <li>• <b>Factory implements corrective actions within 30-60 days;</b></li> <li>• <b>Approved for production for 1 year.</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>The vendor is encouraged to continue to keep factory in compliance;</b></li> <li>• <b>Annual Onsite Audit to verify ongoing compliance may be conducted at the Company's discretion;</b></li> <li>• <b>Re-audit may be done in 2 years as follow-up.</b></li> </ul>

## Section 8. MEASURING PERFORMANCE

### Overview

- Company will monitor the implementation of its social responsibility program across its supply chain by tracking vendors' performance.
- We will conduct social responsibility audits of our vendors, either yearly or every 2 years (depending on the factory's grade on its latest audit) to gather data about their social and environmental practices and aggregate the data on our vendor scorecards. This will enable us to benchmark vendors against each other and identify which ones are in need of improvement as well as those factories that meet/exceed our standards and should be rewarded with more orders and better pricing.

### Vendor Scorecards

The vendor scorecard, which we maintain for each of our vendors and factories, includes our performance indicators and the violations data resulting from our yearly or biennial audits. Our vendor scorecards are designed to grade our vendors and benchmark them against each other.

The scorecard addresses four (4) core areas:

- Product Quality/Safety,
- Social Accountability,
- Supply-chain Security, and

<sup>1</sup> A Zero Tolerance grade is assigned to a facility where serious human rights violations are observed, such as child labor, forced labor, harassment, abuse, discrimination, non-payment of wages or the denial of the right to associate. An exhaustive list of zero tolerance violations can be found in the [Audit Risk Grading Matrix](#) (see [Appendix 3](#)). It is important to note that factories that deny entry to the auditing team will be given a Zero Tolerance grade for having hindered the audit.

- Environmental Compliance and Stewardship.

Below are the criteria we use in reviewing factories in Social Responsibility and use in scoring:

CATEGORY	CRITERIA
<b>Child Labor</b>	<u>Factory Policy/Practices:</u> <ul style="list-style-type: none"> <li>▪ Children are not permitted in the factory;</li> </ul> <u>Age Documentation:</u> <ul style="list-style-type: none"> <li>▪ All age documentation is in good order;</li> <li>▪ All legal documentation and provisions have been provided to underage workers (if any).</li> </ul>
<b>Unfair Labor</b>	<u>Forced Labor:</u> <ul style="list-style-type: none"> <li>▪ No observations or reports of bonded, slave or prison labor;</li> </ul> <u>Discipline of Workers:</u> <ul style="list-style-type: none"> <li>▪ No observations or reports of employee discrimination;</li> </ul> <u>Discrimination, Gender Equality, Women’s Rights:</u> <ul style="list-style-type: none"> <li>▪ No observations or reports of restricted liberties.</li> </ul>
<b>Subcontracting</b>	<u>Unauthorized Use of Subcontractors:</u> <ul style="list-style-type: none"> <li>▪ No evidence that points to use of unauthorized subcontractors;</li> </ul> <u>Disclosure of Subcontractors:</u> <ul style="list-style-type: none"> <li>▪ All subcontractors’ identities were readily disclosed.</li> </ul>
<b>Wage and Hour</b>	<u>Minimum Wage:</u> <ul style="list-style-type: none"> <li>▪ All workers are guaranteed the local minimum wage;</li> </ul> <u>Overtime Premiums:</u> <ul style="list-style-type: none"> <li>▪ All workers are guaranteed local overtime premiums;</li> </ul> <u>Hours of Work:</u> <ul style="list-style-type: none"> <li>▪ All workers work &lt;60 hours per week;</li> <li>▪ Legal waivers to exceed maximum hours of work/week;</li> <li>▪ One rest day per week in any 7-consecutive day period is provided to all employees;</li> </ul> <u>Time Records:</u> <ul style="list-style-type: none"> <li>▪ All time records are in order and signed;</li> <li>▪ Changes to time cards are initialed by employee;</li> <li>▪ If piece worker, all piece tickets are in order;</li> </ul> <u>Payroll:</u> <ul style="list-style-type: none"> <li>▪ All employees paid in a timely manner;</li> <li>▪ All eligible workers receive social and other mandatory benefits;</li> </ul> <u>Deductions/Deposits:</u> <ul style="list-style-type: none"> <li>▪ No evidence of excessive or illegal deductions or deposits.</li> </ul>
<b>Freedom of Association</b>	<u>Management Interference:</u> <ul style="list-style-type: none"> <li>▪ Factory allows workers to associate freely.</li> </ul>
<b>Other</b>	<u>Management Cooperation:</u> <ul style="list-style-type: none"> <li>▪ Management is receptive to recommendations made by Company’s third-party auditors and consultants;</li> <li>▪ Management is cooperative in providing auditors/consultants with all necessary documents and access to premises.</li> </ul>

## APPENDIX 1



### **CODE OF CONDUCT** (English and Chinese Version)

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***Vendor/Factory: Please post this Code of Conduct in your facilities for all employees to view.***

供应商/工厂：请邮寄此文档在您的设备上的所有员工都可以查看。

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**Legal Compliance.** All laws and regulations in the country of business and manufacture shall be complied with; this includes legislation on product quality, product safety, labor and employment, health and safety, supply chain security, and the environment.

#### **法律合规性**

所有的法律和条例在该国的业务和生产应遵守； 这包括立法对产品的质量、产品的安全、劳工和就业、健康和安全、供应链的安全和环境。

**Product Safety.** We will comply with all applicable laws and regulations regarding safety of products we sell. We will meet applicable recognized voluntary industry standards for our products and processes.

#### **产品安全**

我们致力于遵守所有适用的法律，在具商业道德和负责任的态度下进行业务。我们销售的产品将遵守所有适用和有关安全的法律法规。我们的产品及流程将满足公认的自愿性行业标准。

**No Abuse of Labor.** We will not use any form of forced labor, including indentured, prison, bonded or slave labor. We will not use physical or verbal harassment or abuse to discipline employees.

#### **不虐待劳工**

我们不会采用任何形式的强迫性劳工，包括契约，监狱，抵债或奴隶性劳工。我们不会对违反纪律的员工使用身体及言语骚扰或虐待。

**No Child Labor.** We will not use child labor. We will comply with all minimum age provisions of applicable laws and regulations.

#### **无童工**

我们不会使用童工。我们将遵守适用的法律和法规规定下的最低年龄。

**Freedom of Association.** We respect the rights of employees to associate or organize without fear of reprisal or interference. If employees are represented by an organization recognized under law, we respect the right to bargain collectively.

## 结社自由

我们尊重员工自由加入或组织工会的权利，而使员工在不必担心报复或干扰的情况下加入或组织工会。如果员工是受法律认可的组织代表，我们尊重集体谈判的权利。

**No Discrimination.** We will not discriminate in hiring and employment practices on the basis of age, nationality, race, religion, social status, ethnic origin, gender or disability.

## 无歧视

我们不会在招聘过程中因年龄、国籍、**种族**、宗教、社会或民族的取向、性别或残疾而存有歧视。

**Hours and Wages.** We will comply with all applicable wage, work hours, hiring, benefits, and overtime laws and regulations. In the absence of law in a particular location relating to product safety, labor, employment, environment or working conditions, the spirit and intent of these policies shall be met.

## 时间和工资

我们将遵守所有适用的法律法规所规定下的工资、工时、招聘、福利及加班。在没有当地法律明确规定有关产品安全、劳动、就业、环境或工作条件的情况下，我们亦会符合这些政策的精神及其意图。

**Workplace Conditions.** We will provide a safe, healthy and secure workplace. We will abide by all applicable laws and regulations for safety and health. Proper sanitation, lighting, ventilation and fire safety protection will be provided.

## 工作场所的条件

我们将提供一个安全、健康和可靠的工作场所。我们将遵守所有适用的安全和健康方面的法律法规。我们将提供**适当的**卫生设施、照明、通风和消防安全保护。

**Environment.** We abide by all applicable environmental laws and regulations. We will manage our environmental footprint to minimize the adverse impact on the environment. We will manage our energy, water and waste systems for maximum efficiency and minimal adverse impact on the environment.

## 环境

我们遵守所有适用的环境法律和法规。我们将管理我们的环境足迹，以减少对环境的不利影响。我们将管理我们的能源、水和废物处理系统，以提高能源效率和**减低**对环境的不利影响。

**Subcontractors and Sources.** We require all businesses that support our business as subcontractors, manufacturers or sources of goods to comply with all of the same policies stated in this vendor code of conduct policy. All subcontractors and vendors are required to comply with all applicable and national laws. We expect those businesses to develop and implement internal business procedures to ensure compliance with our policy.

## 分包商和来源

我们要求所有支持我们业务的伙伴如分包商、生产商或供应商遵守我司所定、对道德及负责任承诺的守则。所有分包商及供应商必须遵守所有适用的国家法律。我们希望这些生意伙伴能制定及实施一套符合我们政策的内部业务流程。



## APPENDIX 2



### VENDOR/FACTORY 5-PILLAR QUESTIONNAIRE (Product and Facilities Compliance and Processes)

VENDOR/FACTORY NAME: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

DATE: \_\_\_\_\_

#### All Vendors and Factories: Please Complete

*To become better informed about your company and to efficiently assess its capabilities and compliance competencies, please complete this Vendor/Factory Questionnaire and return it to Innovation Line at your earliest convenience. Your responses and answers should be thoroughly entered (legibly printed or typed in English) in the column on the right side of the page. All information that you provide shall remain confidential. Thank you for your time and efforts in completing this Questionnaire. Please contact us should you have any questions.*

#### GENERAL BACKGROUND INFORMATION ABOUT YOUR COMPANY

Company primary office address

- Full street address
- City
- State or Province
- Zip or Postal Code
- Country

Company phone number

Company Web address (URL)

Date company was established

Provide the legal status of your company [i.e., sole proprietorship, LLC, corporation, partnership, joint venture, or other, such as: Wholly Foreign Owned Enterprise

<p>(WFOE), Representative Office (RO), Joint Venture (JV), Partnership Enterprise (PE), or Hong Kong company].</p> <p>In what state or province and country is your company licensed or registered to do business?</p>	
<p>Company business license or registration number. Please provide copies.</p>	
<p>Is your company owned or controlled by a parent company? If yes, please provide name of parent.</p>	
<p>How many total employees does your company have (all locations)? Please describe:</p> <ul style="list-style-type: none"> <li>• Front Office and Sales;</li> <li>• Factory and Warehouse;</li> <li>• Other Facilities or Functions</li> </ul>	
<p>How many facilities does your company have? For each facility/factory location, please describe the following (use additional sheets of paper, as needed):</p> <ul style="list-style-type: none"> <li>▪ Name of facility;</li> <li>▪ Street address;</li> <li>▪ Purpose or function of facility;</li> <li>▪ How many total square feet;</li> <li>▪ How many employees employed at this facility.</li> </ul>	
<p>Does your company have any product decoration capabilities?</p>	<p><input type="checkbox"/> Yes; please mark the decoration processes your company can perform:</p> <p style="padding-left: 40px;"><input type="checkbox"/> Screen-printing;    <input type="checkbox"/> Pad printing;</p> <p style="padding-left: 40px;"><input type="checkbox"/> Engraving/Laser;    <input type="checkbox"/> Embroidery;</p> <p style="padding-left: 40px;"><input type="checkbox"/> Other: _____</p> <p><input type="checkbox"/> No</p>
<p>Please list your company's "Top Five" customers, based on volume of annual sales. All information is kept confidential.</p>	<p>1. _____;</p> <p>2. _____;</p> <p>3. _____;</p> <p>4. _____;</p> <p>5. _____.</p>

**PRODUCT CATEGORIES:** Please identify your company's core products that you make or sell, and check all those that apply.

- |   |   |   |   |
|---|---|---|---|
| <input type="checkbox"/> Apparel                  | <input type="checkbox"/> Awards                 | <input type="checkbox"/> Auto Accessories     | <input type="checkbox"/> Backpacks & Bags     |
| <input type="checkbox"/> Badges, Buttons & Pins   | <input type="checkbox"/> Coloring/Doodle Books  | <input type="checkbox"/> Computer Accessories | <input type="checkbox"/> Desk Accessories     |
| <input type="checkbox"/> Drinkware                | <input type="checkbox"/> Electronics & Tech     | <input type="checkbox"/> Electrical Products  | <input type="checkbox"/> Flashlights/Keylites |
| <input type="checkbox"/> Food (non-candy/mints)   | <input type="checkbox"/> Food (mints/candy/gum) | <input type="checkbox"/> Health & Beauty      | <input type="checkbox"/> Housewares/Kitchen   |
| <input type="checkbox"/> Jewelry (costume)        | <input type="checkbox"/> Journals & Books       | <input type="checkbox"/> Keychains            | <input type="checkbox"/> Lanyards             |
| <input type="checkbox"/> Magnets                  | <input type="checkbox"/> Padfolios and Covers   | <input type="checkbox"/> Personal Care        | <input type="checkbox"/> Pet Products         |
| <input type="checkbox"/> Sports Products          | <input type="checkbox"/> Stationary             | <input type="checkbox"/> Toys (figures)       | <input type="checkbox"/> Toys (games)         |
| <input type="checkbox"/> Toys (plush)             | <input type="checkbox"/> Toys (other)           | <input type="checkbox"/> Wallets & Card Cases | <input type="checkbox"/> Writing Instruments  |
| <input type="checkbox"/> Other (Please describe): |   |   |   |

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**YOUR MANAGEMENT TEAM:** Please provide the full name, title and contact information for each person who is primarily responsible for the following (if applicable):

The person completing this Questionnaire	Name: Title: Email: Direct Phone: Mobile Phone:
CEO, President, or Owner of Your Company	Name: Title: Email: Direct Phone: Mobile Phone:
Sales	Name: Title: Email: Direct Phone: Mobile Phone:
Production	Name: Title: Email: Direct Phone: Mobile Phone:
Product Quality, Safety and Regulatory Compliance (name all department managers who are responsible)	Name: Title: Email: Direct Phone: Mobile Phone:

Social Accountability	Name: Title: Email: Direct Phone: Mobile Phone:
Environmental Stewardship	Name: Title: Email: Direct Phone: Mobile Phone:
Shipping and Logistics	Name: Title: Email: Direct Phone: Mobile Phone:
<b>PRODUCT QUALITY</b>	
Is your company or any of its facilities ISO 9001: 2008 or 2015 certified?	<input type="checkbox"/> Yes; please describe all and provide copies of ISO certificates; <input type="checkbox"/> No
If ISO 9001 quality management systems are NOT in-place in your facilities, are there other quality assurance systems or processes in-place at your factories?	<input type="checkbox"/> Yes; please describe these systems and processes; <input type="checkbox"/> No
Has any of your company-owned or third-party factories been audited by Quality Certification Alliance (QCA)?	<input type="checkbox"/> Yes; please provide copies of audit summaries and any QCA Certificate; <input type="checkbox"/> No
Does your company follow any policies and procedures to ensure your products are produced in accordance to Good Manufacturing Practices (GMP) for quality?	<input type="checkbox"/> Yes; please describe these policies and procedures, and provide copies; <input type="checkbox"/> No
How are these GMP policies monitored and updated? By whom? How often?	
Has your company passed a GMP Audit?	<input type="checkbox"/> Yes; please provide copies of the most recent GMP Audit report; <input type="checkbox"/> No

Does your company have written product specifications for all your items?	<input type="checkbox"/> Yes; please provide copies of 5 written specifications for the type of products we wish to buy from you.  <input type="checkbox"/> No
What guidelines and procedures to you have in-place to ensure accuracy and completeness of your product specifications?	Please describe and provide copies.
Does your company use any date or lot codes to trace manufactured products? What other methods, if any, do you use to track products in case of a recall?	<input type="checkbox"/> Yes; please describe any policies and procedures, and provide copies of examples;  <input type="checkbox"/> No
What training is provided to your quality officers and managers?	Please explain and provide copies of training procedures.
When purchasing raw materials or components for your products, what documentation is required by your company from your suppliers along with the delivered raw materials or components?	Please provide copies of 3 examples of documentation required from your suppliers.
Does your facility have any During Production (Du-Pro) quality inspection policies and procedures in-place?	<input type="checkbox"/> Yes; please describe these policies and procedures, and provide copies of 3 examples of inspection reports;  <input type="checkbox"/> No
Does your facility have any Final Random (Pre-shipment) Inspection policies and procedures in-place?	<input type="checkbox"/> Yes; please provide copies of policies and procedures, and 3 examples of inspection reports.  <input type="checkbox"/> No
<b>PRODUCT SAFETY AND REGULATORY COMPLIANCE</b>	
Does your company have a Product Safety and Regulatory Compliance Policy in-place?	<input type="checkbox"/> Yes; please describe this Policy, and describe the systems and processes being used;  <input type="checkbox"/> No
Does your company regularly conduct product safety and compliance testing with a third-party testing laboratory?	<input type="checkbox"/> Yes; please provide copies of at least 3 recent test reports of the products you sell the most quantity;  <input type="checkbox"/> No

<p>Does your company conduct annual testing on its products to meet U.S. CPSIA regulations?</p>	<p><input type="checkbox"/> Yes; please mark the percentage of your products that are tested at least annually:  <input type="checkbox"/> 1-25%      <input type="checkbox"/> 26-50%  <input type="checkbox"/> 51-75%      <input type="checkbox"/> 76-100%</p> <p><input type="checkbox"/> No</p>
<p>Does your company have a preferred third-party lab that it uses for its testing?</p>	<p><input type="checkbox"/> Yes; please provide names of such lab and your lab account manager: _____  _____</p> <p><input type="checkbox"/> No</p>
<p>Is your company familiar with U.S. and Canadian product safety regulations?</p>	<p><input type="checkbox"/> Yes; please describe your level of proficiency with these regulations, on a scale of 1 to 10, with 10 being of "Expert Level":  _____</p> <p><input type="checkbox"/> No</p>
<p>If your products are regularly sold or shipped to Europe, is your company familiar with EU product safety regulations?</p>	<p><input type="checkbox"/> Yes; please describe your level of proficiency with these regulations, on a scale of 1 to 10, with 10 being of "Expert Level":  _____</p> <p><input type="checkbox"/> No</p> <p><input type="checkbox"/> Not Applicable; we do not regularly sell/ship to the EU</p>
<p>How does your company learn about relevant and current product safety regulations for the U.S., Canada and EU?</p>	<p>Please describe.</p>
<p>Does your facility have any in-house screening or testing equipment such as an HD-XRF analyzer, GC/MS or ICP equipment?</p>	<p>Please describe and provide photographs.</p>
<p>Will your company provide current third-party test reports, at your sole cost, to us if we purchase products from you?</p>	
<p>Does your company's products (and the raw materials used in them) comply with California Proposition 65 without the need of a Warning Label?</p>	<p><input type="checkbox"/> Yes; please explain how you comply with Cal Prop 65, and provide copies of recent test reports;</p> <p><input type="checkbox"/> No; please provide list of items that do not comply with Cal Prop 65 unless a Warning Label is applied to the product.</p>

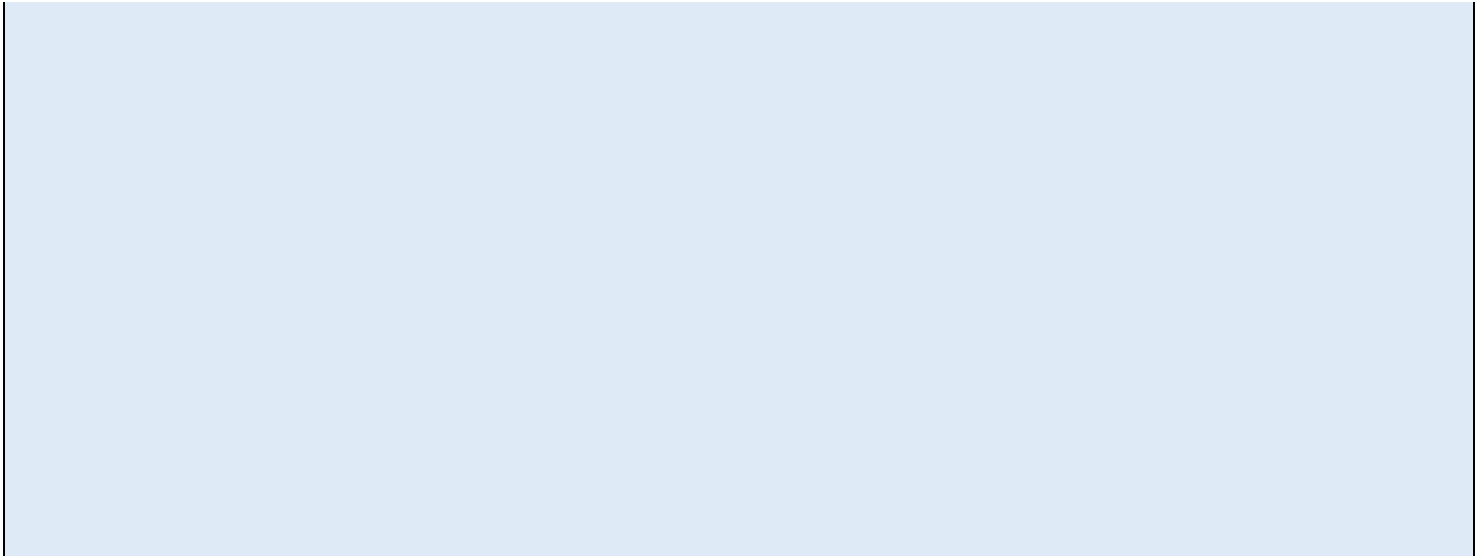
<p>If your company places Cal Prop 65 Warning Labels on its products, can you provide us with the copies of your Warning Labels?</p>	<p><input type="checkbox"/> Yes; copies of our Warning Labels are attached to our response;</p> <p><input type="checkbox"/> No</p>
<p>Does your company use decorating inks to apply clients' logos and other artwork to your products?</p>	<p><input type="checkbox"/> Yes; please list the names of the suppliers and types of the decorating inks you use;</p> <p><input type="checkbox"/> No</p>
<p>Does your company have any third-party testing of the decorating inks you use for your products?</p>	<p><input type="checkbox"/> Yes; please provide copies of 3 current test reports of such inks;</p> <p><input type="checkbox"/> No</p>
<b>SOCIAL COMPLIANCE</b>	
<p>Does your company have a Social Compliance Policy in-place?</p>	<p><input type="checkbox"/> Yes; please provide a copy of the Social Compliance Policy and copies of the systems and processes being used;</p> <p><input type="checkbox"/> No</p>
<p>How are your Social Compliance policies monitored and updated by your company?</p>	<p>Please explain.</p>
<p>Does your facility have a Code of Conduct posted in a place where every employee can view it?</p>	<p><input type="checkbox"/> Yes; please provide a copy of the COC and a photo of where it is posted in your facility;</p> <p><input type="checkbox"/> No</p>
<p>When are emergency evacuation training exercises (such as fire drills) conducted?</p>	<p>Please describe and provide a copy of the last report of an emergency evacuation drill.</p>
<p>When was the last time your facility was inspected by a local fire marshal or inspector?</p>	<p>Please provide a copy of the inspection report or certificate.</p>
<p>What kind of training is conducted to support your company's social compliance policies?</p>	<p>Please explain and provide copies of your training records in the last 24 months.</p>
<p>Has your main factory or decorating plant been audited for Social Compliance in the past 12 months?</p>	<p><input type="checkbox"/> Yes; please provide scores and copies of the reports and CAPs from such audits;</p> <p><input type="checkbox"/> No</p>

<p>Have any of your factories been audited for Disney, NBCUniversal, Wal-Mart, FLA, SEDEX/SMETA, or BSCI?</p>	<p><input type="checkbox"/> Yes; please provide scores and copies of the reports and CAPs from such audits;</p> <p><input type="checkbox"/> No</p>
<b>SUPPLY CHAIN SECURITY</b>	
<p>What policies does your company have to ensure a secure facility for your staff and production activities?</p>	<p>Please explain and provide a copy of your policies.</p>
<p>Does your facility have any security systems, such as alarms, cameras, or other electronic systems in-place to monitor safety and security?</p>	<p><input type="checkbox"/> Yes; please describe and provide photos of these systems;</p> <p><input type="checkbox"/> No</p>
<p>Does your facility conduct periodic security inspections of the outside of the facility?</p>	<p><input type="checkbox"/> Yes; please provide 3 recent inspection reports and corrective actions, if any;</p> <p><input type="checkbox"/> No</p>
<p>How are employees of your facility identified? How are employees and non-employees differentiated?</p>	<p>Please explain what security measures are taken to identify employees and non-employees in your facility.</p>
<p>How is access to the facility and operations areas (such as manufacturing, chemical storage, and warehousing areas) controlled?</p>	<p>Please describe your procedures.</p>
<p>Does your company have any policies and procedures for security when receiving, storing and shipping products?</p>	<p><input type="checkbox"/> Yes; please provide copies of policies and procedures;</p> <p><input type="checkbox"/> No</p>
<b>ENVIRONMENTAL STEWARDSHIP</b>	
<p>Is your company ISO 14001: 2004 or 2015 certified?</p>	<p><input type="checkbox"/> Yes; please describe all and provide copies of all certificates;</p> <p><input type="checkbox"/> No</p>
<p>If ISO 14001 environmental management systems are NOT in-place in your facilities, are there other environmental systems, policies or processes in-place at your factories?</p>	<p><input type="checkbox"/> Yes; please describe these systems, policies and processes;</p> <p><input type="checkbox"/> No</p>
<p>How are these policies and processes monitored and updated?</p>	<p>Please describe.</p>



How is waste reduced in your manufacturing process at your facility?	Please describe.
How are raw materials and products recycled and reused?	Please describe.
How are emissions to air, ground and water monitored and measured?	Please describe.
How are hazardous wastes handled, stored and disposed of at your facility?	Please describe.
Have any of your facilities received any enforcement notices for violations of local environmental regulations?	<input type="checkbox"/> Yes; please describe these notices or violations; <input type="checkbox"/> No
Are there any special state or local environmental regulations that your company must abide with and/or must have certifications and permits to operate?	<input type="checkbox"/> Yes; please describe these regulations and provide copies of environmental certifications and permits; <input type="checkbox"/> No
What percentage of the goods you sell are made from recycled materials?	
What percentage of your packaging is made from recycled materials?	
Have your packaging materials been tested for toxicity under CONEG or Toxics in Packaging (TPCH) regulations for the U.S. and Canada?	<input type="checkbox"/> Yes; please provide recent test reports; <input type="checkbox"/> No

**Do you have any questions for Innovation Line?** Please ask your questions below, and we will try our best to answer them for you.



*Thank you for completing this Vendor/Factory Questionnaire. If you have any questions or would like some clarifications, please do not hesitate to contact me.*

Sincerely,

Innovation Line, Inc.

*Eddie Blau*

CEO

+1 (310) 398-8116, x215 Phone  
[eddie@innovation-line.com](mailto:eddie@innovation-line.com)

**APPENDIX 3:**

**CWFK'TKUMI TCFRI 'OCVTI<  
RISK GUIDELINES FOR FACTORY AUDITS**

**SEE FOLLOWING PAGES**

CATEGORY	RISKS / VIOLATIONS	GRADE: ZERO TOLERANCE	GRADE: HIGH RISK (MAJOR CONCERNS)	GRADE: INTERMEDIATE RISK (MINOR CONCERNS)	GRADE: LOW RISK (ACCEPTABLE)
CHILD LABOR	Factory Policy/Practices	- Confirmed child labor (based on local law)	- Reported, but not confirmed, allegations of child labor - Children present but not working		- Children are not permitted in the factory - No observations or reports of child labor
	Age Documentation		- Pervasive lack of age documentation (>1% of workers are without age documentation)	- Non-intentional missing age documentation (<1% of workers are without age documentation)	- All age documentation is in order
	Underage Labor		- Pervasive lack of legal documentation / provisions for legal underage workers (>1% of underage workers without proper documents, physicals, etc. as required by law)	- Non-intentional missing documentation / provisions for legal underage workers (<1% of underage workers without proper documents, physicals, etc. as required by law)	- All legal documentation and provisions have been provided to underage workers
HUMAN RIGHTS	Forced Labor	- Confirmed bonded / slave / prison labor - Forced overtime (not previously agreed to in writing at the time of hiring)	- Reported, but not confirmed, allegations of bonded / slave / prison labor - Reported, but not confirmed, forced overtime - Retention of original employee documents	Retention of original employee documents (with employee's permission)	- No observations or reports of bonded / slave / prison labor
	Discipline	- Confirmed physical / mental / sexual harassment or abuse	- Reported, but not confirmed, allegations of physical / mental abuse - Monetary fines or disciplinary deductions		- No observations or reports of bonded / slave labor

CATEGORY	RISKS / VIOLATIONS	GRADE: ZERO TOLERANCE	GRADE: HIGH RISK (MAJOR CONCERNS)	GRADE: INTERMEDIATE RISK (MINOR CONCERNS)	GRADE: LOW RISK (ACCEPTABLE)
	Discrimination, Gender Equality, and Women's Rights	<ul style="list-style-type: none"> <li>- Confirmed discrimination based on race, gender, religion, ethnicity, nationality, or personal beliefs (Reported by 3 or more employees)</li> <li>- Confirmed pregnancy testing used for discriminatory purposes (Reported by 3 or more employees)</li> <li>- Confirmed forced use of contraception (Reported by 3 or more employees)</li> </ul>	<ul style="list-style-type: none"> <li>- Reported, but not confirmed, allegations of discrimination based on race, gender, religion, ethnicity, nationality, or personal beliefs (Reported by less than 3 employees)</li> <li>- Reported, but not confirmed, allegations of pregnancy testing used for discriminatory purposes (Reported by less than 3 employees)</li> <li>- Reported forced use of contraception (Reported by less than 3 employees)</li> </ul>	<ul style="list-style-type: none"> <li>- Pregnancy testing (not used for discriminatory purposes)</li> </ul>	<ul style="list-style-type: none"> <li>- No observations or reports of discrimination</li> </ul>
	Restricted Liberties	<ul style="list-style-type: none"> <li>- Confirmed incidents/policies of restricted liberties (e.g., restricted water/toilet breaks, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>- Reported, but not confirmed, allegations of restricted liberties</li> </ul>		<ul style="list-style-type: none"> <li>- No observations or reports of restricted liberties</li> </ul>
<b>SUBCONTRACTING</b>	Unauthorized Use of Subcontractors			<ul style="list-style-type: none"> <li>- Confirmed use of unauthorized subcontractors</li> </ul>	<ul style="list-style-type: none"> <li>- No evidence that points to use of unauthorized subcontractors</li> </ul>
	Disclosure of Subcontractors			<ul style="list-style-type: none"> <li>- Non-disclosure of subcontractors</li> </ul>	<ul style="list-style-type: none"> <li>- All subcontractors were readily disclosed</li> </ul>
<b>WAGE AND HOUR</b>	Minimum Wage		<ul style="list-style-type: none"> <li>- Pervasive intentional denial of local minimum wage (&gt;1% of the workers affected)</li> </ul>	<ul style="list-style-type: none"> <li>- Accidental miscalculation of wages leading to minimum wage deficiency (&lt;1% of workers affected)</li> </ul>	<ul style="list-style-type: none"> <li>- All workers guaranteed local minimum wage</li> </ul>
	Overtime Premiums		<ul style="list-style-type: none"> <li>- Pervasive intentional denial of local overtime premiums (&gt;1% of the workers affected)</li> </ul>	<ul style="list-style-type: none"> <li>- Accidental miscalculation of wages leading to overtime premium deficiency (&lt;1% of workers affected)</li> </ul>	<ul style="list-style-type: none"> <li>- All workers guaranteed local overtime premiums</li> </ul>

CATEGORY	RISKS / VIOLATIONS	GRADE: ZERO TOLERANCE	GRADE: HIGH RISK (MAJOR CONCERNS)	GRADE: INTERMEDIATE RISK (MINOR CONCERNS)	GRADE: LOW RISK (ACCEPTABLE)
WAGE AND HOUR (continued)	Hours of Work	<ul style="list-style-type: none"> <li>- Confirmed forced overtime not previously agreed to in writing at the time of hiring</li> </ul>	<ul style="list-style-type: none"> <li>- Pervasive excessive work hours. More than 60 hours/week for any 3 weeks in any 12-week period (unless not limited by local law)               <ul style="list-style-type: none"> <li>- &gt;72 hours of work per week (unless not limited by local law)</li> </ul> </li> <li>- Lack of waiver to exceed maximum hours/week</li> <li>- Pervasive lack of required days of rest (Occurring more than 3 times in any 12-week period; unless not limited by law)</li> </ul>	<ul style="list-style-type: none"> <li>- Occasional excessive work hours. 60-71 hours/week occurring less than 3 weeks in any 12-week period (unless not limited by local law)</li> <li>- Invalid or expired waiver to exceed maximum hours of work per week</li> <li>- Occasional lack of required days of rest (Occurring 3 times or less in any 12-week period; unless not limited by law)</li> <li>- Insufficient rest breaks</li> </ul>	<ul style="list-style-type: none"> <li>- All workers work &lt;60 hours per week</li> <li>- Legal and valid waiver to exceed maximum hours of work per week</li> <li>- One day of rest per week is provided</li> </ul>
	Time Records		<ul style="list-style-type: none"> <li>- Confirmed manipulation of time records</li> <li>- &gt;1% of time records are missing, incomplete, or inaccurate</li> <li>- Uniform timecard punches</li> <li>- Time records do not correspond with testimony of &gt;15% of employee interviews (More than 2 of the 15 employees interviewed)</li> </ul>	<ul style="list-style-type: none"> <li>- &lt;1% of time records are missing, incomplete, or inaccurate</li> <li>- Time records do not correspond with testimony of &lt;15% of employee interviews (2 or fewer of the 15 employees interviewed)</li> </ul>	<ul style="list-style-type: none"> <li>- All time records are in order</li> <li>- <b>Time cards are not signed</b></li> <li>- Changes to time cards are not initialed by employees</li> </ul>
	Piece Tickets	<ul style="list-style-type: none"> <li>- Unrealistic quotas set for workers, who cannot leave facility until quotas are met</li> </ul>	<ul style="list-style-type: none"> <li>- Manipulated piece tickets</li> <li>- &gt;1% of piece tickets are missing or incomplete</li> <li>- Piece tickets do not correspond with testimony of &gt;15% of employee testimonies</li> </ul>	<ul style="list-style-type: none"> <li>- <b>&lt;1% of piece tickets are missing or incomplete</b></li> <li>- Piece tickets do not correspond with testimony of &lt;15% of employee testimonies</li> </ul>	<ul style="list-style-type: none"> <li>- All piece tickets are in order</li> </ul>

CATEGORY	RISKS / VIOLATIONS	GRADE: ZERO TOLERANCE	GRADE: HIGH RISK (MAJOR CONCERNS)	GRADE: INTERMEDIATE RISK (MINOR CONCERNS)	GRADE: LOW RISK (ACCEPTABLE)
WAGE AND HOUR (continued)	Payroll	<ul style="list-style-type: none"> <li>- Workers are not paid</li> </ul>	<ul style="list-style-type: none"> <li>- Missing or manipulated payroll</li> <li>- Workers are not paid in a timely manner (delayed &gt;2 pay periods, or based on local law)</li> <li>- &gt;20% of workers do not receive social security or other mandatory benefits (without acceptable governmental waivers)</li> </ul>	<ul style="list-style-type: none"> <li>- Workers are not paid in a timely manner (delayed &lt;2 pay periods)</li> <li>- &lt;20% of workers do not receive social security or other mandatory benefits</li> <li>- Inaccurate, incomplete, or missing social benefits</li> </ul>	<ul style="list-style-type: none"> <li>- All workers are paid in a timely manner</li> <li>- All workers receive social security and other mandatory benefits</li> </ul>
	Deductions/Deposits		<ul style="list-style-type: none"> <li>- Confirmed excessive deposits</li> <li>- Confirmed excessive deductions that violate country law</li> </ul>	<ul style="list-style-type: none"> <li>- Reported, but not confirmed, excessive or illegal deductions or deposits</li> <li>- Confirmed excessive deductions that do not violate country law</li> </ul>	<ul style="list-style-type: none"> <li>- No evidence of excessive or illegal deductions or deposits</li> </ul>
HEALTH AND SAFETY	Fire Safety	<ul style="list-style-type: none"> <li>- <b>No fire safety equipment is provided in entire facility</b></li> </ul>	<ul style="list-style-type: none"> <li>- Missing fire safety in &gt;1 departments</li> <li>- No secondary exits in facility</li> <li>- Lack of emergency lighting in entire facility</li> <li>- No fire drills are conducted</li> <li>- Lack of or non-operational fire alarm in facility</li> </ul>	<ul style="list-style-type: none"> <li>- Missing fire safety in 1 department</li> <li>- Lack of emergency lighting in some departments</li> <li>- Required fire safety equipment is missing, insufficient, non-functional, or inaccessible</li> <li>- Emergency exits are blocked, inaccessible, or unmarked</li> <li>- Emergency lighting is not operational</li> <li>- Fire drills are conducted occasionally or are conducted but not documented</li> </ul>	<ul style="list-style-type: none"> <li>- All required fire safety equipment is in place and functional</li> <li>- All required emergency exits are clear, accessible, and appropriately marked</li> <li>- All emergency lighting is operational</li> <li>- Fire drills are conducted regularly and drills are documented</li> </ul>

CATEGORY	RISKS / VIOLATIONS	GRADE: ZERO TOLERANCE	GRADE: HIGH RISK (MAJOR CONCERNS)	GRADE: INTERMEDIATE RISK (MINOR CONCERNS)	GRADE: LOW RISK (ACCEPTABLE)
	Sanitation		<ul style="list-style-type: none"> <li>- Toilets and/or eating areas are not sanitary, or lack a source of clean running water nearby</li> <li>- Inadequate number of toilets for worker population</li> </ul>	<ul style="list-style-type: none"> <li>- Toilets and/or eating areas are sanitary and provide a source of clean running water nearby, but are missing supplies</li> <li>- Toilets are not gender-separated or lack privacy stalls</li> </ul>	<ul style="list-style-type: none"> <li>- Toilets and/or eating areas are sanitary, and provided with supplies and a source of clean running water nearby</li> <li>- Adequate number of toilets that are gender-separated and provides privacy</li> </ul>
<b>HEALTH AND SAFETY (continued)</b>	Production Areas	<ul style="list-style-type: none"> <li>- Workers are in imminent danger</li> </ul>	<ul style="list-style-type: none"> <li>- Primary and/or secondary aisles are blocked or inaccessible in a way to prevent evacuation</li> <li>- Lack of proper ventilation and climate controls, leading to oppressive temperatures</li> <li>- &gt;10% of machines are missing safety components</li> <li>- Personal protective equipment is not provided to workers</li> <li>- Electrical wires/panels are poorly maintained and pose an immediate threat of electrocution</li> <li>- Hazardous chemicals are exposed or not labeled</li> <li>- No secondary containment for hazardous chemicals</li> <li>- No MSDS program</li> <li>- Overcrowded workstations/dormitories (poses evacuation risk)</li> </ul>	<ul style="list-style-type: none"> <li>- Primary and secondary aisles are not designated and marked (or faded)</li> <li>- Primary and/or secondary aisles are blocked or inaccessible, but do not prevent evacuation</li> <li>- Low lighting levels, leading to possible worker injury</li> <li>- &lt;10% of machines are missing safety components</li> <li>- Personal protective equipment is provided but not used by workers, or workers are not trained in their use</li> <li>- Electrical wires/panels require maintenance, but do not pose an immediate threat of electrocution</li> <li>- Chemicals are labeled/stored improperly</li> <li>- MSDS program exists but employees are not properly trained on the program</li> <li>- Cluttered workstations (excess production)</li> <li>- Unlabeled tagging guns</li> </ul>	<ul style="list-style-type: none"> <li>- Primary and secondary aisles are designated and appropriately marked</li> <li>- All primary and/or secondary aisles are clear and accessible</li> <li>- Ventilation and climate controls are functional and operated accordingly</li> <li>- Proper lighting is provided to all production units</li> <li>- All machines are properly outfitted with safety components</li> <li>- Personal protective equipment is provided and properly used</li> <li>- Electrical wires/panels are properly maintained and labeled</li> <li>- Chemicals are properly labeled and stored</li> <li>- MSDS program is properly administered</li> <li>- Workstations are tidy and provide workers with adequate space</li> </ul>



CATEGORY	RISKS / VIOLATIONS	GRADE: ZERO TOLERANCE	GRADE: HIGH RISK (MAJOR CONCERNS)	GRADE: INTERMEDIATE RISK (MINOR CONCERNS)	GRADE: LOW RISK (ACCEPTABLE)
	Environment		<ul style="list-style-type: none"> <li>- Inadequate disposal of hazardous waste directly into the environment</li> <li>- Missing environmental permits</li> </ul>		<ul style="list-style-type: none"> <li>- Adequate environmental practices</li> </ul>
<b>HEALTH AND SAFETY (continued)</b>	First Aid		<ul style="list-style-type: none"> <li>- <b>No first aid supplies/kits in entire facility</b></li> <li>- No clinic (if required by law)</li> <li>- Improper disposal of needles or medical waste</li> </ul>	<ul style="list-style-type: none"> <li>- <b>No first aid supplies/kits in some departments</b></li> <li>- First aid supplies/kits are missing, inaccessible, or past their expiry date</li> <li>- Employees do not receive first aid training, or are not trained sufficiently</li> </ul>	<ul style="list-style-type: none"> <li>- All required first aid supplies/kits are in place</li> <li>- Employees receive first aid training regularly and trainings are documented</li> </ul>
<b>FREEDOM OF ASSOCIATION</b>	Management Interference	<ul style="list-style-type: none"> <li>- Confirmed denial of right for workers to associate</li> </ul>	<ul style="list-style-type: none"> <li>- Reported, but not confirmed, denial of right to associate</li> </ul>		<ul style="list-style-type: none"> <li>- Factory allows workers to associate freely</li> </ul>
<b>OTHER</b>	Management Co-operation	<ul style="list-style-type: none"> <li>- Denied entry</li> </ul>	<ul style="list-style-type: none"> <li>- Management was hostile and threatening towards consultants (Does not include management disagreeing with findings)</li> <li>- Denied access to documents, employees for interviews, and/or production areas</li> <li>- Management attempted to bribe consultants</li> </ul>		<ul style="list-style-type: none"> <li>- Management was receptive to recommendations made by consultants</li> <li>- Management was co-operative in providing consultants with all necessary documents and access to premises</li> </ul>
	Legal Requirements		<ul style="list-style-type: none"> <li>- Missing business licenses, environmental licenses, or other pertinent permits/waivers</li> <li>- No labor contracts (if required by law)</li> </ul>	<ul style="list-style-type: none"> <li>- Business licenses, environmental licenses, or other pertinent permits/waivers are pending renewal or approval</li> <li>- Missing, inaccurate, or incomplete labor contracts (if required by law)</li> </ul>	<ul style="list-style-type: none"> <li>- All pertinent licenses/permits/waivers are legal and valid</li> </ul>

CATEGORY	RISKS / VIOLATIONS	GRADE: ZERO TOLERANCE	GRADE: HIGH RISK (MAJOR CONCERNS)	GRADE: INTERMEDIATE RISK (MINOR CONCERNS)	GRADE: LOW RISK (ACCEPTABLE)
RESPONSE		<ul style="list-style-type: none"> <li>• Auditor to contact Client Service Manager immediately</li> <li>• Suspend shipment of goods</li> <li>• Supplier and factory implement Corrective Actions <u>immediately</u></li> <li>• Unannounced re-audit to verify Corrective Actions within 30 days</li> </ul>	<ul style="list-style-type: none"> <li>• Draft Corrective Action Plan (CAP)</li> <li>• Forward CAP &amp; report to Client Service Manager</li> <li>• Factory implements corrective actions within <u>30-60 days</u></li> <li>• Re-audit to verify corrective actions within 60 - 90 days</li> </ul>	<ul style="list-style-type: none"> <li>• Draft Corrective Action Plan</li> <li>• Forward CAP &amp; report to client and supplier/factory</li> <li>• Factory implements corrective actions within <u>30-60 days</u></li> <li>• Approved for production for 1 year</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Encourage supplier to continue to keep factory in compliance.</i></li> <li>• Annual or Biennial Onsite Assessment to verify ongoing compliance</li> </ul>